

LETTER OF OFFER
Dated May 31, 2010
For Equity Shareholders of the Company only
NOT FOR DISTRIBUTION IN THE UNITED STATES



SUZLON ENERGY LIMITED

(Incorporated in India on April 10, 1995 under the Companies Act, 1956 with Corporate Identity Number L40100GJ1995PLC025447.)

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Contact Person: Mr. Ashok Jangid, Company Secretary and Compliance Officer.

FOR PRIVATE CIRCULATION TO THE EQUITY SHAREHOLDERS OF SUZLON ENERGY LIMITED (THE "COMPANY") ONLY

LETTER OF OFFER

ISSUE OF 207,565,299 EQUITY SHARES WITH A FACE VALUE OF RS.2 EACH AT A PREMIUM OF RS.61 PER EQUITY SHARE FOR AN AGGREGATE AMOUNT OF RS.1,307.66 CRORES ON A RIGHTS BASIS TO THE EXISTING EQUITY SHAREHOLDERS OF THE COMPANY IN THE RATIO OF TWO EQUITY SHARE(S) FOR EVERY 15 FULLY PAID-UP EQUITY SHARE(S) HELD BY THE EXISTING EQUITY SHAREHOLDERS ON THE RECORD DATE, THAT IS ON JUNE 10, 2010 (THE "ISSUE"). THE ISSUE PRICE IS 31.5 TIMES THE FACE VALUE OF THE EQUITY SHARES. FOR FURTHER DETAILS, SEE THE SECTION TITLED "TERMS AND PROCEDURE OF THE ISSUE" OF THIS LETTER OF OFFER. THIS BEING A FAST TRACK ISSUE UNDER REGULATION 10 OF THE SEBI (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009, AS AMENDED, ("ICDR REGULATIONS"), THE COMPANY HAS FILED THIS LETTER OF OFFER WITH THE DESIGNATED STOCK EXCHANGE WITH A COPY TO THE SECURITIES AND EXCHANGE BOARD OF INDIA (THE "SEBI").

This Letter of Offer may not be sent to any person or any jurisdiction in which it would not be permissible to deliver the Equity Shares and rights to purchase the Equity Shares, and the Equity Shares and rights to purchase the Equity Shares may not be offered, sold, resold, transferred or delivered, directly or indirectly, to any such person or in any such jurisdiction. The Equity Shares and rights to purchase the Equity Shares have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "Securities Act") or under any securities laws of any state or other jurisdiction of the United States and may not be offered, sold, resold, allotted, taken up, exercised, renounced, pledged, transferred or delivered, directly or indirectly, within the United States or to or by U.S. persons (as defined in Regulation S under the Securities Act ("Regulation S")).

GENERAL RISKS

Investments in equity and equity-related securities involve a degree of risk and investors should not invest any funds in the Issue unless they can afford to take the risk of losing their investment. Investors are advised to read the Risk Factors carefully before taking an investment decision in the Issue. For taking an investment decision, investors must rely on their own examination of the Company and the Issue, including the risks involved. The securities being offered in the Issue have not been recommended or approved by the SEBI, nor does the SEBI guarantee the accuracy or adequacy of this Letter of Offer. Investors are advised to refer to the section titled "Risk Factors" beginning on page 1 of this Letter of Offer.

ISSUER'S ABSOLUTE RESPONSIBILITY

The Company having made all reasonable inquiries, accepts responsibility for and confirms that this Letter of Offer contains all information with regard to the Company and the Issue, which is material in the context of the Issue, that the information contained in this Letter of Offer is true and correct in all material aspects and is not misleading in any material respect, that the opinions and intentions expressed herein are honestly held and that there are no other facts, the omission of which makes this Letter of Offer as a whole or any of such information or the expression of any such opinions or intentions misleading in any material respect.

LISTING

The existing Equity Shares of the Company are listed on the Bombay Stock Exchange Limited ("BSE") and the National Stock Exchange of India Limited ("NSE"), and together with BSE, the "Stock Exchanges". The Company had made applications to the BSE and the NSE dated May 31, 2010, seeking "in-principle" approval for the listing of the Equity Shares issued pursuant to the Issue. The Company has received in-principle approval from the BSE for listing the Equity Shares arising from the Issue pursuant to letter dated May 31, 2010. For the purposes of the Issue, the NSE shall be the Designated Stock Exchange.

SOLE GLOBAL COORDINATOR AND LEAD MANAGER TO THE ISSUE

LEAD MANAGER TO THE ISSUE

REGISTRAR TO THE ISSUE


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Contact Person: Mr. Akhilesh Poddar
SEBI Registration Number: INM000010718


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Investor Grievance E-mail: investor.grievance@sbicaps.com
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Contact Person: Ms. Alpa Joshi
SEBI Registration Number: INM000003531


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Website: http://karisma.karvy.com
Contact Person: Mr. Murali Krishna
SEBI Registration Number: INR000000221

ISSUE PROGRAMME

ISSUE OPENS ON

LAST DATE FOR REQUEST FOR SPLIT APPLICATION FORMS

ISSUE CLOSSES ON

JUNE 18, 2010

JUNE 25, 2010

JULY 2, 2010

TABLE OF CONTENTS

SECTION 1 - GENERAL	I
DEFINITIONS AND ABBREVIATIONS	I
PRESENTATION OF FINANCIAL INFORMATION AND USE OF MARKET DATA	VIII
FORWARD - LOOKING STATEMENTS	X
SECTION II - RISK FACTORS	1
RISK FACTORS	1
SECTION III - INTRODUCTION	31
THE ISSUE	31
SELECTED FINANCIAL INFORMATION	32
GENERAL INFORMATION	38
CAPITAL STRUCTURE	43
OBJECTS OF THE ISSUE.....	52
STATEMENT OF TAX BENEFITS	55
SECTION IV - ABOUT US	66
INDUSTRY	66
BUSINESS	73
REGULATIONS AND POLICIES IN INDIA	93
MANAGEMENT AND CORPORATE GOVERNANCE.....	109
DIVIDEND POLICY	115
SECTION V - FINANCIAL INFORMATION	F-1
FINANCIAL STATEMENTS	F-1
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION	116
FINANCIAL INDEBTEDNESS	135
RECENT DEVELOPMENTS	139
SECTION VI - LEGAL AND OTHER INFORMATION	140
OUTSTANDING LITIGATION AND DEFAULTS	140
GOVERNMENT AND OTHER APPROVALS	143
STATUTORY AND OTHER INFORMATION.....	145
SECTION VII - ISSUE RELATED INFORMATION	160
TERMS AND PROCEDURE OF THE ISSUE.....	160
SECTION VIII - DESCRIPTION OF THE EQUITY SHARES	192
SECTION IX - OTHER INFORMATION	201
MATERIAL CONTRACTS AND DOCUMENTS FOR INSPECTION.....	201
DECLARATION	203

SECTION 1 - GENERAL

DEFINITIONS AND ABBREVIATIONS

Unless the context otherwise indicates or requires, the following terms in this Letter of Offer have the meanings given below.

General Terms

Term	Description
Air Act	Air (Prevention and Control of Pollution) Act, 1981, as amended
BSE	The Bombay Stock Exchange Limited
CDSL	Central Depository Services (India) Limited
Circular 1 of 2010	Circular 1 of 2010 issued by the DIPP consolidating the FDI policy of the Government of India with effect from April 1, 2010
Civil Procedure Code	Code of Civil Procedure, 1908, as amended
Companies Act	The Companies Act, 1956, as amended
Competition Act	Competition Act, 2002, as amended
Depositories	NSDL and CDSL
Depositories Act	The Depositories Act, 1996, as amended
Depository	A depository registered with the SEBI under the SEBI (Depositories and Participants) Regulations, 1996, as amended
Depository Participant	A participant as defined under the Depositories Act
EBITDA	Earnings before interest, tax, depreciation and amortization
ECB Guidelines	The Regulations and Guidelines issued by the RBI on External Commercial Borrowings including the Master Circular on External Commercial Borrowings and Trade Credits dated July 1, 2009
Employee's Compensation Act	Employee's Compensation Act, 1923, as amended
ERC Act	Electricity Regulatory Commission Act, 1998, as amended
Factories Act	Factories Act, 1948, as amended
FEMA	The Foreign Exchange Management Act, 1999, as amended, and the regulations framed thereunder
FEM Securities Regulations	The Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2000, as amended
FII	Foreign Institutional Investors (as defined under the FII Regulations, registered with the SEBI)
FII Regulations	The SEBI (Foreign Institutional Investors) Regulations 1995, as amended
Fiscal/Fiscal Year	Any period of twelve months ended March 31 of that particular year, unless otherwise stated
Forest Act	Forest (Conservation) Act, 1980, as amended
Forest Rules	Forest (Conservation) Rules, 2003, as amended
FSMA	Financial Services and Markets Act, 2000, as amended of U.K.
FVCI	Foreign Venture Capital Investors (as defined under the SEBI (Foreign Venture Capital Investors) Regulations, 2000, as amended), registered with the SEBI
Hazardous Waste Rules	The Hazardous Wastes (Management, Handling and Transboundary Movement) Rules, 2008, as amended
IAS	International Accounting Standards
ICDR Regulations	The SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009, as amended
IFRS	International Financial Reporting Standards
Indian GAAP	Generally accepted accounting principles in India
ISO	International Organization of Standardization
Land Acquisition Act	Land Acquisition Act, 1894, as amended
MMDR Act	The Mines and Minerals (Development and Regulation) Act, 1957, as amended

Term	Description
Mutual Fund	A mutual fund registered with the SEBI under the SEBI (Mutual Funds) Regulations, 1996, as amended
Non-resident(s)	Person(s) resident outside India, as defined under the FEMA, including FIIs and FVCIs
NRI/Non-Resident Indian	A person resident outside India, as defined under the FEMA and who is a citizen of India or a person of Indian origin, such terms as defined under the Foreign Exchange Management (Deposit) Regulations, 2000, as amended
NSDL	National Securities Depository Limited
NSE	The National Stock Exchange of India Limited
OCB	A company, partnership, society or other corporate body owned directly or indirectly to the extent of at least 60% by NRIs including overseas trusts, in which not less than 60% of beneficial interest is irrevocably held by NRIs directly or indirectly and which was in existence on October 3, 2003 and immediately before such date had taken benefits under the general permission granted to OCBs under the FEMA. OCBs are not permitted to participate in the Issue
Regulation S	Regulation S of the Securities Act
SEBI	The Securities and Exchange Board of India constituted under the SEBI Act
SEBI Act	The Securities and Exchange Board of India Act, 1992, as amended
SEBI Guidelines	The SEBI (Disclosure and Investor Protection) Guidelines, 2000 (since rescinded)
Securities Act	The U.S. Securities Act of 1933, as amended
Takeover Code	The SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997, as amended
U.S. GAAP	Generally accepted accounting principles in the United States
Water Act	Water (Prevention and Control of Pollution) Act 1974, as amended
Water Cess Act	The Water (Prevention and Control of Pollution) Cess Act, 1977, as amended

Issue Related Terms

Term	Description
Abridged Letter of Offer	The abridged letter of offer to be sent to the eligible Equity Shareholders with respect to this Issue in accordance with the ICDR Regulations
Application Money	The aggregate amount payable in respect of the Equity Shares applied for in the Issue at the Issue Price of Rs.63
Application Supported by Blocked Amount/ASBA	An application, whether physical or electronic, used by an ASBA Applicant to apply for the Equity Shares in the Issue, together with an authorization to an SCSB to block the Application Money in the specified bank account maintained with such SCSB
ASBA Applicants	Eligible Equity Shareholders who intend to apply through ASBA and (a) are holding Equity Shares in dematerialized form as on the Record Date and have applied for (i) their Rights Entitlement or (ii) their Rights Entitlement and Equity Shares in addition to their Rights Entitlement, in dematerialized form; (b) have not renounced their Rights Entitlement in full or in part; (c) are not renounees and (d) are applying through blocking of funds in bank accounts maintained with SCSBs
Bankers to the Issue	State Bank of India and IDBI Bank Limited
Composite Application Form/CAF	The application form used by eligible Equity Shareholders and renounee(s), if any, to make an application for the issue and allotment of the Equity Shares in the Issue
Controlling Branches	The branches of the SCSBs which coordinate with the Registrar to the Issue and the Stock Exchanges and a list of which is available at http://www.sebi.gov.in
Designated Branches	Such branches of the SCSBs which shall collect the CAFs of ASBA Applicants and a list of which is available at http://www.sebi.gov.in
Designated Stock Exchange	NSE
ECS	Electronic Clearing Services
IFSC	Indian Financial System Code
Issue	Issue of 207,565,299 Equity Shares with a face value of Rs.2 each at a premium of

Term	Description
	Rs.61 per Equity Share for an amount aggregating Rs.1,307.66 crores on a rights basis to the existing Equity Shareholders in the ratio of two Equity Share(s) for every 15 fully paid-up Equity Share(s) held by the existing Equity Shareholders on the Record Date. The issue price is 31.5 times the face value of the Equity Shares
Issue Closing Date	July 2, 2010
Issue Opening Date	June 18, 2010
Issue Price	Rs.63 per Equity Share
Lead Manager	SBI Capital Markets Limited
Lead Managers	The Sole Global Coordinator and Lead Manager and the Lead Manager
Letter of Offer	This letter of offer dated May 31, 2010 filed with the Stock Exchanges
Listing Agreements	The listing agreements entered into between the Company and the Stock Exchanges
MICR	Magnetic Ink Character Recognition
Monitoring Agency	State Bank of India
NEFT	National Electronic Funds Transfer
Record Date	June 10, 2010
Refund Bank	State Bank of India and IDBI Bank Limited
Registrar to the Issue	Karvy Computershare Private Limited
Registrar of Companies/RoC	The Registrar of Companies, Gujarat, Dadra & Nagar Haveli at Ahmedabad located at RoC Bhavan, Opposite Rupal Park, Near Ankur Bus Stand, Naranpura, Ahmedabad, 380 013, India
Rights Entitlement	The number of Equity Shares that an Equity Shareholder is entitled to in proportion to his/her shareholding in the Company as on the Record Date
Rights Issue Committee	A committee authorized by the Board of Directors to determine the terms of the Issue
RTGS	Real Time Gross Settlement
Self Certified Syndicate Banks/SCSBs	The banks which are registered with the SEBI under the SEBI (Bankers to an Issue) Regulations, 1994, as amended, and are recognized as such by the SEBI and offer services of ASBA, including blocking of funds in bank accounts. A list of such banks is available at http://www.sebi.gov.in
Share Certificate	The certificate in respect of the Equity Shares allotted to a folio with a split performance
Sole Global Coordinator and Lead Manager	Citigroup Global Markets India Private Limited
Stock Exchanges	BSE and NSE, where the Equity Shares of the Company are presently listed

Issuer and Industry Related Terms

Term	Description
“the Company” or “Suzlon”	Suzlon Energy Limited, a public limited company incorporated under the Companies Act and having its registered office at “Suzlon”, 5, Shrimali Society, Near Shri Krishna Complex, Navrangpura, Ahmedabad 380 009, India on a stand alone basis
“we” or “us” or “our” or “the Group”	Suzlon Energy Limited, its Subsidiaries, associates and joint ventures
AERH	AE Rotor Holding B.V.
Affiliated Companies	Synefra, SRL, Kurumadikere Energy Limited and Shubh Realty (South) Private Limited
Articles	The articles of association of the Company, as amended
Auditors	The statutory auditors of the Company being, SNK & Co., Chartered Accountants and S.R. Batliboi & Co., Chartered Accountants, the joint statutory auditors of the Company
Board of Directors/Board	The board of directors of the Company or a duly constituted committee thereof
BTM	BTM Consult Aps
CASE	Commission on Alternative Sources of Energy
C-WET	Center of Wind Energy Technology

Term	Description
Director(s)	The director(s) of the Company, as appointed from time to time
DNES	Department of Non-Conventional Energy Sources
DNV	Det Norske Veritas
EPA	The Environment (Protection) Act, 1986, as amended
Equity Shareholder/Shareholder	A holder of the Equity Shares
Equity Shares	Equity shares of the Company
ESOP-2005	The ESOP-2005 scheme instituted by the Company for all eligible employees pursuant to a special resolution adopted by the Equity Shareholders on June 16, 2005
ESOP-2006	The ESOP-2006 scheme instituted by the Company for all eligible employees pursuant to a special resolution adopted by the Equity Shareholders on March 10, 2007
ESOP-2007	The ESOP-2007 scheme instituted by the Company for all eligible employees pursuant to a special resolution adopted by the Equity Shareholders on May 22, 2008
ESOP-Perpetual I	The ESOP-Perpetual I scheme instituted by the Company for all eligible employees pursuant to a special resolution adopted by the Equity Shareholders on August 13, 2009
GEDA	Gujarat Energy Development Agency
Group Companies	Companies, firms, ventures, etc. promoted by the Promoters, irrespective of whether such entities are covered under Section 370(1)(B) of the Companies Act
GWEC	Global Wind Energy Council
Hansen	Hansen Transmissions International N.V.
IEA	International Energy Agency
IREDA	The Indian Renewable Energy Development Agency Limited
June 2012 Bonds	U.S.\$300,000,000 zero coupon convertible bonds due 2012 issued by the Company in June 2007 convertible into Equity Shares of Rs.2 each at an initial conversion price of Rs.359.68 per share at any time until June 5, 2012 at the option of the bondholders
June 2012 New Bonds	U.S.\$35,592,000 7.50% convertible bonds due 2012 issued by the Company in May 2009 convertible into Equity Shares of Rs.2 each at an initial conversion price of Rs.76.6755 per share at any time until June 5, 2012 at the option of the bondholders
KREDL	Karnataka Renewable Energy Development Limited
KW	Kilo Watts
kWh	Kilo Watt Hours
Lending Promoter	Sanman Holdings Private Limited
Memorandum	The memorandum of association of the Company, as amended
MNRE	Ministry of New and Renewable Energy, Government of India
MNRE Guidelines	Guidelines for Wind Power Projects, introduced by the MNRE in July 1995
MW	Mega Watts
New Bonds	U.S.\$90,000,000 zero coupon convertible bonds due 2014 issued by the Company on July 24, 2009 convertible into Equity Shares of Rs.2 each at a pre-determined price of Rs.90.38 per share at any time until July 18, 2014 at the option of the bondholders
October 2012 Bonds	U.S.\$200,000,000 zero coupon convertible bonds due 2012 issued by the Company in October 2007 convertible into Equity Shares of Rs.2 each at an initial conversion price of Rs.371.55 per share at any time until October 4, 2012 at the option of the bondholders
October 2012 New Bonds	U.S.\$20,796,000 7.50% convertible bonds due 2012 issued by the Company in May 2009 convertible into Equity Shares of Rs.2 each at a pre-determined price of Rs.76.6755 per share at any time until October 4, 2012 at the option of the bondholders
Promoter Group	Rajan V. Tanti (through father guardian Vinod R. Tanti), Vinod R. Tanti (as karta of Vinod Ranchhodbhai HUF), Jitendra R. Tanti, Lina J. Tanti, Brij J. Tanti (through father guardian Jitendra R. Tanti), Trisha J. Tanti (through father guardian Jitendra R. Tanti), Jitendra R. Tanti (as karta of Jitendra Ranchhodbhai HUF), Girish R. Tanti, Radha G. Tanti, Aarav G. Tanti (through father guardian Girish R. Tanti), Aanya G. Tanti (through father guardian Girish R. Tanti), Girish R. Tanti (as karta of Girish Ranchhodbhai HUF), Rambhoben Ukabhai, Meena B. Babaria, Mansukh K. Virani, Dinesh K. Virani, Kishore K. Virani, Karsan B. Virani, Kesar K. Virani, Hemalata

Term	Description
	Dhanani, Savita Virani, Jaya Virani, Tanti Holdings Private Limited, Suruchi Holdings Private Limited, Sugati Holdings Private Limited, Sanman Holdings Private Limited, Samanvaya Holdings Private Limited, Sugati Beach Resort Private Limited, Synefra Engineering & Construction Limited, Sarjan Realities Limited, Sarjan Infrastructure Finance Limited, Samiran Jaipur Windfarms Private Limited, Samiran Jaipur Senergy Global Limited, Shubh Realty (South) Private Limited, Sunset Windfarms Private Limited, Samimeru Windfarms Private Limited, SE Energy Park Limited, SIL Transmission (Rajasthan) Private Limited, Suzlon Foundation (a company under Section 25 of the Companies Act), Synew Steel Limited, Suzlon Green Power Limited (SGPL), Samiran Jodhpur Windfarms Limited, Samiran Udaipur Windfarms Limited, Samiran Jaisalmer Windfarms Limited, Kurumedikere Energy Limited, Shivam Filaments Private Limited, Avalon Ventures Limited, Angel Ventures Limited, Best Squad Shipping pte Ltd., Edith Capital Cooperatief UA, Colosseus Holding Pte. Ltd., Evelyne Investment Pte Ltd., Honiton Cayman Holdings Limited, IT Power Limited, UK, Kraner Holdings Limited, Optimus Investments Pte. Ltd., PN Capital Holding B.V., Primoris Investments BV, Prudent Shipping Pte Ltd., Sagarkanya Shipping Lines Pte. Ltd., Sea Power Shipping Pte. Ltd., S E Shipping Lines Pte. Ltd., Superstar Shipping Pte. Ltd., TH Venture Pte. Ltd., IT Power Ltd, Cyprus
Promoters	Tulsi R. Tanti, Tanti Holdings Private Limited, Gita T. Tanti, Tulsi R. Tanti (as karta of Tulsi Ranchhodbhai HUF), Tulsi R. Tanti (as karta of Ranchhodbhai Ramjibhai HUF) and jointly by Tulsi R. Tanti with Vinod R. Tanti and Jitendra R. Tanti
Registered Office	“Suzlon”, 5, Shrimali Society, Near Shri Krishna Complex, Navrangpura, Ahmedabad 380009, India
REpower	REpower Systems AG
RETC	RETC Renewable Energy Technology Centre
RRECL	Rajasthan Renewable Energy Corporation Limited
SBT	Suzlon Blade Technology B.V.
SEDT	SE Drive Technik GmbH
SE Forge	SE Forge Limited
SELM	Suzlon Eney Limited, Mauritius
SEG	Suzlon Energy GmbH
SGWPL	Suzlon Gujarat Wind Park Limited
SISL	Suzlon Infrastructure Services Limited
Special ESOP-2007	The Special ESOP-2007 scheme instituted by the Company for all eligible employees pursuant to a special resolution adopted by the Equity Shareholders on May 22, 2008
SPIL	Suzlon Power Infrastructure Limited
SRL	Sarjan Realities Limited
STSL	Suzlon Towers and Structures Limited
Subsidiaries	The direct and indirect Indian and foreign “subsidiaries” of the Company, with the term “subsidiary” as defined under Section 4 of the Companies Act
Synefra	Synefra Engineering & Constructions Limited
Tariff Regulations	The Central Electricity Regulatory Commission (Terms and Conditions for Tariff Determination from Renewable Energy Sources) Regulations, 2009, as amended
TAS	Type Approval Scheme
TAPS-2000	Type Approval – Provisional Scheme 2000
Type Testing Guidelines	Guidelines for scheduling activities for type testing, issued by the C-WET, pursuant to a technical note (CWET/TEST/TN/2/2009) dated December 21, 2009
WTGs	Wind Turbine Generators

Abbreviations

Abbreviation	Full Form
AS/Accounting Standard	Accounting Standards as issued by the Institute of Chartered Accountants of India

Abbreviation	Full Form
ADRs	American Depositary Receipts
CAF	Composite Application Form
CCEA	Cabinet Committee of Economic Affairs
CCFI	Cabinet Committee on Foreign Investment
CERC	Central Electricity Regulatory Commission
CGU	Cash generating unit
CLRA	Contract Labour (Regulation and Abolition) Act, 1970, as amended
DIN	Director Identification Number
DIPP	Department of Industrial Policy and Promotion, Ministry of Commerce and Industry, Government of India
EAC	Expert Appraisal Committee
EIA	Environment Impact Assessment
EIA Notification	The Environment Impact Assessment Notification No. 1533(E), 2006
ESIA	Employee State Insurance Act, 1948, as amended
FCCBs	Foreign Currency Convertible Bonds
FCDs	Fully Convertible Debentures
FEMA	Foreign Exchange Management Act, 1999, as amended
FDI	Foreign Direct Investment
FIPB	Foreign Investment Promotion Board
GDRs	Global Depositary Receipts
GoI	Government of India
HUF	Hindu Undivided Family
ICDs	Inter Corporate Deposits
IDA	Industrial Disputes Act, 1947, as amended
IFRS	International Financial Reporting Standards.
IT Act	The Income Tax Act 1961, as amended
Km	Kilometer
KYC	Know Your Client
MAT	Minimum Alternate Tax
MWA	Minimum Wages Act, 1948, as amended
MoEF	Ministry of Environment and Forest, Government of India
NCDs	Non-Convertible Debentures
O&M	Operations and maintenance
OECD	Organization for Economic Co-operation and Development
PAN	Permanent Account Number
PBA	Payment of Bonus Act, 1965, as amended
PGA	Payment of Gratuity Act, 1972, as amended
P-Notes	Offshore derivative instruments, by whatever name called, issued overseas by an FII in respect of securities held by it that are listed or proposed to be listed on any of the Stock Exchanges.
PPA	Power purchase agreement
PTC	Production tax credits
PWA	Payment of Wages Act, 1936. as amended
QIBs	Qualified institutional buyers as defined under Regulation 2(1)(zd) of the ICDR Regulations
R&D	Research and development
RBI	The Reserve Bank of India
RECs	Renewable energy credits
RPS	Renewable portfolio standards
SCRA	Securities Contracts (Regulation) Act, 1956, as amended
SEIAA	State or Union Territory Level Environment Impact Assessment Authority
SEAC	State or Union Territory Level Expert Appraisal Committee
SEZ	Special Economic Zone

Abbreviation	Full Form
STT	Securities Transaction Tax
UTI	Unit Trust of India

PRESENTATION OF FINANCIAL INFORMATION AND USE OF MARKET DATA

Certain Conventions

References in this Letter of Offer to “India” are to the Republic of India and the “Government” or the “Central Government” are to the Government of India (“**GoI**”). All references to the “US”, or the “U.S.” or the “U.S.A.” or the “United States” are to the United States of America and all references to “UK” or the “U.K.” are to the United Kingdom.

Financial Data

Unless stated otherwise, the financial data in this Letter of Offer is derived from the Company’s audited consolidated financial statements. The Company’s current Fiscal Year commenced on April 1, 2010 and ends on March 31, 2011.

The Company prepares its financial statements in accordance with generally accepted accounting principles in India (“**Indian GAAP**”), which differ in certain respects from generally accepted accounting principles in other countries. Indian GAAP differs in certain significant respects from the International Financial Reporting Standards (“**IFRS**”). The Company publishes its financial statements in Indian Rupees.

In this Letter of Offer, any discrepancies in any table between the total and the sums of the amounts listed are due to rounding off, and unless otherwise specified, all financial numbers in parenthesis represent negative figures.

For definitions, see the section titled “Definitions and Abbreviations” of this Letter of Offer.

Market and Industry Data

Market and industry data used in this Letter of Offer has been obtained from market research, publicly available information, industry publications and government sources. Industry publications generally state that the information that they contain has been obtained from sources believed to be reliable but that the accuracy and completeness of that information is not guaranteed. Similarly, internal surveys, industry forecasts and market research, while believed to be reliable, have not been independently verified and neither the Company nor the Lead Managers make any representation as to the accuracy of that information.

Currency of Presentation

All references in this Letter of Offer to “Rupees”, “Rs.”, “Indian Rupees” and “INR” are to Indian Rupees, the official currency of India. All references to “U.S.\$”, “U.S. Dollar”, “USD” or “\$” are to United States Dollars, the official currency of the United States of America. All references to “Euro”, “€” or “EUR” are to the official currency of the European Union.

Exchange Rates

Fluctuations in the exchange rate between the Rupee and the U.S. Dollar will affect the U.S. Dollar equivalent of the Rupee price of the Equity Shares on the Stock Exchanges. These fluctuations will also affect the conversion into U.S. Dollars of any cash dividends paid in Rupees on the Equity Shares.

The following table sets forth, for the periods indicated, information with respect to the exchange rate between the Rupee and the U.S. Dollar (in Rupees per U.S. Dollar) based on the reference rates released by the RBI. No representation is made that the Rupee amounts actually represent such amounts in U.S. Dollars or could have been or could be converted into U.S. Dollars at the rates indicated, at any other rates or at all.

Year ended March 31	Period End	Average*	High*	Low*
	(Rs.per U.S.\$1.00)			
2008	39.97	40.24	43.15	39.27

2009	50.95	45.91	52.06	39.89
2010	45.14	47.42	50.53	44.94

1. Source : RBI website at www.rbi.org.in
2. *Note: High, low and average are based on the RBI reference rate

The RBI reference rate on May 28, 2010 was U.S.\$1.00 = Rs.46.54.

FORWARD - LOOKING STATEMENTS

Certain statements in this Letter of Offer are not historical facts but are “forward-looking” in nature. Forward-looking statements appear throughout this document, including, without limitation, under the headings “Risk Factors”, “Management’s Discussion and Analysis of Financial Condition and Results of Operations”, “Industry” and “Business”. The Company may from time to time make written or oral forward-looking statements in reports to Shareholders and in other communications. Forward-looking statements include statements concerning the Company’s plans, objectives, goals, strategies, future events, future revenues or financial performance, capital expenditures, financing needs, plans or intentions relating to acquisitions, the Company’s competitive strengths and weaknesses, the Company’s business strategy and the trends the Company anticipates in the industries and the political and legal environment, and geographical locations, in which the Company operates, and other information that is not historical information.

Words such as “believe”, “anticipate”, “estimate”, “seek”, “expect”, “continue”, “intend”, “predict”, “project”, “should”, “goal”, “future”, “could”, “may”, “will”, “would”, “targets”, “aims”, “is likely to”, “plan” and similar expressions, or variations of such expressions, are intended to identify forward-looking statements but are not the exclusive means of identifying such statements.

By their nature, forward-looking statements involve inherent risks and uncertainties, both general and specific, and risks exist that the predictions, forecasts, projections and other forward-looking statements will not be achieved.

These risks, uncertainties and other factors include, among other things, those listed under “Risk Factors”, as well as those included elsewhere in this Letter of Offer. Prospective investors should be aware that a number of important factors could cause actual results to differ materially from the plans, objectives, expectations, estimates and intentions expressed in such forward-looking statements. These factors include, but are not limited, to:

- inability to generate sufficient cash flows to enable it to service its debt or to fund its other liquidity needs;
- modification or delay in the execution of order books;
- change in or elimination of Government initiatives and incentives relating to renewable energy sources, and in particular to wind energy;
- technical deficiencies in the WTGs sold or other deficiencies in the services provided by the Group;
- increase in the price of raw materials and components;
- political instability or changes in the Government;
- fluctuations in the exchange rate between the Rupee and foreign currencies; and
- regional hostilities, terrorist attacks or social unrest in India.

This list of important factors is not exhaustive. For a discussion of factors that could cause our actual results to differ, see the sections titled “Risk Factors”, “Management’s Discussion and Analysis of Financial Condition and Results of Operations”, “Industry” and “Business”, respectively, of this Letter of Offer.

Such forward-looking statements speak only as of the date on which they are made. Neither the Company nor the Lead Managers, nor any of their respective affiliates or advisors, undertake any obligation to update or revise any of them, whether as a result of new information, future events or otherwise, unless required by applicable law. Neither the Company nor the Lead Managers make any representation, warranty or prediction that the results anticipated by such forward-looking statements will be achieved, and such forward-looking statements represent, in each case, only one of many possible scenarios and should not be viewed as the most likely or standard scenario.

SECTION II - RISK FACTORS

RISK FACTORS

An investment in the Equity Shares involves significant risks. You should not invest in this Issue unless you are prepared to accept the risk of losing all or part of your investment, and you should consult with your tax, financial and legal advisors about the particular consequences to you of an investment in the Equity Shares. Prospective investors should carefully consider the following risk factors as well as other information included in this Letter of Offer prior to making any decision as to whether or not to invest in the Equity Shares. The risks described below either individually or a combination of these risks, and any additional risks and uncertainties not presently known to the Group or that currently are deemed immaterial, could adversely affect the Group's business, financial condition, cash flows, liquidity, prospects or results of operations. As a result, the trading price of the Equity Shares could decline and investors may lose part or all of their investment.

RISK RELATING TO THE GROUP'S BUSINESS

1. *The Group is involved in litigation proceedings that may have an adverse outcome.*

There is an outstanding criminal litigation proceeding against the Company and two Promoters, who are also Directors, for an alleged illegal mining of bauxite in violation of certain provisions of the Mines and Minerals (Development and Regulation) Act, 1957, as amended ("MMDR Act") in their capacity as Directors. The case is pending before the Sessions Judge, Satara. Further, the Group has disputed certain infrastructure development charges in an aggregate amount of Rs.59.65 crores as at March 31, 2010 in relation to claims from the Tamil Nadu State Electricity Board, which the Indian Wind Energy Association has disputed. The case is currently pending hearing in the Supreme Court and the Company has obtained a legal opinion in relation to the matter.

Additionally, Suzlon has been arraigned as the defendant in certain other legal proceedings incidental to our business and operations. These legal proceedings are pending at different levels of adjudication before various courts and/or tribunals.

Should any new developments arise, such as a change in law or rulings against the relevant Group entity or Director by appellate courts or tribunals, Suzlon may need to make provisions in its financial statements, which could adversely impact its reported financial condition, cash flows and results of operations. Furthermore, if significant claims are determined against the relevant Group entity or Director and the Group is required to pay all or a portion of the disputed amounts, there could be a material adverse effect on the Group's business, financial condition, cash flows and results of operations.

As on the date of this Letter of Offer, there are 16 material civil suits filed against Suzlon. For further details of these legal proceedings, see the section titled "Outstanding Litigation and Defaults" of this Letter of Offer.

2. *The Group's indebtedness could adversely affect its financial condition, cash flows and results of operations.*

As at March 31, 2010, the Group had outstanding indebtedness of Rs.12,667.94 crores. The Group's leverage may constrain its ability to raise incremental financing or increase the cost at which it could raise any such financing. The Group has entered into agreements with certain banks and financial institutions for short-term loans and long-term borrowings. Some of these agreements contain restrictive covenants, such as the requirement to obtain lender consent for, among other things, issuance of new Equity Shares, incurring further indebtedness, creating further encumbrances on or disposing of its assets, transfer of controlling interest, change in management, undertaking new projects or launching new ventures, entering into long-term or high value contracts, undertaking guarantee obligations, declaring dividends or incurring capital expenditures beyond certain limits. The terms and conditions for some of these borrowings also contain covenants which limit the Group's ability to make any change or alteration in its capital structure, make investments, undertake

borrowing/lending (including any inter-corporate lending), effect any scheme of amalgamation or restructuring and enlarge or diversify its scope of business. In addition, the terms and conditions for certain of these borrowings contain financial covenants which require the Group to maintain, among others, a specified minimum net worth to debt ratio and debt service cover ratio. There can be no assurance that the Group will be able to comply with these financial or other covenants or that it will be able to obtain the consents necessary to take the actions it believes are necessary to operate and grow its business. The use of borrowings also presents certain additional risks for the Group. The Group may be unable to service interest payments and principal repayments or comply with other requirements of any loans, rendering borrowings immediately repayable in whole or in part, together with any attendant cost. A default under one financing document may also trigger cross-defaults under its other financing documents. An event of default under any financing document, if not cured or waived, could result in the acceleration of all or part of the Group's financial indebtedness and the enforcement by the Group's creditors of any security interests created by it in connection with such financing. It could also have a material adverse effect on the reputation and prospects of the Group. The level of the Group's existing debt, and any new debt that it incurs in the future, has important consequences. For example, it could:

- increase its vulnerability to general adverse economic and industry conditions;
- limit its ability to fund future working capital, capital expenditures, R&D and other general corporate requirements;
- require it to dedicate a substantial portion of its cash flow from operations to service its debt;
- limit its flexibility to react to changes in its business and the industry in which it operates;
- place it at a competitive disadvantage to any of its competitors that has less debt;
- require it to meet additional financial covenants;
- adversely impact the credit rating of Suzlon; and
- limit, along with other restrictive covenants its ability to borrow additional funds.

The Company has also issued five series of FCCBs and as at March 31 2010, Rs.2,150.89 crores of FCCBs were outstanding. As at the date of this Letter of Offer, the Company has undertaken three consent solicitation exercises in order to remove financial covenants from two series of FCCBs and waive various defaults. For further details, see Note 7 – “Foreign currency convertible bonds” to the Group's consolidated financial statements of this Letter of Offer. Further, in the opinion of management the likelihood of redemption of the Group's FCCBs cannot be presently ascertained. Therefore, although the Company has adequate amounts in its security premium account to absorb the premium on the redemptions as of March 31, 2010, no provision has been made by the Group in respect of the payment of premium on the FCCBs, which amounts to Rs.377.22 crores as of March 31, 2010 (and which has been considered as a contingent liability by the Group).

The Group may need to refinance all or a portion of its other debt including its outstanding FCCBs, on or before maturity. In addition, fluctuations in the exchange rate between the Indian Rupee and the U.S. dollar may result in an increased outflow on the date for redemption of such FCCBs or other debt. Further, in the opinion of management the likelihood of redemption of the Group's FCCBs cannot be presently ascertained. Therefore, although the Company has adequate amounts in its security premium account to absorb the premium on the redemptions as of March 31, 2010, no provision has been made by the Group in respect of the payment of premium on the bonds, which amounts to Rs.377.22 crores as of March 31, 2010 (and which has been considered as a contingent liability by the Group).

There can be no assurance that the Group will be able to refinance any of its debt on commercially reasonable terms, or at all. If the Group is unable to make scheduled payments on its debt, it will be in default, as a result of which, the Group's creditors could declare all the Group's principal and interest

to be due and payable and the Group could be forced into bankruptcy or liquidation or required to substantially re-structure or alter its operations or debt obligation, any of which could have a material adverse effect on the Group's business, financial condition, cash flows and results of operations.

3. *Suzlon is in default under the terms of certain of its letter of credit financing facilities.*

Under the terms of certain of its letter of credit financing facilities (to which Suzlon is a party as either borrower or guarantor), including the US\$135,000,000 (reduced to US\$110,000,000) multicurrency letter of credit facility agreement dated July 31, 2007, EUR150,000,000 multicurrency letter of credit facility agreement dated August 21, 2008, a EUR30,000,000 trade finance facility agreement, a US\$50,000,000 secured multi-purpose and multi-currency revolving facility agreement and EUR19,000,000 trade finance facility letter (together, the “**Letter of Credit Facilities**”), certain financial covenants must be complied with.

Suzlon or its Subsidiaries have not complied with these financial covenants in the Letter of Credit Facilities in respect of certain measurement periods or on a continuing basis.

Suzlon is currently seeking certain amendments and waivers in respect of certain terms of its Letter of Credit Facilities including the financial covenants. Suzlon is in the process of negotiations with its lenders on these proposals for amendments and waivers. However, there can be no assurance that Suzlon will succeed in these negotiations and the relevant lenders will approve the requests for waivers and amendments of its loan documents. If the negotiations with the relevant lenders are not successful and the waivers and certain amendments sought by Suzlon are not obtained in time and Suzlon or any of its Subsidiaries breach any of the financial, operating or other restrictive covenants, Suzlon’s secured creditors may enforce their security, and the creditors may accelerate repayment and/or exercise early termination rights, which would result in a material adverse effect on Suzlon’s financial condition, results of operations and cash flows.

4. *The Promoters and the Promoter Group entities have pledged certain of their shareholding in Suzlon and the Group cannot assure that the Promoters and the Promoter Group entities will satisfy their debt service obligations in respect of such pledge and/or continue to be the Promoters of Suzlon. In addition, Suzlon has pledged certain of its shareholding in its Subsidiaries.*

As at March 31, 2010, 578,546,711 Equity Shares owned by the Promoters and Promoter Group entities of Suzlon, representing 70.02% of the total Equity Shares held by them in Suzlon have been pledged to banks, financial institutions and other lenders to secure loans of Suzlon and the Promoters.

In addition, the Group has also pledged its shareholding in certain of the Subsidiaries, as shown below:

S.No.	Name of Subsidiary	No. of Shares Pledged	Percentage of Pledged Shares in respect of Total Shareholding of Suzlon
1.	Suzlon Towers And Structures Limited	40,000,000	100%
2.	Suzlon Structures Limited	14,524,600	75%
3.	Suzlon Gujarat Wind Park Limited	2,000,000	100%
4.	Suzlon Infrastructure Services Limited	23,000,000	100%
5.	Suzlon Engitech Limited	1,500,000	100%
6.	Suzlon Generators Limited	26,226,800	75%
7.	SE Composites Limited	15,000,000	100%
8.	SE Electricals Limited	10,000,000	100%
9.	Suzlon Wind International Limited	10,000,000	100%
10.	Suzlon Power Infrastructure Limited	3,010,000	100%
11.	SEDIT	2	100%
12.	Suzlon Windenergie GmbH	2	100%
13.	RPW Investments SGPS	377,000	100%
14.	REpower	8,325,421	90%
15.	Hansen	174,632,079	26%

If any of the Promoters or the Promoter Group entities or Suzlon default on their obligations under their financing arrangements, it is possible that the lenders may exercise their rights under the share

pledges, sell all or a portion of such pledged Equity Shares in the stock market or to one or more third parties, or have pledged Equity Shares transferred to their names and take significant control over Suzlon or its subsidiaries. Any of these events may adversely affect the Group's business strategy, financial condition, cash flows and the market price of the Equity Shares.

5. *Projects included in the Group's order book may be modified or there may be delays in execution, which could have a material adverse effect on its cash flow position, financial conditions, cash flows and results of operations.*

As at May 26, 2010 the Group's (excluding REpower) order book stood at approximately Rs.18,400 crores. As at March 31, 2010, REpower reported an order backlog, including purchase agreements, with a potential sales volume of approximately €2.1 billion, compared to €1.5 billion as at March 31, 2009, representing an increase of 40%. The Group's order book comprises firm orders that it has received from customers by means of a formal binding agreement. However, there can be no assurance that such orders will not be cancelled or reduced, or that the customers will perform in full their payment and other obligations in accordance with the agreements or dispute the amounts owed to the Group. While the Group's order book represents business that is considered likely, cancellations or scope or schedule adjustments may and do occur. Adverse conditions in the global financial markets, any delay or failure to obtain the necessary permits, authorizations, permissions or other factors beyond the Group's control or the control of its customers may cause the Group's customers to postpone or cancel a project. There is also the possibility of cancellations or changes in the scope of the project and schedule because of the exercise of customer discretion, or problems encountered by the Group in the timely execution of the project for reasons outside the control of the Group or its customers. For example, in June 2008, Edison Mission Energy, a customer that encountered the blade crack issue, exercised its option not to purchase 150 WTGs. Accordingly, the Group's order book should not be considered as representative of future revenues.

In addition, the Group may also encounter certain problems while executing a project as ordered, or executing it on a timely basis. If the Group is unable to commission the WTGs on schedule, it may have to pay liquidated damages to its customers. The Group cannot predict with certainty when, if or to what extent an order book project will be performed and will generate revenue. Additionally, delays in the delivery of key WTG components, delays in the construction schedule or any delays associated with collection of receivables from customers, could result in delays in the Group being able to recognize revenue in relation to its ongoing projects in its financial statements. Any delay, cancellation or payment default could adversely effect the Group's cash flow position, revenues or profits, and adversely affect the trading price of the Equity Shares.

In markets outside India, the Group generally enters into medium to long-term WTG supply contracts which require the Group to supply WTGs at various times over the life of the contract and provides for staggered payments to the Group. Even relatively short delays or minor difficulties in the execution of a project could result in the non-payment or late payment to the Group of customer dues in respect of a project. Any delay, reduction in scope, cancellation, execution difficulty, payment postponement or payment default in relation to order book projects, or disputes with customers in respect of any of the above, could have a material adverse effect on the Group's business, financial condition, cash flows and results of operations.

6. *Difficult market conditions for the wind industry may continue to adversely affect the Group's business, financial condition, cash flows and results of operations.*

The economic downturn caused by the global financial crisis beginning in 2007 has resulted in difficult market conditions for the wind industry owing to factors such as a drop in the demand for electricity and lower natural gas prices, which in turn resulted in lower demand for wind energy projects. The economic downturn and ongoing difficulties in the credit markets also caused financing difficulties for the Group's products. As a consequence, the Group's total income decreased by 21% to Rs. 20,848.67 crores in the Fiscal Year 2010 from Rs.26,530.54 crores in the Fiscal Year 2009, driven largely by a reduction in sales. As a result of the factors referred to above, there was a net loss of Rs.982.56 crores in the Fiscal Year 2010 as compared to a net profit of Rs.236.48 crores in the Fiscal Year 2009. Such

factors and other difficult market conditions for the wind industry may continue to adversely affect the Group's business, financial condition, cash flows and results of operations.

7. *The change in or elimination of government initiatives and incentives relating to renewable energy sources, and in particular to wind energy, may have a material adverse effect on the demand for wind energy.*

In recent years, governments in many countries, including India, have enacted legislation or have established policies that support the expansion of renewable energy sources, such as wind energy, and such support has been a significant factor in contributing to the growth of the wind energy industry. Support for investments in wind energy is generally provided through fiscal incentive schemes or public grants to the owners of wind energy systems, for example through preferential tariffs on power generated by WTGs or tax incentives promoting investments in wind energy.

In addition, the governments of some countries also prescribe specified levels of electricity that utilities are required to obtain from renewable energy sources. Further, internationally, there is increasing focus on reducing dependence on fossil fuels and cutting carbon dioxide emissions leading to additional taxes being imposed on those sources of energy. Such additional taxation has indirectly supported the expansion of power generated from renewable energy and, in turn, the wind energy industry in general. These policies have encouraged many of the Group's customers to purchase WTGs and participate in wind farm projects. For further details on such government initiatives and incentives, see "Renewable Energy Policies" in the section titled "Industry Overview" of this Letter of Offer.

In the past, the decrease in, or elimination of, direct or indirect government support schemes for renewable energy, including wind energy, in a country has had a negative impact on the market for wind energy in that country. There can be no assurance that government support will continue at the same level or at all.

If direct and indirect government support for wind energy is terminated or reduced in any jurisdiction which is material for the Group's business, or if the government provides greater support to other sources of renewable energy, it would make producing electricity from wind energy less competitive. In addition, there is a risk that government policies could change in a manner that makes it less attractive for investors to establish captive energy generating facilities in general, and wind energy projects in particular. A reduction in demand for the Group's WTGs would have a material adverse effect on the Group's business, financial condition, cash flows, results of operations and the market price of Equity Shares.

Governments in jurisdictions where the Company operates may introduce more attractive incentives for other forms of renewable energy such as solar or bio-mass which might affect the wind energy industry generally and the Group's business in particular. The results of such changes may include attracting potential investors and customers towards other forms of renewable energy to benefit from investment tax credit schemes on other forms of renewable energy. This may have a material adverse effect on the Group's business, financial condition, cash flows and results of operations and negatively impact the price of the Equity Shares.

8. *Wind energy cannot be considered viable as a primary source of electricity.*

Wind energy is generally not considered a viable base load source of electricity. This means that while demand for wind energy is expected to increase, it appears unlikely in the foreseeable future, that it will be considered a large-scale substitute for nuclear or fossil-fuel generated power and for renewable energy from more reliable sources, such as hydropower. In addition, there have been several technological innovations within the renewable energy industry which could lead to other forms of renewable energy, such as solar or bio-diesels, emerging as more cost competitive, thereby taking market share away from wind technology adversely affecting the future growth prospects of the wind energy industry in general and the Group's growth prospects in particular.

Furthermore the cost of oil, coal and other fossil fuels are key factors in determining the effectiveness of wind energy from an economic perspective. Cheaper and large supplies of fossil fuels favor non-wind energy generation, while more expensive and limited supplies of fossil fuels would favor wind energy generation. Discovery of new and significant oil, gas and coal deposits or a decline in the global prices of oil, gas and coal and other petroleum products, could result in lower demand for wind energy projects, which would have a material adverse effect on the Group's business, financial condition, cash flows and results of operations.

9. *The terms of financing that the Group's customers can obtain for wind energy projects has a significant influence on the Group's business, financial condition, cash flows and results of operations.*

Most customers require bank financing for purchasing a WTG, and therefore the financing terms available in the market have a significant influence on the wind energy industry's opportunities to sell its products. Higher interest rate levels will increase the costs of investing in wind energy, making wind energy a less attractive investment proposition. Further, wind energy plants are generally financed for a shorter term than the financing for fossil fuel-based power plants. As a result, WTG customers assume a higher degree of risk regarding upward interest rate movements in the event a WTG project requires refinancing. The ability to obtain financing for a wind energy project also depends on the willingness of banks and other financing institutions to provide loans to the wind energy industry, including their willingness to participate in financing of large wind energy projects. If banks and other financing institutions decide to reduce their exposure to the wind energy industry or to one or more suppliers of WTG components, this could have a material adverse effect on the Group's business, financial condition, cash flows and results of operations. The availability of debt funds for new wind power projects has reduced significantly as a result of difficulties in the financial markets starting in 2007. Factors having an adverse impact on the financing terms for wind energy plants therefore influence the Group's opportunities for selling its products and could adversely affect its business, financial condition, cash flows and results of operations.

10. *Equity Shareholders may be diluted by additional issuances of Equity Shares. Furthermore, sales of Equity Shares by the Promoters may adversely affect the market price of the Equity Shares*

Any future issuance of the Equity Shares, including pursuant to the exercise of stock options or conversion of the FCCBs or any other similar scheme in the future, may dilute the positions of investors in the Equity Shares, which could adversely affect the market price of the Equity Shares. Suzlon had, on March 31, 2010, Rs.2,150.89 crores of FCCBs outstanding, representing an entitlement to a total of 237,152,577 Equity Shares at the respective prevailing conversion prices for each of these series of FCCBs. Unless previously converted, redeemed or cancelled, these Bonds mature in June 2012, October 2012 and July 2014. Any conversion of the bonds would dilute your shareholding in Suzlon.

The Board of Directors, in its meeting held on June 27, 2009 has approved the issue of (i) GDRs, ADRs, FCCBs and/or Equity Shares through depository receipt mechanism and/or FCDs and/or NCDs with warrants or any other financial instruments convertible into or linked to Equity Shares and/or any other instruments and/or combination of instruments with or without detachable warrants with a right exercisable by the warrant holders to convert or subscribe to the Equity Shares or otherwise, and (ii) Equity Shares and/or securities convertible into Equity Shares or NCDs with warrants to QIBs pursuant to a qualified institutions placement (together, the "**Further Issue of Securities**"). The Further Issue of Securities may be made in one or more tranches up to an aggregate amount of Rs.5,000 crores and may be Rupee denominated or denominated in foreign currency and made in the course of domestic/international offerings in the domestic market and/or one or more foreign markets of the Company. The Equity Shareholders at the annual general meeting of the Company held on August 13, 2009 has approved such Further Issue of Securities.

The Company may undertake such Further Issue of Securities at any time after the filing of this Letter of Offer with the Designated Stock Exchange at a price to be determined in accordance with applicable laws and regulations. Any such Further Issue of Securities or other future issuance of securities could

negatively impact the market price of the Equity Shares. Such securities also may be issued at prices below the then-current market price. Sales of a large number of the Equity Shares or other securities by the Promoters, or the possibility of such sales, may also adversely affect the market price of the Equity Shares.

11. *Any technical deficiencies in the WTGs sold by the Group could adversely affect its financial condition and cash flows.*

The Group's business, financial condition and cash flows are directly related to the continued technical performance of its products and in particular the technical performance of WTGs which are its key product. The performance of the Group's WTGs in the medium and long-term is subject to certain material technical risks.

Although WTGs are generally designed for a 20-year life cycle, no definitive statements can be made about the service life of WTGs or WTG components, or about their medium to long-term operational reliability. While the Group transfers the direct risk from limited operational reliability and reduced lifespan of WTGs to its customers, it provides various product warranties under which the Group typically guarantees minimum machine availability and may be involved in disputes with its customers based on actual or alleged product defects. The Group has faced certain issues in relation to blade cracks in some of its S88 turbines and V2 blades in the United States and Portugal. It has made provision of Rs.121.71 crores and Rs.221.59 crores in each of Fiscal Year 2008 and Fiscal Year 2009, respectively, to resolve these issues. In June 2008, Edison Mission Energy, a customer that encountered the blade crack issue, exercised its option not to purchase 150 WTGs. See "Product Warranties" in the section titled "Business" of this Letter of Offer.

The Group undertakes various testing processes on new models of WTGs and WTG components in different operating conditions to acquire data for making decisions for series production of new models, and the WTGs and WTG components used in the course of such tests may be damaged or become unfit to be used. In accordance with the agreement of the Group with its customers, any loss incurred in the course of such tests is borne by the Group. Any product failure of WTGs or WTG components or any failure of such product to meet specified performance levels could damage the reputation of the Group and therefore impair the marketability of its products.

WTGs and WTG components supplied by the Group may get damaged where the design loads are exceeded. Insurance coverage may not be available for such damage or may not be sufficient to cover the costs incurred, in which event the Group may be required to bear the amount of customer claims or replace the WTG or WTG components.

12. *Any deficiencies in the services provided by the Group may adversely affect its financial condition and cash flows.*

The Group is particularly vulnerable because it is liable to pay liquidated damages, amounting to a certain percentage of the total order value, if there are any delays or disruptions in delivery and installation of WTGs. In most cases the Group provides various types of warranties and guarantees in relation to its products including, in certain instances, performance guarantees. For example, the Group typically guarantees a minimum annual average machine availability of 95% after commissioning of the WTGs during the warranty period. If the products the Group supplies fail to meet the performance guarantee, the Group may have to pay liquidated damages, which could have a material adverse effect on the Group's business, financial condition, cash flows and results of operations. See "Product Warranties" in the section titled "Business" of this Letter of Offer.

While the Group believes it has made adequate provisions for potential claims arising from warranties, guarantees and liquidated damages, there can be no assurance that the provisions it has made and will make in the future will be sufficient to cover these claims. In the event that such provisions are insufficient, the amount of claims arising from any cancellations, deferrals or other unanticipated delays, which arise on account of the fault of the Group or from the warranties and guarantees in

relation to its products, could have a material adverse effect on the Group's business, financial condition, cash flows and results of operations.

13. *The Group is dependent on external suppliers for key raw materials, components, equipment and machinery, which could have a material adverse effect on its business.*

The success of the Group's existing and planned operations will depend on, among other things, its ability to source sufficient amount of raw materials at competitive prices for its projects. WTGs require certain components, which are specifically designed for application in wind energy generation. The type and configuration of particular WTGs also require specifically designed components. The Group sources raw materials such as steel, glass fibre and epoxy resin for rotor blades, as well as several key WTG components (such as gearboxes, yaw and pitch drives, gear rims, slowing rings, brake calipers, castings as well as a portion of its nacelle cover, tower and generators requirements) from third-party suppliers in India and overseas. The quality of the Group's products (and consequently, customer acceptance of such products) depends on the quality of the raw materials and components and the ability of suppliers to timely deliver the materials. Suitable alternative suppliers who can meet the Group's technical and quality standards, and who can supply the necessary quantities, may be hard to find in the event of a supply failure. The failure of any of the Group's suppliers to deliver these raw materials or components in the necessary quantities, to adhere to delivery schedules, or to comply with specified quality standards and technical specifications, could adversely affect the Group's production processes and its ability to deliver orders on time and for at the desired level of quality. This, in turn, could give rise to contractual penalties or liabilities for the Group, loss of customers and damage to its reputation. In the past, Suzlon and REpower have been subject to shortages in the supply of certain key components, such as WTG towers, due to the inability of component suppliers to meet demand. In certain cases, this has led to and can lead to delay in supplying and commissioning WTGs and thus delay the Group's ability to recognize revenues in relation to its ongoing projects and also may lead to the payment of liquidated damages. This occurred in the first quarter of the Fiscal Year 2009, when there were delays by suppliers in the delivery of WTG towers to Suzlon.

The Group relies on equipment and machinery that are built by third parties and may be susceptible to malfunction. Although, in certain cases, the Group is entitled to be compensated by manufacturers for certain equipment failures and defects, such arrangements may not fully compensate the Group for the damage and loss suffered as a result thereof. The Group is also subject to mechanical failure and equipment shutdowns. In such situations, undamaged manufacturing units that are dependent on or interact with damaged sections of the Group's facilities may also have to be shutdown. Such events could have a material and adverse impact on the Group's manufacturing capacity. If such shutdowns continue for extended periods, there could be a material adverse effect on the Group's business reputation, financial condition, cash flows and results of operations.

14. *The Group is subject to the risk of additional costs because of an increase in the price of raw materials and components.*

The prices and supply of raw materials depend on factors that are not under the Group's control. The costs of raw materials and components required for making WTGs (including gearboxes) could rise due to factors such as an increase in demand or commodity prices or shortages in supply. If this were to happen, the Group may be unable to pass on these additional costs to its customers by increasing the prices of its WTGs and may be unable to implement cost-saving measures in other parts of its business. Where possible, the Group includes price escalation clauses in its purchase agreements with customers. However, these clauses do not comprehensively protect the Group from an increase in the price of all of its key inputs. Additionally, REpower is not fully protected from price increases in its key inputs. These factors could have a material adverse effect on the Group's business, financial condition, cash flows and results of operations.

15. *The demand for wind energy projects is primarily dependent on the demand for electricity.*

The demand for electricity in India and in international markets such as the United States, China, Australia and Europe is closely linked to economic growth in these countries. As the economy grows,

economic activities, such as industrial production and personal consumption, also tend to grow, which increases the demand for electricity. Conversely, in economic downturns, activities such as industrial production and consumer demand decline or stagnate, causing demand for electricity to decrease. If the Indian economy or the economies of major international markets, such as the United States, China, Australia and Europe, do not grow, or if any of them enter a period of recession, or if there is an economic downturn (such as the one caused by the global financial crisis beginning in 2007), demand for electricity, including the demand for renewable energy sources such as wind energy is likely to stagnate or decrease. For the Fiscal Year 2010, the Group derived 43.70%, 18.77% and 19.89% of its total revenue from Europe, US and India, respectively. A significant and sustained economic downturn would have a material adverse effect on the Group's business, financial condition, cash flows and results of operations.

16. *The viability of wind energy projects is dependent on the price at which electricity can be sold.*

The viability of a wind energy project in a particular region is also dependent on the price at which electricity can be sold as well as the cost of wind-generated electricity compared to electricity generated from other sources of energy in such region. Wind energy projects require higher initial capital investment per kWh of energy produced as compared to that required for a fossil fuel-based power plant. The cost of electricity produced by wind energy projects is dependent on the cost of establishment of the wind energy projects themselves, including access to the electricity grid, financing costs, maintenance costs and wind conditions at the designated site. Continued investment in product techniques and technical advances in WTG design has led to an overall reduction in the cost per kWh of power from wind energy over a period of time. However, an increase in cost competitiveness or significant developments in technology for other sources of power generation would have a material adverse effect on the Group's business, financial condition, cash flows and results of operations.

17. *The viability and level of wind energy generation is dependent on wind patterns, which are not constant and vary over time.*

The viability of wind energy projects is primarily dependent on the wind patterns at project sites conforming to the patterns that had previously been recorded to determine the suitability of these sites for wind energy projects. Although the Group uses data collected by the Centre for Wind Energy Technology (C-WET) and conducts wind resource assessments based on long-term wind patterns at identified sites, there can be no assurance that wind patterns at a particular site will remain constant. Any changes in wind patterns at particular sites that have been previously identified as suitable for wind energy projects could affect the Group's ability to sell WTGs to potential customers and could also damage its reputation and prospects. Failure on the part of the Group to identify suitable locations or any subsequent changes in the wind pattern could have a material adverse effect on the Group's business, financial condition, cash flows and results of operations.

18. *Certain events which have occurred in relation to the Group in the last three years have impaired the ability to effectively compare the Group's consolidated financial statements.*

On May 9, 2006, the Group, through its Subsidiary AERH purchased all of the share capital of Eve Holding N.V., formerly the holding company of Hansen, for a consideration of Rs.2,502.64 crores. The Group's consolidated financial statements for the Fiscal Year 2010 include Hansen's results through November 2009 as Subsidiary and subsequently as an associate. Hansen listed its equity shares on the London Stock Exchange on December 11, 2007. The shareholding of the Group in Hansen stood at 26.06% as at March 31, 2010 compared to 61.28% as at March 31, 2009 and 71.28% as at March 31, 2008. As a result of the foregoing, the Group's consolidated financial statements for each of the Fiscal Year 2008, the Fiscal Year 2009, and the Fiscal Year 2010 are not directly comparable with the corresponding prior Fiscal Years.

From April 1, 2007, the Group commenced erection, installation and commissioning activities for its WTG business in India and outside India through Subsidiary companies. In India, these activities previously conducted by Synefra, an Affiliated Company in which the Group does not hold any equity interest and which is not equity accounted by the Group. The Group's consolidated financial statements

for the Fiscal Year 2008 therefore include the results of WTG erection, installation and commissioning activities for the relevant Subsidiaries for the first time and are not directly comparable with its consolidated financial statements for the Fiscal Year 2007.

For accounting purposes, under Indian GAAP, REpower became a Subsidiary of the Group with effect from June 6, 2008. As a German stock corporation, REpower is generally restrained from sharing any information with external parties without also making them available to all shareholders of REpower. The consolidated results of the Group for the Fiscal Year 2008 include the results of REpower, as an associate company, for the period June 1, 2007 to December 31, 2007 using the equity method of accounting, and without any reconciliation of differences in accounting policies. As a result of the foregoing, the Group's consolidated financial statements for the Fiscal Year 2008 are not directly comparable with its consolidated financial statements for the Fiscal Year 2007. Furthermore, the consolidated results of the Group for the Fiscal Year 2009 include the results of REpower as a Subsidiary from June 6, 2008. As a result of the foregoing, the Group's consolidated financial statements for the Fiscal Year 2009 may not be directly comparable with the financial statements for the Fiscal Year 2008.

19. *Any failure or delay in the transportation and logistics arrangements entered into by the Group could have a material adverse effect on its business and operations.*

The Group depends on various forms of transport, such as air, sea-borne freight, rail and road, to receive raw materials and components used in the production of WTGs and to deliver its products from its manufacturing facilities to its customers. Such transportation and logistics may not be adequate to support the Group's future or continued operations. Further, the Group is vulnerable (in relation to both itself and its suppliers) to disruptions of transportation and logistical operations because of weather-related problems, strikes, lock-outs, inadequacies in road and rail infrastructure and port facilities, or other events. The Group also has limited storage facilities and may not be able to store sufficient WTG components and raw materials, making it more dependent on efficient logistical operations. All of these factors could adversely affect the Group's ability to supply its products to its customers on time or at all.

20. *The construction and operation of wind energy projects has faced opposition from local communities and other parties in the past and there can be no assurance that the Group will not encounter similar opposition in the future, which could delay future construction or operations and impact the financial results of the Group.*

The construction and operation of wind energy plants in a number of countries has faced opposition from the local communities where these plants are located and from special interest groups. The Group has faced protests at certain of its wind farms in India and a number of its WTGs have been damaged in the course of these protests, requiring expensive and time-consuming repairs. See "Product Warranties" in the section titled "Business" of this Letter of Offer. WTGs also cause noise pollution and are considered by some to be aesthetically unappealing. Certain environmental organizations have expressed opposition to WTGs based on the allegations that wind farms affect weather patterns, kill birds and have other adverse effects on the environment. There are also many jurisdictions in which the acceptable distance between wind energy plants and urban areas is regulated to specifically guard against the effects of noise. A significant increase in the extent of such legislation may require additional approvals or other restrictions which could lead to significant constraints on the growth of the wind energy industry as a whole. This would have an adverse effect on the Group's business, financial condition, cash flows and results of operations.

21. *The construction and operation of wind energy projects is subject to regulation, including environmental controls, and changes in these regulations could have a material adverse effect on the Group's business, financial condition, cash flows and results of operations.*

Many countries, including India, have introduced legislation governing the manufacture, erection, operation and decommissioning of WTGs, including compliance with procedures relating to the acquisition of land to be used for wind energy farms, compliance with relevant planning regulations

and approvals for the commencement of a wind energy project, including clearances from environmental regulators. Further, there are also a number of ancillary activities that are regulated such as preparatory activities on the land used for wind farms and the refining and consumption of raw materials used in the manufacture of WTGs. The Group is also subject to regulations on noise pollution in relation to its manufacturing facilities and transport to and from production sites. Licenses and approvals relating to the Group's business and operations require periodic renewal. Failure to obtain them in a timely manner or at all may adversely affect the Group's operations. The Group cannot guarantee that it will at all times be in compliance with such laws and regulations, and may be required to pay fines, limit production at its facilities or be subject to other penalties. It is also possible that legislation and regulation relating to the above-mentioned activities are made more stringent in a particular country, such as an increase in the requirements for obtaining approvals or meeting government standards. As a consequence, the Group may have to change the infrastructure necessary for wind energy projects and the technical requirements for WTGs and/or the methods used to manufacture them, or in some instances even relocate its operations resulting in an increase to the Group's costs. This could also increase the risk of the Group being subject to penalties for non-compliance with such regulations. These developments could have a material adverse effect on the Group's business, financial condition, cash flows and results of operations.

22. *The Group's multinational operations and its plans to continue expansion into markets outside of India subject it to risk.*

The Group currently has a direct presence in several countries in addition to India, including China, Denmark, Belgium, Germany, the United States and Australia and intends to further expand its operations in international markets in the foreseeable future to meet the increasing demand of its products and services. For the Fiscal Year 2010, the Group generated Rs.16,517.43 crores in revenue from the sale of its WTGs, gearboxes, foundry and forging components and other business in foreign markets, corresponding to 80.11% of the total revenue of the Group.

Pursuant to its international expansion plans, the Group intends to establish new offices, expand its workforce and manage offices in widely disparate locations, which will require significant management attention and financial resources. The Group will be required to develop and improve its operational, financial and internal controls on a continuous basis. In particular, continued expansion and diversification increases the challenges involved in financial and technical management, recruitment, training and retaining sufficiently skilled technical and management personnel and developing and improving internal administrative infrastructure.

The Group's expansion into foreign markets exposes it to risks associated with adapting its business to the different economic conditions in each country and integrating such expansion with its existing business. It also exposes the Group to the risk of having to comply with different (and potentially more onerous) legal and taxation regimes in such countries, including those relating to liability and warranty requirements in relation to its products and services. The Group's international expansion also increases its exposure to risks of fluctuation in foreign currency exchange rates. As a result, the Group's strategy of expansion into markets outside India could increase its costs of operations. Any delay or difficulty in acquiring or effectively integrating any new facilities may adversely affect future performance. All these factors could have a material adverse effect on the Group's business, financial condition, cash flows and results of operations.

23. *The Group's acquisition of REpower has in the past, and may continue to, negatively impact the Group's financial condition, cash flows and results of operations in the future.*

The acquisition of REpower has resulted in the Group having to recognize a significant amount of goodwill pursuant to REpower becoming a Subsidiary of Suzlon. Pursuant to Indian GAAP, the Group is required to assess in its annual financial statements whether such goodwill is impaired. Any future significant impairment charge may have a material adverse effect on the Group's results of operations. Additionally, the Group increased its outstanding long-term debt in order to finance the acquisition of REpower.

In order to exercise control over REpower, Suzlon had earlier proposed to enter into a “domination agreement”. In October 2008, Suzlon announced that, in the context of the market environment, both parties had agreed to suspend the process of negotiating the domination agreement. Without a domination agreement in place, any transactions between the Group and REpower have to be made at arm’s-length and may not create a status which would be irreversible in the event Suzlon were to dispose of its interest in REpower. In particular, the Group cannot influence the management of REpower or participate in profits other than distributed dividends and the Group has no unilateral access to REpower’s technology. REpower has entered into a stand-alone growth finance facility which is based on the assumption that no domination agreement will be concluded between REpower and the Group. Under such growth finance facility, apart from certain intra-group supply relationships, all component supplies by the Group to REpower will require certain lenders’ consent. In addition, under the terms of the growth finance facility, REpower cannot pay dividends to its shareholders or enter into a domination agreement or do a squeeze out of the minority interest without the prior consent of the lenders thereunder.

There can be no assurance that Suzlon’s strategy of ultimately integrating the business operations of REpower will be successful, which may impact the financial performance of the Group. There remains a risk that the integration plans of Suzlon may (i) take longer than expected; (ii) cost more than expected; or (iii) be impossible to implement at all. In addition, the Group’s management may not be able to successfully integrate the business of REpower into its operations so as to result in long-term benefits to the Group. There is no assurance that the Group’s existing or future management, operational and financial systems, procedures and controls will be adequate to support the Group’s integration plans, or that the Group will be able to recruit, retain and motivate new personnel arising from such integration or establish or develop business relationships beneficial to its future operations. Any delays in the integration plans of the Group or a failure by the Group to integrate the business of REpower into its operations may have a material adverse effect on the Group’s business, financial conditions, cash flows or results of operations.

24. *The Group may enter into strategic alliances, investments, partnerships and acquisitions. These may harm its business, dilute shareholdings and cause it to incur debt.*

As part of the Group’s growth strategy, it may enter into strategic alliances, make strategic investments, establish partnerships and/or make acquisitions relating to raw materials, components, complementary businesses, technologies, services or products. Suzlon’s investment in REpower is an example of such strategy. However, the Group may not be able to identify suitable investment opportunities, partners or acquisition candidates. Additionally, given the Group’s large market share in certain markets, any significant acquisition or alliance may pose antitrust or competition law issues. If the Group acquires another company or forms a new joint venture or other strategic partnership, it could have difficulty in integrating and assimilating that company’s business, including products, components, personnel, operations, technology and culture, with its business. Further, the Group may not be able to realize the expected strategic benefits of future alliances, investments, partnerships or acquisitions. For example, the key personnel of an acquired company may decide not to work for the Group. In addition, any of the strategic partners of the Group could discontinue their arrangement with the Group, be unable to provide the expected expertise, resources or assistance or may compete with the Group for business opportunities that are attractive to the Group. The Group may not be able to find a substitute for such strategic partners immediately or at all.

Any potential acquisition, alliance or joint venture could involve a number of other risks such as diversion of management’s attention and higher costs as a result of the Group having to deal with unanticipated events or circumstances and legal liabilities. There can also be no assurance that the acquired business will perform as expected or that the Group will be able to harness the assets and customers of such entity on a continuing basis or at all. This could have a material adverse effect on the Group’s business, financial condition, cash flows and results of operations.

In the event that the Group plans to acquire or invest in an overseas company, it may be required to obtain the prior approval of the RBI, other regulators and/or the Indian Government. There can be no assurance that such approvals will be obtained in a timely manner or at all.

The Group may finance future investments, partnerships or acquisitions with cash from operations, its existing cash balances, debt financing, the issuance of additional Equity Shares or a combination of these or other forms of financing. The availability of such borrowings and access to the capital markets for financing would depend on various factors including prevailing market conditions, required regulatory approvals and the acceptability of the financing terms offered. There can be no assurance that the Group will be able to arrange the financing to complete such transactions on acceptable terms, or at all. In addition, investments, partnerships or acquisitions financed by the issuance of new Equity Shares would dilute the ownership interest of the Group's Shareholders, and debt financing would increase its leverage and financial risks. See also the risk factor titled "The Group's acquisition of REpower may negatively impact the Group's financial condition, cash flows and results of operation in the future". All these factors could have a material adverse effect on the Group's business, financial condition, cash flows and results of operations.

25. *The Group's capital expenditure plans are subject to delay and other risks and may not yield the benefits intended.*

The Group's operations are highly capital intensive, as substantial amounts of capital are required for setting up new manufacturing facilities and expanding its existing manufacturing and storage facilities. The Group also requires significant amounts of capital to market and distribute its services and products, to develop new services and products, to develop and implement new technologies and to acquire and invest in other companies. The Group's capital expenditure plans are based on management estimates, which may prove to be incorrect or based on incorrect assumptions. In addition, the Group's capital expenditure plans are subject to a number of risks including, among other things, possible cost overruns, construction and/or development delays or defects, failure or delay in receiving governmental or other approvals, and the availability of financing on acceptable terms. The Group may also require additional financing to expand and upgrade existing facilities. Such financing may not be available on acceptable terms or at all. The actual amount and timing of its future capital requirements may differ from the Group's estimates as a result of, among other things, unforeseen delays or cost overruns, unanticipated expenses, economic, political and other conditions within and outside India, regulatory changes, engineering design changes, weather-related delays and technological changes.

There can be no assurance that any capital expenditure incurred by the Group for capacity addition or improvement at the Group's facilities will be completed as planned or on schedule or that the Group will achieve its planned capacity, operational efficiency or product base, or its targeted return on investment. There could be issues in the implementation of its capital expenditure plans and/or significant cost overruns, leading to a decline in the overall benefit of such plans to its revenues and profitability.

In addition, due to the global economic crisis beginning in 2007, the Group's facilities were underutilized as customers reconsidered initiating new wind farm projects, scaled down existing orders placed with the Group, and extended delivery schedules if they were unable to raise financing for the implementation of these projects. The Group's existing facilities, new manufacturing facilities and enhanced capacity at existing facilities may remain under-utilized. The Group incurred significant capital expenditure in the Fiscal Year 2008 and the Fiscal Year 2009 in creating new and expanded manufacturing facilities but it revised its Fiscal Year 2010 capital expenditure plans to better match its current capacity and may further revise its capital expenditure plans based on future capacity. To the extent that these completed facilities remain under-utilized, it will have an adverse impact on the Group's profitability, financial condition and cash flows.

26. *The Group may be unable to keep pace with rapidly evolving technology in the design and production of WTGs and WTG components.*

The global market for WTGs and WTG components involves rapidly evolving technology. The Group's component manufacturing equipment and technology may not be suited for future generations of products being developed by other wind energy companies. WTGs are progressively becoming

larger and their operational performance has improved, resulting in the Group's customers demanding more cost efficient WTGs. To maintain a successful business in the WTG sector, the Group needs to quickly and consistently design and develop new and improved WTGs and WTG components that keep pace with technological developments and changing customer standards and meet the growing demands of its customers for improved WTG performance. The Group is vulnerable to technological failures and failures of its information/software systems, which could affect its business. The Group's ability to design, develop, manufacture and market financially viable and cost-efficient WTGs on an ongoing basis is particularly important. The Group's inability to adequately respond to the technological changes in the WTG industry in a timely manner could have a material adverse effect on its business, financial condition, cash flows and results of operations.

27. *The market for WTGs is highly competitive, which could limit the Group's ability to grow.*

The market for WTGs is intensely competitive. There have been recent announcements by medium and large corporate groups announcing their entry into or expansion in the WTG market both globally and in India such as Vestas and GE Wind. Important factors affecting competition in the WTG industry include performance of WTGs, reliability, product quality, technology, price, and the scope and quality of services, including O&M services and training offered to customers. Although the Group has expended considerable resources on the design, development and manufacture of WTGs, some of its competitors have longer industry experience and greater financial, technical and other resources as well as larger customer bases and greater brand recognition. Some competitors may also be able to react faster to technological developments, trends and changes in customer demand. The Group's competitors may be willing and able to spend more resources to develop products and sales, and may be able to provide comparable products and services faster or at a lower price than the Group can. Further, if the Group's competitors consolidate through joint ventures or cooperative agreements with each other, or otherwise, the Group may have difficulty competing with them. There can be no assurance that the Group will be able to compete successfully against such competitors, or that it will not lose potential customers to such competitors. Additionally, growing competition could result in a decline in the Group's market share or may force it to reduce the prices of its products and services, which may reduce revenues, margins and cash flows.

28. *Foreign currency fluctuations could adversely affect the costs of raw materials, the cost of borrowings and repayment of indebtedness, revenues from exports, profitability, cash flows and the operating results of the Group.*

The Group generates revenues and makes payments in a number of different currencies, including Rupees, Euros, U.S. dollars, Chinese Yuan, Brazilian Reals, Danish Kroner and Australian Dollars. The exchange rates between these currencies can fluctuate substantially, which could have a material adverse effect on the Group's financial condition, cash flows and results of operations.

The Group exports a significant amount of its products produced in India to overseas customers and generates significant revenues from such customers and receives payment from such customers in various foreign currencies, including U.S. dollars. As such, depreciations of the Rupee against the U.S. dollar or other foreign currencies would increase the Rupee cost of servicing and repaying those borrowings and their value in the Group's balance sheet. Depreciation of the Rupee increases the U.S. dollar value of the Group's foreign currency borrowings. In addition, depreciation of the Rupee against the U.S. dollar increases the costs incurred by the Group in Rupee terms, thereby adversely affecting the competitive advantage that the Group derives from lower costs in its Indian manufacturing facilities.

REpower has historically generated revenues and made payments predominantly in Euros. However, as it expands, it expects to generate more revenues in different foreign currencies, particularly the U.S. dollar. If REpower's expenses remain predominantly in Euros and a greater portion of its revenues are made in U.S. dollars, an appreciation of the Euro against the U.S. dollar could cause REpower's operating margins to decrease.

For the Fiscal Year 2009 and the Fiscal Year 2010, imported raw materials and components accounted for 65.59% and 61.99%, respectively, of Suzlon's aggregate raw material consumption. A devaluation or depreciation in the value of the Rupee increases the total costs of such imports and the Group may be unable to recover these costs through cost-saving measures elsewhere or by passing on these increased costs to its customers, which in turn may affect sales. Similarly, the Group sources certain types of equipment from outside India, which it pays for primarily in Euros and U.S. dollars. A depreciation of the Rupee against the Euro or U.S. dollar increases the cost of such equipment in Rupee terms. All of these factors could have a material adverse impact on the Group's business, financial condition, cash flows and results of operations.

29. *The Group could incur losses in relation to its derivatives portfolio.*

In conducting its business, the Group uses various derivative and non-derivative instruments to manage the risks arising from fluctuations in exchange rates, interest rates and commodity prices. Such instruments are used for risk management purposes only.

The Group has recognized mark-to-market losses of Rs.353.84 crores and Rs.nil crores in respect of foreign exchange forward/option contracts, taken for hedging purposes during the Fiscal Year 2009 and Fiscal Year 2010, respectively. There can be no assurance that the Group will be able to successfully hedge its risks or that it will not incur such losses in the future or that the quantum of such losses will not increase. Such losses could have a material adverse effect on the Group's business, financial condition, cash flows and results of operations.

30. *The Group is dependent on the Affiliated Companies to deliver integrated wind energy solutions to its customers in India.*

The Group's business strategy in India involves offering customers integrated solutions relating to wind energy projects. This involves the acquisition and/or lease by certain of the Affiliated Companies of land identified by the Group as suitable for wind farms. Such land is then sold, leased or sub-leased exclusively to the Group's customers by the Affiliated Companies with Suzlon's consent. Certain Affiliated Companies are also involved in the acquisition of capacity allocations from State Governments. As with the land acquisitions, the Affiliated Companies transfer the capacity allocations to customers at the direction of Suzlon.

There can be no assurance that customers will agree to use the land acquired by the Affiliated Companies. The Affiliated Companies have been and may continue to be subject to certain litigation proceedings in connection with such land acquisitions. An adverse order in any such proceeding would effect the ability of the Affiliated Companies to deliver land to the Group's customers and have a material adverse effect on the Group's business, financial condition, cash flows and results of operation. In the event that an Affiliated Company breaches its agreement with the Group's customers, the Group may be required to incur significant expense and undertake the acquisition of land for wind farm projects in its own name. This would involve substantial capital investment, expense and risk, especially in the form of title disputes over the land acquired. Further, if the Group incurs higher costs than those that would have been incurred by the Affiliated Companies in carrying out their activities, this would increase the cost to the Group's customers of using wind farms developed by it and therefore adversely affect the competitiveness of the Group's wind farm projects. All these factors could have a material adverse effect on the Group's business, financial condition, cash flows and results of operations.

31. *The inability of the Group and the Affiliated Companies to secure suitable locations for wind energy projects may have an adverse impact on the Group's business.*

The ability of the Group and the Affiliated Companies to acquire sites that the Group has identified as suitable for wind energy projects through lease agreements or purchase agreements depends on many factors. These factors include whether the land is private or state-owned, whether the classification of the land under applicable regulations permits its use for a wind energy project site, and the willingness

of the owners to sell or lease their land. In many cases, the area identified as a suitable site is owned by numerous small landowners.

In certain states in India, Affiliated Companies are required to directly acquire the land on which a wind energy project will be established. Acquisition of private land in India can involve many difficulties, such as dealing with ongoing litigation relating to ownership, the existence of liens or encumbrances on the land, inaccurate title records, negotiating with numerous land owners, land conversion (e.g. agricultural to non-agricultural) and obtaining government approvals. Further, in the recent past, certain social interest groups in India compelled the reversal of government policies in respect of land grant, compelling the interested company to relocate its operations. The Group may also become liable for environmental hazards on land that it acquires and may be subject to fines and other claims in connection therewith. The Group also faces competition from other WTG manufacturers and operators in relation to the acquisition of suitable sites for wind energy projects. Given that the acquisition of these sites is of fundamental importance to the Group's integrated solutions business strategy in India, and to further growth of its WTG business outside India, difficulties in acquiring new sites could have a significant impact on future project development by the Group and the Affiliated Companies as well as the Group's sales. These difficulties include litigation and other costs such as the payment of settlements in connection with land disputes, all of which may cause delays. Land negotiations can be time-consuming and can require the Group to incur substantial additional costs and devote a significant amount of management time. In certain cases, the Group and the Affiliated Companies may not be able to acquire land at all. Any of these factors could have a material adverse effect on the Group's business, financial condition, cash flows and results of operations.

32. *Suzlon competes with the customers of some of its Subsidiaries. This may affect the willingness of such customers to contract with the respective subsidiary.*

Suzlon is a direct competitor of certain entities which are also customers of one or more of Suzlon's Subsidiaries. These Subsidiaries include SE Forge, Suzlon Wind International Limited, SE Composites Limited and STSL. There can be no assurance that these customers may not in the future decide to reduce or cease their purchases from such Subsidiaries due to their relationship with Suzlon, or to expand their own activities to produce any such components or products themselves. The loss of a key customer of any of Suzlon's production Subsidiaries, or a reduction in orders from a customer, could result in lower than expected revenue to such Subsidiary and this could have a material adverse effect on such Subsidiary's business, financial condition, cash flows and/or results of operations. The loss or substantial reduction of an existing customer relationship of a Subsidiary could therefore have a material adverse effect on the business, financial condition, cash flows and results of operations of the Group.

33. *The Group's financial condition is substantially dependent on the commercial success of any new products launched by it.*

The Group's growth depends on designing, developing and marketing new and more cost-efficient WTGs. The development of new WTG models requires considerable investment. The Group plans to continue to invest in R&D and to commit significant investment in personnel for product development over the next few years. The Group operates several research and testing centres in India and at overseas locations. It has recently established a joint research centre in Germany with REpower. See "Research and Development" in the section titled "Business" of this Letter of Offer. Significant resources and investment are currently being focused on the development and expansion of REpower's offshore WTGs.

There is a risk that the development of new and existing products may be delayed, which may result in incurrance of higher than expected costs. Further, there can be no assurance that the newly developed products will deliver the expected technological results. Further, the Group's competitors may develop new and technologically more advanced WTG models, which are better equipped to satisfy customer demand. There can be no assurance that the Group will be able to develop more cost-efficient products or that this will lead to increased profitability or that it will be able to continue to develop successfully

and exploit its expertise in the future. In the offshore WTG sector, there is no assurance that REpower will be able to successfully develop larger and more efficient turbines. Furthermore, the cost of developing new products may prove to be greater than the income expected from those products. Any of these factors could have a material adverse effect on the Group's business, financial condition, cash flows and results of operations.

34. *Any disruption affecting the Group's manufacturing facilities or operations could have a material adverse effect on its business, financial condition, cash flows and results of operations.*

At present, the Group's manufacturing facilities are predominantly located in India, the United States, China, Belgium and Germany. The manufacture of the Group's WTGs and WTG components involves significant hazards that could result in fires, explosions, spills, and other unexpected or dangerous conditions or accidents. For example, work at the Company's factory in Pondicherry was halted for a month due to a fire in January 2009. Any significant interruption to the Group's operations because of industrial accidents, floods, severe weather or other natural disasters could have a material adverse effect on the Group's business, financial condition, cash flows and results of operations. There can be no assurance that such events or natural disasters will not occur in the future and the occurrence of such events will have a material adverse impact on the Group's manufacturing ability and capacity and therefore its financial condition, cash flows and results of operations.

The Group also requires power for its manufacturing facilities. Industrial accidents, natural disasters or other factors may affect the Group's ability to produce or procure the necessary power to operate its manufacturing facilities. This could have a material adverse effect on the Group's business, financial condition, cash flows and results of operations.

35. *The Company's results of operations could be adversely affected by strikes, work stoppages or increased wage demands by its employees or other disputes with its employees.*

The Group is exposed to the risk of strikes, lock-outs, trade union activities and other industrial actions. As at March 31, 2010, the Group (including REpower) employed 13,879 people. Other than certain employees at its centres in Pondicherry and Satara and its employees at REpower, none of its employees belong to a union. The Group believes that its relationship with its employees is generally good. However, there have been occasions in the past where short disruptions have occurred.

There can be no assurance that its other employees will not unionize or that it will not experience any strike, work stoppage, lock-out or other industrial action in the future. Further, efforts by labor unions may divert the management's attention and result in increased costs. The Group may be unable to negotiate any acceptable collective bargaining agreements with such employees who have chosen to be represented by unions, which could lead to union-initiated stoppages. Any such event could disrupt the Group's operations, possibly for a significant period of time, result in an increase in wages and other benefits or otherwise have a material adverse effect on its business, financial condition, cash flows and results of operations.

36. *The Group's profitability would decrease if the Indian Government reduced or withdrew tax benefits and other related incentives that it currently provides.*

The statutory corporate income tax rate in India is currently 30.0%. This tax rate is presently subject to a 7.5% surcharge and an education cess of 3.0%, resulting in an effective tax rate of 33.22%. There can be no assurance that the tax rate or the surcharge will not be increased further in the future. Presently, the Group benefits from the tax holidays given by the Indian Government for the establishment of manufacturing facilities in under-developed areas (as notified by the Indian Government). As a result of these incentives, which include a five-year full income tax holiday and five-year partial income tax holiday from Indian corporate income taxes for the operation of certain of the Group's Indian facilities, the Group's operations have been subject to relatively low tax liabilities. The Group's income tax exemptions expire at various points of time. For example, effective Fiscal Year 2009, the tax exemption enjoyed by the Group's facilities in Pondicherry was reduced from 100% to 30% under the

Indian Income Tax Act. For further details, see the section titled “Statement of Tax Benefits” of this Letter of Offer.

The Group is also entitled to certain sales tax, excise and customs duty exemptions and concessions for the manufacture and sale of renewable energy products and the export of its products. There can be no assurance that similar tax benefits will remain in the future. When these tax benefits expire or terminate, the Group’s tax expense could materially increase, thereby reducing its profitability and cash flows.

37. *The Group has entered into various related party transactions. Some of these are subject to transfer pricing regulations. These may be subject to regulatory challenges, which may subject the Group to higher taxes and adversely affect the Group’s earnings.*

Suzlon enters into transactions with related parties such as Affiliated Companies and its Subsidiaries in the ordinary course of its business, such as supply of components and the acquisition and use of land. Suzlon also extends loans to some of its Subsidiaries. Pursuant to these transactions, it has determined transfer prices that it believes are at arm’s length. However, if the tax authorities of India or other jurisdictions were to challenge these or past transactions successfully or require changes in its transfer pricing policies, Suzlon could be required to re-determine transfer prices and/or pay additional taxes with respect to past transactions which may result in a higher tax liability to it and, as a result, its earnings would be adversely affected. Suzlon believes that it operates in compliance with all applicable transfer pricing laws in all applicable jurisdictions. However, there can be no assurance that it will be found to comply with transfer pricing laws, or that such laws will not be modified. This may require changes to Suzlon’s transfer pricing policies or operating procedures. Any modification of transfer pricing laws may result in a higher overall tax liability to the Group and adversely affect its earnings and results of operations. The Group will continue to enter into related party transactions in the future, in the normal course of its business. For further details, see Note 22 – “Related party disclosures” to the Group’s consolidated financial statements of this Letter of Offer.

38. *The Group may not be able to obtain or maintain adequate insurance cover.*

The Group’s operations are subject to hazards and risks inherent in the use of chemicals and other hazardous materials in the course of its production processes. These risks include the occurrence of explosions, chemical spills, storage tank leaks, discharges or releases of hazardous substances and other environmental risks, mechanical failure of equipment at its facilities and natural disasters. In addition, many of these operating and other risks could cause personal injury, loss of life, severe damage to or destruction of the Group’s properties and the property of third parties and environmental pollution, and may result in the suspension of operations and the imposition of civil or criminal penalties. While the Group believes that its insurance coverage is consistent with industry norms, it does not carry business interruption insurance for its entire operations globally. For operations outside India, the Group’s business interruption insurance is generally limited to the WTG erection process. For its Indian operations, the Group has recently commenced the insurance coverage for the WTG erection process in certain states. If any or all of the Group’s production facilities are damaged in whole or in part and its operations are interrupted for a sustained period, there can be no assurance that its insurance policies will be adequate to cover the losses that may be incurred as a result of such events. If the Group suffers a large uninsured loss or any insured loss suffered by it significantly exceeds its insurance coverage, its business, financial condition, cash flows and results of operations may be adversely affected.

In addition, the Group’s insurance coverage is generally subject to annual renewal. In the event that premium levels increase, it may not be able to obtain the same levels of coverage in the future as it currently has or it may only be able to obtain such coverage at substantially higher cost. If it is unable to pass these costs on to its customers, the costs of higher insurance premiums could have an adverse effect on its financial condition, cash flows and results of operations. Alternatively, the Group may choose not to insure, which, in the event of any damage or destruction to its facilities or defects to its products, could have a material adverse effect on its business, financial condition, cash flows and results of operations.

39. *Any failure to keep the Group's technical knowledge confidential and protect its intellectual property could erode its competitive advantage.*

Like many of its competitors, the Group possesses extensive technical knowledge about its products. The Group relies on copyright and licence agreements, among other protections, to safeguard its intellectual property rights. There can be no assurance the Group's rights will not be challenged, invalidated or circumvented, or that Suzlon will successfully renew its rights or licenses. Further, the Group's know-how may not be adequately protected by its existing intellectual property rights such as patents, copyrights and trademarks. Some know-how is protected only by secrecy and any contractual protection. As a result, the Group cannot be certain that its know-how will remain confidential in the long run.

Further, there can be no assurance that the Group will be able to protect its intellectual property rights in respect of newly developed or upgraded products. The Group's competitor may be able to take advantage of this and develop and market similar or superior products which will impact the Group's business, financial conditions and cash flows.

Even if all reasonable precautions, whether contractual or otherwise, are taken to protect confidential technical knowledge about the Group's products or its business, there is still a danger that such information may be disclosed to others or become public knowledge in circumstances beyond its control. In the event that confidential technical information or know-how about its products or its business becomes available to third parties or to the public, the Group's competitive advantage over other companies in the wind energy industry could be harmed. This could have a material adverse effect on its business, financial condition, cash flows and results of operations.

40. *The Group may inadvertently infringe the intellectual property rights of others.*

Although the Group believes that its products, services and proprietary information will not infringe upon the intellectual property rights of others and that it does and will have all the rights necessary to use the intellectual property employed in its business, there can be no assurance that infringement claims, including the possibility of substantial monetary claims, will not be asserted against the Group. Such claims may force it to alter its technologies, obtain licenses or cease some significant portions of its operations. Irrespective of the merit of these claims, these claims could: (i) adversely affect its relationships with current or future customers; (ii) result in costly litigation; (iii) cause product shipment delays or stoppages; (iv) divert management's attention and resources; (v) subject it to significant liabilities; (vi) require it to enter into potentially expensive royalty or licensing agreements; and (vii) require it to cease certain activities including the manufacture/supply of certain products and provisions of services. Furthermore, necessary licenses may not be available to the Group on satisfactory terms, if at all. All of these factors could have a material adverse impact on the Group's business, financial condition, cash flows and results of operations.

41. *The loss of the services of the Group's Chairman and Managing Director, or of its key senior management personnel, could adversely affect its business.*

The Group's success depends in part on the knowledge, skill, industry experience and continued services of its Chairman and Managing Director, Mr. Tulsi Tanti, and other key members of senior management. The Group has taken "key man" insurance policy for two of its directors. If the Group loses the services of the Chairman and Managing Director or any of its key senior management personnel, it would be very difficult to find and integrate replacement personnel in a timely manner, which could significantly impair the Group's ability to develop and implement its business strategies. This could have a material adverse effect on the Group's business, financial condition, cash flows and results of operations.

42. *The Group may be unable to hire and retain sufficient numbers of the qualified professional personnel that it needs.*

The success of the Group's business will depend on its ability to identify, attract, hire, train, retain and motivate skilled personnel. Any failure to hire and retain sufficient numbers of qualified personnel for functions such as finance, marketing and sales, engineering, research and development and operations and management services, could adversely affect the Group's business, operating results, financial condition and cash flows. Competition for qualified professional personnel is intense as these personnel are in limited supply, particularly as the wind energy industry is specialized and continues to expand. The Group might not be able to hire and retain sufficient numbers of such personnel to grow or sustain its business. In addition, any of its existing qualified personnel may terminate their employment with the Group and join the Group's competitors. There can be no assurance that the Group will be able to attract, assimilate or retain sufficiently qualified personnel successfully. A failure to do so could have a material adverse effect on the Group's business, financial condition, cash flows and results of operations.

43. *The cost of complying with safety, health and environmental laws and regulations at present and in the future may adversely affect the Group's results of operations, financial condition and cash flows.*

The Group is subject to a broad range of safety, health and environmental laws and regulations in the jurisdictions in which it operates. The manufacturing facilities of the Group are located in India, the United States, Germany, China and Belgium and are subject to laws and government regulations of such countries. These laws and regulations require the Group to obtain and maintain permits and approvals, undergo environmental impact assessments, review processes and implement environmental health and safety programs, impose controls on the Group's air and water discharges, storage, handling, discharge and disposal of chemicals, employee exposure to hazardous substances and other aspects of its operations and products. Some of the manufacturing and O&M processes of the Group are hazardous and require the Group to comply with stringent safety standards. The Group has incurred, and expects to continue to incur, operating costs and capital expenditure to comply with such laws and regulations. While the Group believes it is in compliance in all material respects with all applicable safety, health and environmental laws and regulations, the discharge of raw materials that are chemical in nature or of other hazardous substances or other pollutants into the air, soil or water may nevertheless cause it to be liable to the Indian Government, State Governments or Union Territories, or to any similar governmental or regulatory authority in the United States, Germany or China, where certain of its manufacturing facilities and wind farms are located, or to private persons or other third parties. In addition, it may be required to incur costs to remedy the damage caused by any such discharges or environmental incidents, or pay fines or other penalties for non-compliance with applicable laws and/or regulations.

The Group could also be affected by the adoption or implementation of new safety, health and environmental laws and regulations, new interpretations of existing laws, increased governmental enforcement of environmental laws or other similar developments in the future. Safety, health and environmental laws and regulations particularly in India are becoming increasingly stringent and it is possible that they will become more stringent in the future. The costs of complying with these requirements could be significant. The measures that the Group implements in order to comply with these new laws and regulations may be deemed insufficient by governmental authorities and its compliance costs may significantly exceed current estimates. If the Group fails to meet environmental requirements, it may also be subject to administrative, civil and criminal proceedings by governmental authorities, as well as civil proceedings by environmental groups and other individuals, which could result in substantial fines and penalties against it as well as orders that could limit or halt its operations. This could have a material adverse effect on the Group's business, financial condition, cash flows and results of operations.

44. *Suzlon's principal Shareholders have the ability to determine the outcome of any Shareholder resolution and Suzlon does not control the Affiliated Companies.*

Suzlon's principal Shareholders, comprising the Promoter Group, owned 53.08% of Suzlon's current issued Equity Shares as at March 31, 2010. As significant Shareholders, the Promoter Group may have interests that are adverse to the interests of other Shareholders and/or Suzlon and the Group's own interests. Specifically, Suzlon's Chairman and Managing Director, along with other members of the

Promoter Group, are the controlling Shareholders of both Suzlon and the Affiliated Companies and have significant voting power to influence Suzlon's policies, business and affairs, and the outcome of any Shareholders' resolution including in connection with any merger, consolidation and sale of all, or substantially all, of Suzlon's assets. There may therefore be a conflict of interest in dealings between Suzlon and the Affiliated Companies, which may not necessarily be resolved in Suzlon's favor. In addition, the Promoter Group may not consider the interests of minority Shareholders in making any determinations regarding Shareholder resolutions.

45. *The Group's earnings from Subsidiaries based outside of India may be subject to double taxation.*

A part of the Group's earnings may comprise dividends received from Suzlon's Subsidiaries based outside of India. The Group may be subject to double taxation on any dividends paid by such Subsidiaries based outside of India. Further, dividend payments will also be subject to foreign currency fluctuations. In such an event, the Group's earnings and cash flows may be adversely affected.

46. *The Company may use more than 25% of the proceeds from the Issue for general corporate purposes.*

To the extent that the Issue is subscribed for by Equity Shareholder other than the Lending Promoter, the funds raised from these subscriptions will be used for general corporate purposes. The Company does not have an immediate plan for the long term use or investment of these funds which will be at the discretion of the Company's management. Since the Company does not yet have a specific use for the funds planned, its Equity Shareholders will not know the specific use of the funds at the time of subscription. Additionally, they will not have the ability to vote on the proposed use or rescind their subscriptions after the Company has found an application of the funds.

47. *Renunciation by any Equity Shareholder may require prior regulatory approvals, including an approval of the RBI.*

Any renunciation from (i) a resident Indian Equity Shareholder to a Non-resident or (ii) a Non-resident Equity Shareholder to a resident Indian or (iii) a Non-resident Equity Shareholder to a Non-resident will be subject to the renouncer or renounee obtaining the necessary approvals, including the permission of the RBI under the FEMA and such permissions will need to be attached to the CAF. There can be no certainty as to the conditions subject to which any approval will be granted or if the approval will be granted at all. For further details, see the section titled "Terms and Procedure of the Issue" of this Letter of Offer.

48. *The objects of the Issue include the utilization of the proceeds of the Issue to discharge, to the extent possible, existing loans from the Lending Promoter.*

The objects of the Issue include the utilization of the proceeds of the Issue to discharge, to the extent possible, existing loans ("Promoter Loan") availed by the Company from the Lending Promoter. Since these proceeds are being used to discharge the Lending Promoter, the amount towards such allotment to the Lending Promoter will not be available for use in the Company's business. Additionally, if the Company's other Equity Shareholders do not subscribe equally to the Issue, this will increase the proportionate share of equity held by the Company's Promoters. This will dilute the relative interest of the Company's other Equity Shareholders. For details on the utilization of the Promoter Loan, see the section titled "Objects of the Issue" of this Letter of Offer.

RISKS RELATING TO INDIA

49. *Suzlon's growth is dependent on the Indian economy.*

Suzlon's performance and the growth of its business are dependent on the performance of the Indian economy. For each of the Fiscal Year 2008, the Fiscal Year 2009 and the Fiscal Year 2010, 41.07%, 17.07% and 19.89%, respectively, of the Group's total sales were derived from the Indian market. India's economy has been affected by the recent global economic uncertainties and liquidity crisis,

volatility in interest rates, currency exchange rates, commodity and electricity prices, adverse conditions affecting agriculture, and various other factors. Risk management techniques by banks and lenders in such circumstances could affect the availability of funds in the future or the withdrawal of existing credit facilities of Suzlon. The Indian economy is undergoing many changes and it is difficult to predict the impact of certain fundamental economic changes upon Suzlon's business. Conditions outside India, such as a slowdown or recession in the economic growth of other major countries, especially the United States, have an impact on the growth of the Indian economy, and Indian Government policy may change in response to such conditions. While recent Indian Governments have been keen on encouraging private participation in the industrial sector, any adverse change in policy could result in a further slowdown of the Indian economy. In addition, these policies will need continued support from stable regulatory regimes that stimulate and encourage the investment of private capital into industrial development. Additionally, an increase in trade deficit, a downgrading in India's sovereign rating or a decline in India's foreign exchange reserves could negatively impact interest rates and liquidity which could adversely impact the Indian economy and Suzlon's business. Any downturn in the macroeconomic environment in India could materially and adversely affect the market price of the Equity Shares and Suzlon's business, financial condition, cash flows and results of operations.

50. *Political instability or changes in the Indian Government could delay the further liberalization of the Indian economy and adversely affect economic conditions in India generally and Suzlon's business in particular.*

Suzlon's business may be affected by changes in Indian Government policy, taxation, and other political, economic developments in or affecting India. Since 1991, successive Indian governments have pursued policies of economic liberalization, including significantly relaxing restrictions on the private sector and encouraging the entry of private sector operators in hitherto restricted sectors. Nevertheless, the roles of the Indian central and state Governments in the Indian economy as producers, consumers and regulators have remained significant. A significant change in India's economic liberalization and deregulation policies could adversely affect business and economic conditions in India generally, and Suzlon's business in particular.

51. *If regional hostilities, terrorist attacks or social unrest in India increase, Suzlon's business could be adversely affected and the trading price of the Equity Shares could decrease.*

The Asian region has from time to time experienced instances of civil unrest, terrorist attacks and hostilities among neighboring countries, including between India and Pakistan. There have also been military hostilities and continuing civil unrest and instability in Iraq, Afghanistan and other countries in the Indian sub-continent. There have been a number of terrorist attacks in India, including terrorist attacks in Mumbai in November 2008. Military activity or terrorist attacks in India in the future could impact the Indian economy by creating a perception that investments in Indian companies involve higher degrees of risk. These hostilities and tensions could lead to political or economic instability in India and have a possible adverse effect on the Indian economy, Suzlon's business, financial condition, cash flows and results of operations, its future financial performance and the trading price of the Equity Shares.

Furthermore, India has also experienced social unrest and communal disturbances in some parts of the country. If such tensions occur in other parts of the country, leading to overall political and economic instability, it could have an adverse effect on Suzlon's business, future financial performance, cash flows and the market price of the Equity Shares.

52. *Natural disasters could have a negative impact on the Indian economy and cause Suzlon's business to suffer.*

India has experienced significant natural disasters such as earthquakes, a tsunami, floods and drought in the past few years. Some of Suzlon's assets in India are located on the seismic belt with heightened risks for earthquakes. In the event of an earthquake of a significant scale, Suzlon could suffer losses arising from damages to its manufacturing facilities. The extent and severity of these natural disasters

determines their impact on the Indian economy and infrastructure. Further, prolonged spells of below normal rainfall or other natural calamities could have a negative impact on the Indian economy, adversely affecting Suzlon's business and the market price of the Equity Shares.

53. *Financial instability in countries other than India could disrupt Indian markets and Suzlon's business, and cause the trading price of the Equity Shares to decrease.*

The Indian financial markets and the Indian economy are influenced by economic and market conditions in other countries, particularly emerging market countries in Asia. Further, the global financial crisis that began in 2007 has had a significant impact on the Indian economy as well as the stability of the Indian financial markets. Although economic conditions are different in each country, investors' reactions to developments in one country can have adverse effects on the securities of companies in other countries, including India. A loss of investor confidence in the financial systems of other emerging markets may cause volatility in Indian financial markets and, indirectly, in the Indian economy in general. Any worldwide financial instability could also have a negative impact on the Indian economy. In short, any significant financial disruption could have an adverse effect on Suzlon's business, financial condition, cash flows, results of operations, future financial performance and the trading price of the Equity Shares.

54. *The Indian securities markets are more volatile than certain other securities markets.*

The Indian securities markets can be more volatile than the securities markets in certain countries which are members of the Organisation for Economic Co-operation and Development. Indian stock exchanges have experienced problems which could affect the market price and liquidity of the securities of Indian companies, including the Equity Shares. These problems have included temporary exchange closures, broker defaults, settlement delays and strikes by brokers. A closure of, or trading stoppage on, either the BSE or the NSE could adversely affect the trading price of the Equity Shares. Historical trading prices, therefore, may not be indicative of the prices at which the Equity Shares will trade in the future. In addition, the governing bodies of the Indian stock exchanges have from time to time imposed restrictions on trading in certain securities, limitations on price movements and margin requirements. Furthermore, from time to time, disputes have occurred between listed companies, stock exchanges and other regulatory bodies, which in some cases have had a negative effect on market sentiment. Similar problems could happen in the future and, if they do, they could affect the market price and liquidity of the Equity Shares.

55. *There may be less information available in the Indian securities markets than securities markets in more developed countries.*

There is a difference between the level of regulation and monitoring of the Indian securities markets and the activities of investors, brokers and other participants than that of markets in more developed economies. The SEBI is responsible for monitoring disclosure and other regulatory standards for the Indian securities market. The SEBI has issued regulations and guidelines on disclosure requirements, insider trading and other matters. There may, however, be less publicly available information about Indian companies than is regularly made available by public companies in more developed countries, which could adversely affect the market for the Equity Shares. As a result, investors may have access to less information about Suzlon's business, financial condition, cash flows and results of operation, on an ongoing basis, than investors may in the case of companies subject to reporting requirements of other more developed countries.

56. *If inflation were to rise in India, the Group might not be able to increase the prices of its products in order to pass costs on to its customers and the Group's profits might decline.*

Inflation rates in India have been volatile in recent years, and such volatility may continue in the future. Increasing inflation in India could cause a rise in the price of transportation, wages, raw materials and other expenses, and the Group may be unable to reduce its costs or pass increased costs on to its consumers by increasing the price the Group charges for its products, and its financial condition, cash flows and results of operations may therefore be adversely affected.

57. *Significant differences exist between Indian GAAP and other accounting principles such as U.S. GAAP and IFRS, which may be material to the financial information prepared and presented in accordance with Indian GAAP contained in this Letter of Offer. Suzlon's failure to successfully adopt IFRS with effect from April 1, 2011 could have a material adverse effect on its stock price.*

Suzlon's financial statements included in this Letter of Offer are prepared and presented in conformity with Indian GAAP and no attempt has been made to reconcile any of the information relating to the Group given in this Letter of Offer to any other principles or to base it on any other standards. Indian GAAP differs from accounting principles and auditing standards with which prospective investors may be familiar in other countries, such as U.S. GAAP or IFRS. Significant differences exist between Indian GAAP and U.S. GAAP or IFRS, which may be material to the financial information prepared and presented in accordance with Indian GAAP contained in this Letter of Offer. In making an investment decision, potential investors must rely upon their own examination of the Group. See the risk factor titled "Certain events which have occurred to the Group in the last three years impair the ability to effectively compare the Group's consolidated financial statements".

The Ministry of Corporate Affairs, Government of India through press releases issued on January 22, 2010 and March 31, 2010 has announced a roadmap for the adoption of, and convergence of Indian Accounting Standards with IFRS. Because there is significant lack of clarity on the adoption of and convergence with IFRS and there is not yet a significant body of established practice on which to draw in forming judgments regarding its implementation and application, Suzlon has not determined with any degree of certainty the impact that such adoption will have on its financial reporting. Pursuant to the press releases there will be two separate sets of Accounting Standards under section 211(3c) of the Companies Act. The first would comprise of Accounting Standards which are converged with IFRS and applicable to a specified class of companies and the second would comprise of existing Indian Accounting Standards which will be applicable to all other companies. Suzlon will be covered in the first phase and accordingly will be required to follow the converged Accounting Standards with IFRS, if the necessary notifications are issued by regulatory authorities. There can be no assurance that Suzlon's financial condition, cash flows, results of operations or changes in shareholders' equity will not appear materially different under IFRS than under Indian GAAP. As Suzlon transitions to IFRS reporting, it may encounter difficulties in the ongoing process of implementing and enhancing its management information systems. Moreover, there is increasing competition for the small number of IFRS-experienced accounting personnel available as more Indian companies begin to prepare IFRS financial statements.

Although Suzlon is in the process of implementing IFRS and believes that it has made significant progress in this respect, there can be no assurance that the adoption of IFRS will not adversely affect Suzlon's reported results of operations, financial condition or cash flows and any failure to successfully adopt IFRS by April 2011 could have a material adverse effect on its stock price.

58. *Companies operating in India are subject to a variety of central and State Government taxes and surcharges.*

Tax and other levies imposed by the Indian Government and State Governments that affect Suzlon's tax liability include: (i) income tax; (ii) excise duty; (iii) value added tax; (iv) turnover tax; (v) service tax; and (vi) other special taxes and surcharges which are introduced on a temporary or permanent basis from time to time. In addition, general sales tax has been introduced in India and the Direct Tax Code will come into effect on April 1, 2011. Suzlon believes that both these developments will have significant consequences for it.

The Indian Government and State Government tax scheme in India is extensive and subject to change from time to time. The statutory corporate income tax in India, which includes a surcharge on the tax and an education cess on the tax and the surcharge, is currently 33.22%. For further details, see the section titled "Statement of Tax Benefits" of this Letter of Offer. The provisions of the Indian Income Tax Act are amended on an annual basis by the Finance Act.

The Indian Government or State Governments may in the future increase corporate income tax or other taxes that they impose. Any such future increases or amendments may affect the overall tax efficiency of companies operating in India and may result in significant additional taxes becoming payable. Additional tax exposure could have a material adverse effect on Suzlon's business, financial condition, cash flows and results of operations.

59. *The extent and reliability of Indian infrastructure could adversely affect Suzlon's results of operations, financial condition and cash flows.*

India's physical infrastructure is less developed than that of many developed nations. Any congestion or disruption in its port, transportation networks, electricity grid, communication systems or any other public facility could disrupt Suzlon's normal business activity. Any deterioration of India's physical infrastructure would harm the national economy, disrupt the transportation of goods and supplies, and add costs to doing business in India. These problems could interrupt the business operations of Suzlon, which could have an adverse effect on its results of operations, financial condition and cash flows.

60. *Suzlon's ability to raise foreign capital may be constrained by Indian law.*

Companies operating in India are subject to exchange controls that regulate borrowing in foreign currencies. Such regulatory restrictions could limit Suzlon's financing sources for its acquisitions and could constrain its ability to obtain financings on competitive terms and refinance existing indebtedness. In addition, it cannot be assured that any approval required to raise foreign capital will be granted to Suzlon without onerous conditions, or at all. Limitations on foreign debt may have an adverse impact on Suzlon's business growth, financial condition, cash flows and results of operations.

61. *Rights of shareholders under Indian law may be more limited than under the laws of other jurisdictions.*

The articles of association, resolutions of the board of directors and Indian law govern the corporate affairs of companies operating in India. Legal principles relating to these matters and the validity of corporate procedures, directors' fiduciary duties and liabilities, and shareholders' rights may differ from those that would apply to a company in another jurisdiction. Shareholders' rights under Indian law may not be as extensive as shareholders' rights under the laws of other countries or jurisdictions. Investors may have more difficulty in asserting their rights as shareholders of Suzlon than as a shareholder of a corporation in another jurisdiction.

62. *Investors may be adversely affected by future dilution of their ownership position.*

Under the Companies Act, a company incorporated in India must offer its holders of equity shares pre-emptive rights to subscribe and pay for a proportionate number of shares to maintain their existing percentage ownership before the issuance of any new equity shares, unless their pre-emptive rights have been waived by adoption of a special resolution by holders of three-fourths of the shares which are voted on the resolution or if Government approval has been obtained. However, if the law of the jurisdiction an investor is in, does not permit him to exercise his pre-emptive rights without the filing of an offering document or complying with any other requirements prescribed by the applicable regulatory authority, that investor will be unable to exercise his pre-emptive rights unless Suzlon makes such a filing or complies with any such additional requirements. To the extent that investors are unable to exercise pre-emptive rights granted in respect of the Equity Shares held by them, their proportional interest in Suzlon would be diluted.

63. *It may not be possible for investors to enforce any judgment obtained outside India against Suzlon, its management or any of its respective affiliates in India, except by way of a suit in India on such judgment.*

Suzlon is incorporated under the laws of India and a substantial majority of the Group's assets and its Directors and executive officers assets of such persons are also located in India. As a result, investors may be unable to effect service of process outside of India upon Suzlon and such other persons or

entities; or enforce in courts outside of India judgments obtained in such courts against Suzlon and such other persons or entities. India is not a party to any international treaty in relation to the recognition or enforcement of foreign judgments. Recognition and enforcement of foreign judgments are provided for under Section 13 and Section 44A of the Civil Procedure Code respectively. The Government of India has under Section 44A of the Civil Procedure Code notified certain countries as reciprocating countries, as discussed below.

Section 13 of the Civil Procedure Code provides that a foreign judgment shall be conclusive regarding any matter directly adjudicated upon except: (i) where the judgment has not been pronounced by a court of competent jurisdiction, (ii) where the judgment has not been given on the merits of the case, (iii) where it appears on the face of the proceedings that the judgment is founded on an incorrect view of international law or a refusal to recognize the law of India in cases in which such law is applicable, (iv) where the proceedings in which the judgment was obtained were opposed to natural justice, (v) where the judgment has been obtained by fraud, or (vi) where the judgment sustains a claim founded on a breach of any law in force in India.

Section 44A of the Civil Procedure Code provides that where a foreign judgment has been rendered by a superior court (within the meaning of that section) in any country or territory outside India which the Government of India has by notification declared to be a reciprocating territory, it may be enforced in India by proceedings in execution as if the judgment had been rendered by an appropriate court in India. However, Section 44A of the Civil Procedure Code is applicable only to monetary decrees not being in the nature of any amounts payable in respect of taxes or other charges of a similar nature or in respect of a fine or other penalties and does not include arbitration awards.

The United States has not been declared by the Government of India to be a reciprocating territory for the purposes of Section 44A of the Civil Procedure Code. However, the United Kingdom and some other countries have been declared by the Government of India to be a reciprocating territory. Accordingly, a judgment of a court in the United States or other non-reciprocating territories may be enforced only by filing a fresh suit on the basis of the judgment and not by proceedings in execution.

The suit must be brought in India within three years from the date of the judgment in the same manner as any other suit filed to enforce a civil liability in India. It is unlikely that a court in India would award damages on the same basis as a foreign court if an action is brought in India. Furthermore, it is unlikely that an Indian court would enforce a foreign judgment if it viewed the amount of damages awarded as excessive or inconsistent with public policy in India. A party seeking to enforce a foreign judgment in India is required to obtain approval from the RBI to repatriate any amount outside India recovered pursuant to execution and any such amount may be subject to income tax in accordance with applicable laws. Any judgment or award in a foreign currency would be converted into Indian Rupees on the date of the judgment or award and not on the date of the payment. Generally, there are considerable delays in the processing of legal actions to enforce a civil liability in India, and therefore it is uncertain whether a suit brought in an Indian court will be disposed off in a timely manner or be subject to considerable delays.

64. *Suzlon's business and activities will be regulated by the Competition Act, 2002.*

The Indian Parliament has enacted the Competition Act, 2002, as amended (the “**Competition Act**”) for the purpose of preventing business practices that have an appreciable adverse effect on competition in India under the auspices of the Competition Commission of India, which (other than for certain provisions relating to the regulation of combinations) has recently become effective. Under the Competition Act, any arrangement, understanding or action in concert between enterprises or persons, whether or not formal or informal, which causes or is likely to cause an appreciable adverse effect on competition in India is void and attracts substantial monetary penalties. Any agreement which directly or indirectly determines purchase or sale prices, limits or controls production, shares the market by way of geographical area or market or number of customers in the market is presumed to have an appreciable adverse effect on competition. Suzlon may also be regulated by the Competition Commission of India for any act perceived to be an abuse of its dominant position that causes an appreciable adverse effect on competition. The effect of the Competition Act and the Competition Commission of India on the business environment in India is as yet unclear. Any application of the

Competition Act to Suzlon may be unfavorable and may have a material adverse effect on its business, financial condition, cash flows and results of operations.

RISKS RELATING TO THE EQUITY SHARES

65. *After this Issue, the price of the Equity Shares may be volatile.*

The price of the Equity Shares on the NSE and the BSE may fluctuate after this Issue as a result of several factors, including:

- volatility in the Indian and the global securities market or in the Rupee's value relative to the U.S. dollar, the Euro and other foreign currencies;
- the Group's profitability and performance;
- perceptions about the Group's future performance or the performance of Indian companies in general;
- performance of the Group's competitors and the perception in the market about investments in the WTG manufacturing sector;
- adverse media reports about the Group or the Indian WTG manufacturing sector;
- the liquidity of the market for the Equity Shares;
- announcement by third parties of significant claims or proceedings against us;
- announcement of any new product offerings, technological innovations or changes in pricing policy;
- changes in the estimates of the Group's performance or recommendations by financial analysts;
- significant developments in India's economic liberalization and deregulation policies;
- significant developments in India's fiscal and environmental regulations; and
- any other political or economic factors.

There can be no assurance that an active trading market for the Equity Shares will be sustained after this Issue, or that the price at which the Equity Shares have historically traded will correspond to the price at which the Equity Shares are offered in this Issue or the price at which the Equity Shares will trade in the market subsequent to this Issue.

66. *Future issuances or sales of the Equity Shares could significantly affect the trading price of the Equity Shares.*

The future issuance of shares by Suzlon or the disposal of shares by any of its major Shareholders, including Suzlon's Promoters or the perception that such issuance or sales may occur may significantly affect the trading price of the Equity Shares. There can be no assurance that Suzlon will not issue further shares or that the major shareholders will not dispose of, pledge or otherwise encumber their shares.

67. *Investors may be subject to Indian taxes arising out of capital gains on the sale of the Equity Shares.*

Under current Indian tax laws and regulations, capital gains arising from the sale of shares in an Indian company are generally taxable in India. Any gain realized on the sale of listed equity shares on a stock

exchange held for more than 12 months is exempted from capital gains tax in India if securities transaction tax (“STT”) has been paid on the transaction. STT will be levied on and collected by a domestic stock exchange on which the Equity Shares are sold. Any gain realized on the sale of equity shares held for more than 12 months to an Indian resident, which are sold other than on a recognized stock exchange and on which no STT has been paid, will be subject to long term capital gains tax in India. Further, any gain realized on the sale of listed equity shares held for a period of 12 months or less will be subject to short term capital gains tax in India. Capital gains arising from the sale of the Equity Shares will be exempt from taxation in India in cases where the exemption from taxation in India is provided under a treaty between India and the country of which the seller is resident, subject to provisions of section 206AA of the Income Tax Act in relation to the requirement of a Permanent Account Number. Generally, Indian tax treaties do not limit India’s ability to impose tax on capital gains. As a result, residents of other countries may be liable for tax in India irrespective of whether such gain was liable for tax in their own jurisdiction on a gain upon the sale of the Equity Shares. See the section titled “Statement of Tax Benefits” of this Letter of Offer.

68. *Anti-takeover provisions under Indian law could prevent or deter an entity from acquiring one or more Indian companies of the Group or, all, or part of the Group’s business.*

The Indian Takeover Code contains certain provisions that may delay, deter or prevent a future takeover or change in control. These provisions may discourage a third party from attempting to take control of the Group’s business, even if a change in control would result in the purchase of the Equity Shares at a premium to the market price or would otherwise be beneficial to the investor.

69. *Foreign investors are subject to foreign investment restrictions under Indian law that limit the ability of the Group to attract foreign investors, which may adversely affect the market price of the Equity Shares.*

Under the foreign exchange regulations currently in force in India, transfers of shares between non-residents and residents are freely permitted (subject to certain exceptions) if they comply with the pricing guidelines and reporting requirements specified by the RBI. If the transfer of shares is not in compliance with such pricing guidelines or reporting requirements or fall under any of the specified exceptions, then the prior approval of the RBI or the FIPB will be required. In addition, shareholders who seek to convert the Rupee proceeds from a sale of shares in India into foreign currency and repatriate that foreign currency from India will require a no-objection or a tax clearance certificate from the income tax authority. Additionally, the Government of India may impose foreign exchange restrictions in certain emergency situations, including situations where there are sudden fluctuations in interest rates or exchange rates, where the Government of India experiences extreme difficulty in stabilizing the balance of payments or where there are substantial disturbances in the financial and capital markets in India. These restrictions may require foreign investors to obtain the Government of India’s approval before acquiring Indian securities or repatriating the interest or dividends from those securities or the proceeds from the sale of those securities. There can be no assurance that any approval required from the RBI or any other Government agency can be obtained on any particular terms or at all.

70. *SEBI operates an index-based market-wide circuit breaker. Any operation of a circuit breaker may adversely affect a shareholder’s ability to sell, or the price at which it can sell, the Equity Shares at a particular point in time*

Suzlon is subject to an index-based market-wide circuit breaker generally imposed by the SEBI on Indian stock exchanges, which does not allow transactions beyond specified increases or decreases in the price of the Equity Shares. This may be triggered by an extremely high degree of volatility in the market activity (among other things). The stock exchanges do not inform the Company of the percentage limit of the circuit breaker in effect from time to time. Due to the existence of this circuit breaker, there can be no assurance that shareholders will be able to sell the Equity Shares at their preferred price or at all at any particular point in time.

71. *The Group's ability to pay dividends in the future will depend upon future earnings, financial condition, cash flows, working capital requirements and capital expenditures.*

The amount of future dividend payments, if any, will depend upon the Group's future earnings, financial condition, cash flows, working capital requirements, terms and conditions of its indebtedness and capital expenditures. Any declaration and payment as well as the amount of dividend will also be subject to the constitutional and contractual documents of the Group and applicable laws and regulations in India, including, in the case of any final dividend, the approval of shareholders. There can be no assurance that the Group will be able to pay dividends in the future.

72. *You will receive the Equity Shares that you subscribe for in this Issue within 15 days after the date on which this Issue closes, which will subject you to market risk.*

The Equity Shares you purchase in this Issue are expected to be credited to your demat account with the depository participant within 15 days from the Issue Closing Date. You can commence trading such Equity Shares only after receipt of listing and trading approvals from the Stock Exchanges in respect of the Equity Shares. Since the Company's Equity Shares are already listed on the Indian Stock Exchanges, you will be subject to market risk from the date you pay for the Equity Shares until the date they are listed. Further, there can be no assurance that the Equity Shares allocated to you will be credited to your demat account, or that trading in the Equity Shares will commence within the time frames anticipated.

Prominent Notes to Risk Factors

- (a) Issue of 207,565,299 Equity Shares at a premium of Rs.61 per Equity Share for cash aggregating Rs.1,307.66 crores on a rights basis to the existing Equity Shareholders in the ratio of two Equity Share(s) for every 15 fully paid-up Equity Share(s) held by the existing Equity Shareholders on the Record Date. The issue price is 31.5 times the face value of the Equity Shares.
- (b) The net worth of the Company on a consolidated basis as at March 31, 2010 was Rs.6,601.27 crores.
- (c) For details of the transactions of the Company with the Group or Subsidiaries during the last one year preceding the date of filing of this Letter of Offer with the Stock Exchanges, the nature of transactions and the cumulative value of transactions, please see the chapter titled "Financial Statements" of this Letter of Offer.
- (d) None of the Company's Promoters, their directors, Promoter Group, Directors of the Company and their relatives have financed the purchase by any other person, of the Equity Shares of the Company during the six months preceding the date of filing of this Letter of Offer with the Stock Exchanges.
- (e) The Company has entered into certain related party transactions as disclosed in the annexure titled "Related Party Transactions" in the chapter titled "Financial Statements" of this Letter of Offer.

- (f) Investors may contact the Lead Managers with any complaints, or for information or clarifications pertaining to the Issue. The Lead Managers are obliged to provide a response to investors.

SECTION III - INTRODUCTION

THE ISSUE

Rights Entitlement	Two Equity Shares for every 15 fully paid-up Equity Share(s) held on the Record Date.
Record Date	June 10, 2010.
Issue Price per Equity Share	Rs.63.
Face value per Equity Share	Rs.2.
Equity Shares outstanding prior to the Issue	1,556,739,743 Equity Shares.
Equity Shares outstanding after the Issue (assuming full subscription for and allotment of the Rights Entitlement)	1,764,305,042 Equity Shares.
Terms of the Issue	For more information, see the section titled “Terms and Procedure of the Issue” of this Letter of Offer.
Use of Proceeds	For more information, see the section titled “Objects of the Issue” of this Letter of Offer.

Terms of Payment

Due Date	Amount Payable
On the Issue application (<u>i.e.</u> , along with the CAF)	Rs.63, which constitutes 100% of the Issue Price.

Note: The Board of Directors, in its meeting held on June 27, 2009 has approved the issue of (i) GDRs, ADRs, FCCBs and/or Equity Shares through depository receipt mechanism and/or FCDs and/or NCDs with warrants or any other financial instruments convertible into or linked to Equity Shares and/or any other instruments and/or combination of instruments with or without detachable warrants with a right exercisable by the warrant holders to convert or subscribe to the Equity Shares or otherwise, and (ii) Equity Shares and/or securities convertible into Equity Shares or NCDs with warrants to QIBs pursuant to a qualified institutions placement (together, the “**Further Issue of Securities**”). The Further Issue of Securities may be made in one or more tranches up to an aggregate amount of Rs.5,000 crores and may be Rupee denominated or denominated in foreign currency and made in the course of domestic/international offerings in the domestic market and/or one or more foreign markets of the Company. The Equity Shareholders at the annual general meeting of the Company held on August 13, 2009 has approved such Further Issue of Securities. Accordingly, based on the closing market price of the Equity Shares on the Designated Stock Exchange on May 28, 2010, the Company may make a Further Issue of Securities up to 81.90 crore Equity Shares or such number of other securities that may convert up to 81.90 crore Equity Shares. However the actual number of securities that may be issued will be determined only after the terms of any such instrument price has been finalized. The Company may undertake such Further Issue of Securities at any time after the filing of this Letter of Offer with the Designated Stock Exchange at a price to be determined in accordance with applicable laws and regulations.

SELECTED FINANCIAL INFORMATION

The following tables set forth the summary financial information derived from the consolidated and unconsolidated summary financial statements of the Company as on and for Fiscal 2008, 2009 and 2010, prepared in accordance with Indian GAAP and the Companies Act.

The summary financial information of the Company presented below, is in Rs. crores and should be read in conjunction with the financial statements and the notes (including the significant accounting principles) thereto included in the sections titled “Financial Statements” and “Management’s Discussion and Analysis of Financial Condition and Results of Operation”, respectively, of this Letter of Offer.

Consolidated Financial Statement

Consolidated Balance Sheet

Particulars	As at March 31,		
	2008	2009	2010
SOURCES OF FUNDS			
Shareholders' funds			
Share capital	299.39	299.66	311.35
Employee stock options	10.22	10.44	15.67
Share application money pending allotment	-	-	0.04
Reserves and surplus	7,791.70	8,221.64	6,274.21
	8,101.31	8,531.74	6,601.27
Preference shares issued by subsidiary company	2.50	2.50	2.50
	-		
Minority interest	1,024.38	2,313.45	328.48
Loan Funds			
Secured loans	7,066.43	10,276.62	8,123.36
Unsecured loans	2,868.16	4,592.95	4,544.58
	9,934.59	14,869.57	12,667.94
Deferred tax liability	205.89	441.74	182.80
	19,268.67	26,159.00	19,782.99
APPLICATION OF FUNDS			
Fixed assets (including intangible assets)			
Gross block	5,599.84	15,102.40	11,538.29
Less: Accumulated depreciation / amortization	1,031.84	1,821.00	1,377.21
Net block	4,568.00	13,281.40	10,161.09

Particulars	As at March 31,		
	2008	2009	2010
Capital work-in-progress	1,119.67	1,984.02	413.04
	5,687.67	15,265.42	10,574.13
Investments	3,141.78	5.08	1,092.29
Deferred tax assets	184.09	254.93	86.33
Foreign currency monetary translation difference account		398.01	253.68
Current assets, loans and advances			
Inventories	4,084.83	7,173.65	5,994.30
Sundry debtors	3,201.25	5,392.79	3,174.00
Cash and bank balances	6,960.20	3,069.84	2,904.28
Other current assets	1,489.35	3,345.71	3,017.77
Loans and advances	1,824.99	2,900.89	2,107.82
	17,560.62	21,882.88	17,198.17
Less : Current liabilities and provisions			
Current liabilities	6,483.01	10,689.73	8,426.73
Provisions	822.48	957.59	994.88
	7,305.49	11,647.32	9,421.61
Net current assets	10,255.13	10,235.56	7,776.56
Miscellaneous expenditure	-	-	-
(To the extent not written off or adjusted)			
	19,268.67	26,159.00	19,782.99

Consolidated Profit & Loss Account

Particulars	Year ended March 31,		
	2008	2009	2010
INCOME			
Sales and service income	13,679.43	26,081.70	20,619.66
Other income	267.98	448.84	229.01
	13,947.41	26,530.54	20,848.67
EXPENDITURE			
Cost of goods sold	8,870.18	16,856.80	13,628.16
Operating and other expenses	1,680.73	4,267.54	3,799.63
Employees' remuneration and benefits	1,043.01	2,165.75	2,145.41
Financial charges	596.94	1,053.94	1,457.99
Depreciation / amortization	289.36	573.14	662.97

Particulars	Year ended March 31,		
	2008	2009	2010
Preliminary expenditure written off	1.54	0.09	-
	12,481.76	24,917.26	21,694.16
PROFIT/(LOSS) BEFORE TAX AND EXCEPTIONAL ITEMS	1,465.65	1,613.28	(845.49)
Less/(Add) Exceptional items	285.21	896.29	(211.89)
PROFIT/(LOSS) BEFORE TAX	1,180.44	716.99	(633.60)
Current tax	246.62	211.11	183.23
MAT credit entitlement	(95.68)	(4.03)	(1.59)
Earlier year - current tax	0.23	(0.07)	0.01
Deferred tax	(2.28)	67.12	174.45
Fringe benefit tax	14.40	13.99	0.03
PROFIT/(LOSS) AFTER TAX	1,017.15	428.87	(989.73)
Add : Share in associate's profit after tax	55.75	2.32	16.12
Less: Share of profit of minority	(42.80)	(194.71)	(8.95)
NET PROFIT/(LOSS)	1,030.10	236.48	(982.56)
Balance brought forward	1,163.04	1,690.12	1,925.60
PROFIT AVAILABLE FOR APPROPRIATIONS	2,193.14	1,926.60	943.04
APPROPRIATIONS			
	-		
Proposed dividend on equity shares	149.69		
Residual dividend of previous year	-	0.13	-
Dividend on preference shares	0.20		
Tax on dividends	26.38	0.87	0.01
Transfer to general reserve	326.75		
Surplus carried to balance sheet	1,690.12	1,925.60	943.03
Earnings/(Loss) per share (in Rs.)			
- Basic [Nominal value of share Rs 2]	7.07	1.58	(6.39)
- Diluted [Nominal value of share Rs 2]	6.89	1.52	(6.39)

Standalone financial statement

Standalone balance sheet

Particulars	As at March 31,		
	2008	2009	2010
SOURCES OF FUNDS			
Shareholders' funds			
Share capital	299.39	299.66	311.35
Employee stock options outstanding	10.22	8.25	15.68
Share application money pending allotment	-	-	0.04
Reserves and surplus	6,638.05	6,177.41	5,277.24
	6,947.66	6,485.32	5,604.31
Loan Funds			
Secured loans	672.26	4,006.23	3,891.16
Unsecured loans	2,412.48	3,323.25	3,710.06
	3,084.74	7,329.48	7,601.22
	10,032.40	13,814.80	13,205.53
APPLICATION OF FUNDS			
Fixed assets (including intangible assets)			
Gross block	779.20	915.83	1,355.74
Less: Accumulated depreciation / amortization	266.98	364.33	438.58
Net block	512.22	551.50	917.16
Capital work-in-progress	134.64	286.97	10.38
	646.86	838.47	927.54
Investments	4,919.48	7,127.80	7,592.60
Deferred tax assets, net	93.64	175.40	-
Foreign currency monetary item translation difference account	-	399.26	133.39
Current assets, loans and advances			
Inventories	1,483.23	1,383.62	797.80
Sundry debtors	3,306.59	4,745.14	2,986.81
Cash and bank balances	875.50	212.40	599.22
Loans and advances	1,289.15	2,698.75	4,054.40
	6,954.47	9,039.91	8,438.23
Less : Current liabilities and provisions			
Current liabilities	1,946.39	3,396.77	3,641.87

Particulars	As at March 31,		
	2008	2009	2010
Provisions	635.66	369.27	244.36
	2,582.05	3,766.04	3,886.23
Net current assets	4,372.42	5,273.87	4,552.00
	10,032.40	13,814.80	13,205.53

Standalone Profit & Loss Account

Particulars	Year ended March 31,		
	2008	2009	2010
INCOME			
Sales	6,926.01	7,235.58	3,488.68
Other income	125.61	177.14	243.14
	7,051.62	7,412.72	3,731.82
EXPENDITURE			
Cost of goods sold	4,226.99	4,543.85	2,517.49
Operating and other expenses	854.47	1,703.71	974.82
Employees' remuneration and benefits	139.34	199.07	181.01
Financial charges	139.61	433.97	731.90
Depreciation / amortisation	86.21	99.16	126.27
	5,446.62	6,979.76	4,531.49
PROFIT /(LOSS) BEFORE TAX AND EXCEPTIONAL ITEMS	1,605.00	432.96	(799.67)
Less: Exceptional items	285.21	972.92	439.02
PROFIT /(LOSS) BEFORE TAX	1,319.79	(539.96)	(1,238.69)
Current tax	155.00		
MAT credit entitlement	(89.00)		
Earlier year - current tax	0.13		
Deferred tax	(23.49)	(81.76)	175.40
Fringe benefit tax	11.44	11.07	-
NET PROFIT / (LOSS)	1,265.71	(469.27)	(1,414.09)
Balance brought forward	1,477.86	2,268.44	1,800.09
PROFIT AVAILABLE FOR APPROPRIATIONS	2,743.57	1,799.17	386.00

Particulars	Year ended March 31,		
	2008	2009	2010
APPROPRIATIONS			
Proposed dividend on equity shares	149.69		
Residual dividend of previous year		0.13	
Tax on dividends	25.44	(1.05)	
Transfer to general reserve	300.00		
Surplus carried to balance sheet	2,268.44	1,800.09	386.00
Earnings/ (Loss) per share (in Rs.)			
- Basic [Nominal value of share Rs 2]	8.70	(3.13)	(9.19)
- Diluted [Nominal value of share Rs 2]	8.47	(3.13)	(9.19)

GENERAL INFORMATION

Dear Equity Shareholders,

The Board of Directors has, pursuant to a resolution adopted at its meeting held on May 29, 2010, authorized the Issue. The Rights Issue Committee has determined the terms of the Issue pursuant to its resolution dated May 31, 2010.

ISSUE OF 207,565,299 EQUITY SHARES WITH A FACE VALUE OF RS.2 EACH AT A PREMIUM OF RS. Rs.61 PER EQUITY SHARE FOR AN AGGREGATE AMOUNT OF RS. Rs.1,307.66 CRORES ON A RIGHTS BASIS TO THE EXISTING EQUITY SHAREHOLDERS OF THE COMPANY IN THE RATIO OF TWO EQUITY SHARE(S) FOR EVERY 15 FULLY PAID-UP EQUITY SHARE(S) HELD BY THE EXISTING EQUITY SHAREHOLDERS ON THE RECORD DATE, THAT IS ON JUNE 10, 2010. THE ISSUE PRICE IS 31.5 TIMES THE FACE VALUE OF THE EQUITY SHARES.

Registered Office of the Company

Suzlon Energy Limited

“Suzlon”

5, Shrimali Society

Near Shri Krishna Complex

Navrangpura

Ahmedabad 380 009

India

Tel: +91 79 2647 1100

Fax: +91 79 2656 5540

E-mail: investors@suzlon.com

Website: www.suzlon.com

Registration Number: 04-25447

Corporate Identity Number: L40100GJ1995PLC025447

Address of the Registrar of Companies

The Registrar of Companies

Gujarat, Ahmedabad

RoC Bhavan

Opposite Rupal Park, Near Ankur Bus Stand

Naranpura

Ahmedabad 380 013

India

The Equity Shares are listed on the BSE and the NSE.

Board of Directors

The following persons constitute the Board of Directors:

S. No.	Name	Director Identification Number	Nationality	Designation	Address
1.	Tulsi R. Tanti	00002283	Indian	Chairman and Managing Director	A-902, Ssilver Woods Mundwa, Pune 411 036
2.	Girish R. Tanti	00002603	Indian	Executive Director	A-1101, Ssilver Woods Mundwa, Pune 411 036
3.	Ajay Relan	00002632	Indian	Independent Director	C-121, Defence Colony, New Delhi 110 003

S. No.	Name	Director Identification Number	Nationality	Designation	Address
4.	Ashish Dhawan	00015111	Indian	Independent Director	55A, Jor Bagh, New Delhi 110 003
5.	Pradip Kumar Khaitan	00004821	Indian	Independent Director	B-103, Rai Enclave, 7/1A, Sunny Park, Kolkata 700 019
6.	V. Raghuraman	00411489	Indian	Independent Director	20, Kallol Apartments, IP Extension, Parpat Ganj, Delhi 110 092

For further details of the Directors, see the section titled “Management” of this Letter of Offer.

Company Secretary and Compliance Officer

Mr. Ashok Jangid
Vice President & Company Secretary
Suzlon Energy Limited
One Earth, Hadapsar
Pune 411 028, India
Tel: +91 20 4012 2000
Fax: +91 20 4012 2100
E-mail: investors@suzlon.com

Sole Global Coordinator and Lead Manager

Citigroup Global Markets India Private Limited
12th Floor, Bakhtawar
Nariman Point
Mumbai 400 021, India
Tel: +91 22 6631 9999
Fax: +91 22 6646 6054
E-mail: suzlon.rights@citi.com
Website: www.citibank.co.in
Investor Grievance ID: investors.cgmib@citi.com
Contact Person: Mr. Akhilesh Poddar
SEBI Registration Number: INM000010718

Lead Manager

SBI Capital Markets Limited
202, Maker Towers “E”
Cuffe Parade
Mumbai - 400 005, India
Tel: +91 22 2217 8300
Fax: +91 22 2218 8332
Email: suzlon.rights@sbicaps.com
Investor Grievance ID: investor.grievance@sbicaps.com
Website: www.sbicaps.com
Contact Person: Alpa Joshi
SEBI Registration Number: INM000003531

Self Certified Syndicate Banks

The list of banks that have been notified by the SEBI to act as SCSBs for the ASBA process and details of the Designated Branches of SCSBs which shall collect the CAFs of ASBA Applicants are available at <http://www.sebi.gov.in>.

Domestic Legal Counsel to the Company

Bharucha & Partners

Hague Building
9, Sprott Road
Ballard Estate
Mumbai 400 001
India
Tel: +91 22 6132 3900
Fax: +91 22 6633 3900

Domestic Legal Counsel to the Lead Managers

S&R Associates

64, Okhla Industrial Estate Phase III
New Delhi 110 020
India
Tel: +91 11 4069 8000
Fax: +91 11 4069 8001

International Legal Counsel to the Company

Linklaters Allen & Gledhill Pte Ltd

One Marina Boulevard
#28-00
Singapore 018989
Tel: +65 6890 7300
Fax: +65 6890 7308

International Legal Counsel to the Lead Managers

Clifford Chance Asia Limited

Company No. T09FC0032H
One George Street
19th Floor
Singapore 049145
Tel: +65 6410 2200
Fax: +65 6410 2288

Auditors of the Company

SNK & Co., Chartered Accountants

E-2-B, The Fifth Avenue
Dhole Patil Road
Near Regency Hotel
Pune 411 001
India
Tel: +91 22 3254 9008
Fax: +91 22 3052 9401

S.R. Batliboi & Co., Chartered Accountants

C-401, Fourth Floor
Panchshil Techpark
Yerwada

Pune 411 006
 India
 Tel: +91 20 6603 6000
 Fax: +91 20 6601 5900

Monitoring Agency

State Bank of India

Tel: +91 22 2209 4927/+91 22 2209 4932
 Fax: +91 22 2209 4921
 E-mail: nib.11777@sbi.co.in/sbi.11777@sbi.co.in
 Contact Person: Mrs. Surekha Shinde
 Website: www.statebankofindia.com

Since the Issue size exceeds Rs.500 crores, the Monitoring Agency has been appointed pursuant to Regulation 16 of the ICDR Regulations.

Registrar to the Issue

Karvy Computershare Private Limited

Plot No. 17-24, Vittal Rao Nagar, Madhapur
 Hyderabad 500 081
 Tel: +91 40 4465 5000
 Fax: +91 40 2343 1551
 Toll free: 1-800-3454 001
 Email: einward.rif@karvy.com
 Website: www.karvy.com
 Contact Person: Mr. Murali Krishna
 SEBI Registration Number: INR000000221

Note: Investors are advised to contact the Registrar to the Issue or the Company Secretary and Compliance Officer in case of any pre-Issue or post-Issue related problems such as non-receipt of the Letter of Offer, refund orders, letters of allotment/allotment advice or Share Certificates.

Bankers to the Issue

<p>State Bank of India Tel: +91 2269 1561/+91 2266 2133 Fax: +91 2267 0745/+91 2266 4959 E-mail: vidya.krishnan@sbi.co.in/sbi.11777@sbi.co.in Contact Person: Smt. Vidya Krishnan Website: Website: www.statebankofindia.com SEBI Registration Number: INBI00000038</p>	<p>IDBI Bank Limited Tel: +91 22 6690 8402 Fax: +91 22 6690 8424 E-mail: mn.kamat@idbi.co.in Contact Person: Mr. M.N. Kamat Website: www.idbibank.com SEBI Registration Number: INBI00000076</p>
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Credit Rating

As the Issue is a rights issue of Equity Shares and no convertible debt instruments are being issued, a credit rating is not required.

Allocation of Responsibilities

The following table sets forth the *inter se* allocation of responsibilities for various activities among the Lead Managers for the Issue:

S. No.	Activities	Responsibility	Coordination
--------	------------	----------------	--------------

1.	Structuring of the Issue in conformity with the ICDR Regulations, undertaking liaison with the Stock Exchanges, as may be required under the prevailing framework of regulations/rules/guidelines issued by the SEBI and the Stock Exchanges.	Lead Managers	Sole Global Coordinator and Lead Manager
2.	Assisting the Company and its legal advisors in drafting this Letter of Offer, the Abridged Letter of Offer and the CAF; conduct due diligence as may be required on the Company and assist in compliance with regulatory requirements of the SEBI and the Stock Exchanges. The Lead Managers shall ensure compliance with the ICDR Regulations and other stipulated requirements and completion of prescribed formalities with the Stock Exchanges and the SEBI.	Lead Managers	Sole Global Coordinator and Lead Manager
3.	Assist in the selection of various agencies connected with the Issue, including printers, advertising agencies, legal advisors bankers to the Issue (selecting collection centers) and Registrar to the Issue.	Lead Managers	Lead Manager
4.	Institution of marketing strategies and assisting the Company in preparing the Issue advertisements.	Lead Managers	Lead Manager
5.	Follow-up with the Bankers to the Issue to get quick estimates of collection and advising such Banks about closure of the Issue, based on the correct figures.	Lead Managers	Lead Manager
6.	Assisting in the listing of the Equity Shares issued pursuant to the Issue on the Stock Exchanges.	Lead Managers	Lead Manager
7.	The post-Issue activities will involve essential follow-up steps, which include finalization of basis of allotment or weeding out of multiple applications, listing of instruments and dispatch of certificates and refunds, with the various agencies connected with the work such as the Registrar to the Issue, the Bankers to the Issue, and the bank handling refund business.	Lead Managers	Sole Global Coordinator and Lead Manager

Financial Indebtedness

The Company has availed certain Promoter Loans from the Lending Promoter. For details on the utilization of the Promoter Loans please see the section titled “Objects of the Issue” of this Letter of Offer.

Underwriting

The Company has not entered into any underwriting arrangement with the Lead Managers in connection with the Issue.

Principal Terms of Loans and Assets Charged as Security

For a description of our financial indebtedness, please see the section titled “Financial Indebtedness” of this Letter of Offer.

CAPITAL STRUCTURE

The Company's share capital as on the date of filing of this Letter of Offer with the Stock Exchanges, prior to and after the proposed Issue, is set forth below:

	Aggregate Nominal Value (Rs.in crores)	Aggregate value at Issue Price (Rs.in crores)
Authorized Share Capital		
2,225,000,000 Equity Shares of Rs.2 each	445.00	
Issued Share Capital*		
1,556,739,743 Equity Shares of Rs.2 each	311.35	
Subscribed and Paid-up Share Capital*		
1,556,739,743 Equity Shares of Rs.2 each	311.35	
Present Issue in terms of this Letter of Offer		
207,565,299 Equity Shares or Rs.2 each at an Issue Price of Rs.63 per Equity Share	41.51	1,307.66
Paid-up Equity Share Capital after the Issue (assuming full subscription for and allotment of the Rights Entitlement)		
1,764,305,042 Equity Shares of Rs.2 each	352.86	
Securities Premium Account		
Securities Premium Account before the Issue		3,979.17
Securities Premium Account after the allotment of the Equity Shares (assuming full subscription for and allotment of the Rights Entitlement)		5,245.32

* The Company, as on the date of this Letter of Offer, has the following outstanding (i) U.S.\$211,302,000 June 2012 Bonds; (ii) U.S.\$35,573,000 June 2012 New Bonds; (iii) U.S.\$121,368,000 October 2012 Bonds; (iv) U.S.\$20,796,000 October 2012 New Bonds; and (v) U.S.\$90,000,000 New Bonds. The present conversion price of such FCCBs, after adjustment, is Rs.97.26, Rs.76.6775, Rs.97.26, Rs.76.6775 and Rs.90.38 per share respectively. In case all or part of any such FCCBs are converted into Equity Shares prior to the Record Date, the outstanding issued, subscribed and paid-up share capital of the Company will increase by the additional Equity Shares issued and such holders of the Equity Shares shall be entitled to subscribe to the Issue.

Equity Share Capital History

Date of Allotment of the Equity Shares	Number of Equity Shares	Face value (Rs.)	Issue Price (Rs.)	Nature of Payment	Reason for Allotment	Cumulative Paid-up Capital (Rs.in crores)	Cumulative Share Premium (Rs.in crores)
April 10, 1995	700	10	10	Cash	Subscribers to the Memorandum	0.00	-
November 15, 1995	500,000	10	10	Cash	Further Allotment	0.50	-
March 31, 1996	560,000	10	10	Cash	Further Allotment	1.06	-
December 30, 1996	437,100	10	10	Cash	Further Allotment	1.49	-
March 31, 1997	535,200	10	10	Cash	Further Allotment	2.03	-
September 20, 1997	468,000	10	10	Cash	Further Allotment	2.50	-
December 16, 1997	57,000	10	10	Cash	Further Allotment	2.56	-
March 31, 1998	232,000	10	10	Cash	Further Allotment	2.79	-
November 16, 1998	405,500	10	10	Cash	Further Allotment	3.19	-
March 30, 1999	404,600	10	10	Cash	Further Allotment	3.60	-
January 10, 2000	1,800,050	10	Nil	Bonus	-	5.40	-

Date of Allotment of the Equity Shares	Number of Equity Shares	Face value (Rs.)	Issue Price (Rs.)	Nature of Payment	Reason for Allotment	Cumulative Paid-up Capital (Rs.in crores)	Cumulative Share Premium (Rs.in crores)
March 31, 2000	686,800	10	10	Cash	Further Allotment	6.08	-
February 26, 2002	6,086,950	10	Nil	Bonus	-	12.17	-
September 30, 2003	12,173,900	10	Nil	Bonus	-	24.35	-
April 19, 2004	2,577,320	10	194	Cash	Allotment to Citicorp	26.92	47.42
August 10, 2004	2,049,180	10	244	Cash	Allotment to ChrysCapital	28.97	95.37
September 25, 2004	57,948,600	10	Nil	Bonus	-	86.92	95.37
June 24, 2005	173,845,800	10	Nil	Bonus	-	260.77	95.37
October 13, 2005	26,762,680	10	510	Cash	IPO-Fresh Offer	287.53	1,433.51
July 10, 2006	128,300	10	255	Cash	ESOP-2005	287.66	1,436.65
October 4, 2006	84,000	10	255	Cash	ESOP-2005	287.74	1,438.71
November 6, 2006	5,200	10	255	Cash	ESOP-2005	287.75	1,438.84
December 2, 2006	15,700	10	255	Cash	ESOP-2005	287.76	1,439.22
January 10, 2007	200	10	255	Cash	ESOP-2005	287.76	1,439.22
April 9, 2007	600	10	255	Cash	ESOP-2005	287.76	1,439.24
July 9, 2007	210,100	10	255	Cash	ESOP-2005	287.97	1,444.39
October 15, 2007	24,100	10	255	Cash	ESOP-2005	287.99	1,444.98
November 5, 2007	900	10	255	Cash	ESOP-2005	288.00	1,445.00
December 20, 2007	11,386,000	10	1,917	Cash	QIP	299.38	3,616.31
Total	299,386,480					299.38	
* Adjusted on sub-division.	1,496,932,400					299.38	
February 5, 2008	2,000	2	51	Cash	ESOP-2005	299.39	3,616.32
May 3, 2008	15,000	2	51	Cash	ESOP-2005	299.39	3,616.39
July 5, 2008	1,301,000	2	51	Cash	ESOP-2005	299.65	3,622.77
October 4, 2008	45,000	2	51	Cash	ESOP-2005	299.66	3,622.99
July 4, 2009	16,000	2	51	Cash	ESOP-2005	299.66	3,623.07
July 24, 2009	58,400,000	2	89.55	Cash	GDRs	311.34	4,134.36
August 27, 2009	12,343	2	76.6755	Cash	FCCB Conversion	311.34	4,134.45
November 7, 2009	8,000	2	51	Cash	ESOP-2005	311.35	4,134.49
April 6, 2010	8,000	2	51	Cash	ESOP-2005	311.35	4,134.53
Total	1,556,739,743					311.35	4,134.53

Details of Increase in the Authorized Share Capital since Incorporation

S. No.	Particulars of Increase	Date of the Shareholders' Resolution
1.	The initial authorized share capital of the Company of Rs.2,500,000 (divided into 250,000 Equity Shares of Rs.10 each) was increased to Rs.10,000,000 (divided into 1,000,000 Equity Shares of Rs.10 each).	October 14, 1995
2.	The authorized share capital of the Company was increased from Rs.10,000,000 to Rs.15,000,000 (divided into 1,500,000 Equity Shares of Rs.10 each).	January 16, 1996
3.	The authorized share capital of the Company was increased from Rs.15,000,000 to Rs.50,000,000 (divided into 5,000,000 Equity Shares of Rs.10 each).	December 30, 1996
4.	The authorized share capital of the Company was increased from Rs.50,000,000 to Rs.150,000,000 (divided into 15,000,000 Equity Shares of Rs.10 each).	June 26, 1997
5.	The authorized share capital of the Company was increased from Rs.150,000,000 to Rs.250,000,000 (divided into 15,000,000 Equity Shares of Rs.10 each and 1,000,000 Preference Shares of Rs.100 each).	January 10, 2000
6.	The authorized share capital of the Company was increased from Rs.250,000,000 to Rs.500,000,000 (divided into 30,000,000 Equity Shares of Rs.10 each and 2,000,000 Preference Shares of Rs.100 each).	September 30, 2003
7.	The authorized share capital of the Company was increased from Rs.500,000,000 to Rs.1,000,000,000 (divided into 30,000,000 Equity Shares of Rs.10 each and 7,000,000 Preference Shares of Rs.100).	April 9, 2004
8.	The authorized share capital of the Company was increased from Rs.1,000,000,000 to	July 26, 2004

S. No.	Particulars of Increase	Date of the Shareholders' Resolution
	Rs.2,160,000,000 (divided into 101,000,000 Equity Shares of Rs.10 each and 11,500,000 Preference Shares of Rs.100 each)	
9.	The authorized share capital of the Company was increased from Rs.2,160,000,000 to Rs.4,450,000,000 (divided into 330,000,000 Equity Shares of Rs.10 each and 11,500,000 Preference Shares of Rs.100 each.	June 16, 2005
10.	The authorized share capital of the Company was amended by re-classification of existing 11,500,000 Preference Shares of Rs.100 each to 1,500,000 Preference Shares of Rs.100 each and 100,000,000 Equity Shares of Rs.10 each. The authorised share capital of the Company after the re-classification stood at Rs.445,00,00,000 divided into 430,000,000 Equity Shares of Rs.10 each and 1,500,000 Preference Shares of Rs.100 each	March 10, 2007
11.	The authorized share capital of the Company was amended by (i) the sub-division of 430,000,000 Equity Shares of face value of Rs.10 each in to 2,150,000,000 Equity Shares of Rs.2 each (ii) by the re-classification of 1,500,000 Preference Shares of the Company of Rs.100 each to 75,000,000 Equity Shares of Rs.2 each. The authorised share capital of the Company after the re-classification stood at Rs.4,450,000,000 divided into 2,225,000,000 Equity Shares of Rs.2 each	December 6, 2007

As of the date of this Letter of Offer, the authorized share capital of the Company is Rs.445 crores divided into 2,225,000,000 Equity Shares of Rs.2 each.

Notes to the Capital Structure

1. Shareholding Pattern of the Company

The table below represents the shareholding pattern of the Company as on March 31, 2010:

Category of Shareholder	Number of Shareholders	Total number of Equity Shares of Rs.2 each	Total number of Equity Shares of Rs.2 each held in Dematerialized Form	Total Shareholding as a percentage of total number of Equity Shares		Equity Shares pledged or otherwise encumbered	
				As a % of (A+B)	As a % of (A+B+C)	Number of Equity Shares of Rs.2 each	As a % of total number of Equity Shares
(A) Shareholding of Promoter and Promoter Group							
(1) Indian							
Individuals / Hindu Undivided Family	20	678,839,000	678,839,000	43.76	43.61	534,996,711	78.81
Bodies Corporate	6	147,429,000	147,429,000	9.50	9.47	43,550,000	29.54
Sub Total	26	826,268,000	826,268,000	53.26	53.08	578,546,711	70.02
(2) Foreign							
	-	-	-	-	-	-	-
Total shareholding of Promoter and Promoter Group (A)	26	826,268,000	826,268,000	53.26	53.08	578,546,711	70.02
(B) Public Shareholding							
(1) Institutions							
Mutual Funds / UTI	82	75,058,798	75,058,798	4.84	4.82	-	-
Financial Institutions / Banks	27	10,879,016	10,879,016	0.70	0.70	-	-
Insurance Companies	2	10,903,194	10,903,194	0.70	0.70	-	-
Foreign Institutional Investors	198	211,059,698	211,059,698	13.60	13.56	-	-
Sub Total	309	307,900,706	307,900,706	19.85	19.78	-	-
(2) Non-Institutions							
Bodies Corporate	3,652	107,517,406	107,517,406	6.93	6.91	-	-
Individuals						-	-

Category of Shareholder	Number of Shareholders	Total number of Equity Shares of Rs.2 each	Total number of Equity Shares of Rs.2 each held in Dematerialized Form	Total Shareholding as a percentage of total number of Equity Shares		Equity Shares pledged or otherwise encumbered	
				As a% of (A+B)	As a% of (A+B+C)	Number of Equity Shares of Rs.2 each	As a% of total number of Equity Shares
Individual Shareholders holding nominal share capital up to Rs.100,000	807,101	214,583,833	214,573,467	13.83	13.78	-	-
Individual Shareholders holding nominal share capital in excess of Rs.100,000	105	67,418,083	67,418,083	4.35	4.33	-	-
Any Others (Specify)							
Non-resident Indians	9,403	21,299,956	12,524,956	1.37	1.37	-	-
Foreign Nationals	7	65,850	65,850	-	-	-	-
Clearing Members	458	6,298,362	6,298,362	0.41	0.40	-	-
Trusts	29	67,955	67,955	-	-	-	-
Sub Total	820,755	417,251,445	408,466,079	26.89	26.80	-	-
Total Public shareholding (B)	821,064	725,152,151	716,366,785	46.74	46.58	-	-
Total (A)+(B)	821,090	1,551,420,151	1,542,634,785	100.00	99.66	578,546,711	37.29
(C) Shares held by Custodians and against which Depository Receipts have been issued	1	5,311,592	5,311,592	-	0.34	-	-
Total (A)+(B)+(C)	821,091	1,556,731,743	1,547,946,377	100.00	100.00	578,546,711	37.16

Minimum Subscription

If the Company does not receive the minimum subscription of 90% of the Issue, or the subscription level falls below 90%, after the Issue Closing Date on account of cheques being returned unpaid or withdrawal of applications, the Company shall refund the entire subscription amount received within 15 days from the Issue Closing Date. If there is delay in the refund of the subscription amount by more than eight days after the Company becomes liable to pay the subscription amount (i.e., 15 days after the Issue Closing Date), the Company will pay interest for the delayed period, as prescribed under sub-sections (2) and (2A) of Section 73 of the Companies Act.

Subscription to the Issue by the Promoters and the Promoter Group

The Lending Promoter has undertaken by a letter dated May 31, 2010: (a) to apply for Equity Shares being offered pursuant to the Issue to the extent of its full Rights Entitlement; (b) to apply for any Equity Shares renounced in its favor by any other Promoter and/or Promoter Group (and together with the Equity Shares subscribed pursuant to (a) above, the “**Promoter Entitlement**”); and (c) to apply for any additional Equity Shares in the Issue only to the extent of any undersubscribed portion of the Issue, subject to applicable law, to ensure that at least 90% of the Issue is subscribed (and together with the Promoter Entitlement, the “**Promoter Shares**”), up to such an aggregate amount so as to discharge the Company’s liability towards the outstanding amount of the Promoter’s Loan (including any accrued interest until allotment). In addition, the other members of the Promoter and Promoter Group have undertaken by a letter dated May 31, 2010 to renounce their Rights Entitlement in favor of the Lending Promoter.

Subscription for Equity Shares over and above their Rights Entitlement, if allotted, may result in an increase in their percentage shareholding above their current percentage shareholding. Such acquisition by them of additional Equity Shares shall (i) not result in a change of control of the management of the Company; and (ii) be exempt from the applicability of Regulations 11 and 12 of the Takeover Code in terms of the proviso to Regulation 3(1)(b)(ii) of the Takeover Code. The

subscription by the Promoters and/or members of the Promoter Group for the Equity Shares in the Issue will be in continuous compliance with the minimum public shareholding requirement specified under Clause 40A of the Listing Agreements and the Company will take such steps as may be necessary to ensure compliance with Clause 40A of the Listing Agreements. As such, other than meeting the requirements indicated in the section titled “Objects of the Issue” of this Letter of Offer, there is no other intention or purpose for the Issue, including any intention to delist the Company, even if, as a result of any allotment in the Issue to the Promoters and/or members of the Promoter Group, the shareholding of the Promoters and/or Promoter Group in the Company exceeds their current shareholding. The Promoters and/or members of the Promoter Group intend to subscribe for any undersubscribed portion as per the provisions of applicable law. For further details of undersubscription and allotment to the Promoters and Promoter Group, see the section titled “Terms and Procedure of the Issue” of this Letter of Offer.

The Company has availed certain Promoter Loans from the Lending Promoter. For details on the utilization of the Promoter Loans please see the section titled “Objects of the Issue” of this Letter of Offer.

2. Details of the Shareholding of the Promoters and the Promoter Group as on March 31, 2010

S. No.	Name of the Shareholder	Total Equity Shares held		Equity Shares pledged or otherwise encumbered		
		Number	As a % of the share capital of the Company	Number	As a % of the total number of Equity Shares held by the Promoters/Promoter Group	As a % of the share capital of the Company
1.	Tanti Holdings Private Limited (formerly Suzlon Capital Limited and Tanti Holdings Limited)	130,329,000	8.37	35,000,000	26.86	2.25
2.	Girish R. Tanti	116,082,000	7.46	102,919,711	88.66	6.61
3.	Lina J. Tanti	70,182,000	4.51	70,182,000	100.00	4.51
4.	Sangita V. Tanti	70,182,000	4.51	52,500,000	74.81	3.37
5.	Gita T. Tanti	64,512,000	4.14	64,512,000	100.00	4.14
6.	Vinod R. Tanti as Karta of Vinod Ranchhodbhai HUF	63,000,000	4.05	56,100,000	89.05	3.60
7.	Brij J. Tanti through F/g. Jitendra R. Tanti	41,917,000	2.69	37,100,000	88.51	2.38
8.	Pranav T. Tanti	59,067,000	3.79	32,500,000	55.02	2.09
9.	Rambhaben Ukabhai	738,000	0.05	-	-	-
10.	Tulsi R. Tanti J/w. Vinod R. Tanti J/w. Jitendra R. Tanti	42,660,000	2.74	42,660,000	100.00	2.74
11.	Tulsi R. Tanti as Karta of Ranchhodbhai Ramjibhai HUF	42,570,000	2.73	22,400,000	52.62	1.44
12.	Nidhi T. Tanti	3,052,000	0.20	3,000,000	98.30	0.19
13.	Tulsi R. Tanti as Karta of Tulsi Ranchhodbhai HUF	19,188,000	1.23	19,100,000	99.54	1.23
14.	Jitendra R. Tanti as Karta of Jitendra Ranchhodbhai HUF	19,188,000	1.23	12,923,000	67.35	0.83
15.	Rajan V. Tanti through F/g. Vinod R. Tanti	16,605,000	1.07	-	-	-

S. No.	Name of the Shareholder	Total Equity Shares held		Equity Shares pledged or otherwise encumbered		
		Number	As a % of the share capital of the Company	Number	As a % of the total number of Equity Shares held by the Promoters/Promoter Group	As a % of the share capital of the Company
16.	Trisha J. Tanti through F/g. Jitendra R. Tanti	15,120,000	0.97	15,100,000	99.87	0.97
17.	Jitendra R. Tanti	12,447,000	0.80	4,000,000	32.14	0.26
18.	Vinod R. Tanti	11,367,000	0.73	-	-	-
19.	Tulsi R. Tanti	10,962,000	0.70	-	-	-
20.	Sugati Holdings Private Limited	4,275,000	0.27	-	-	-
21.	Sanman Holdings Private Limited	4,275,000	0.27	4,275,000	100.00	0.27
22.	Suruchi Holdings Private Limited	4,275,000	0.27	-	-	-
23.	Samanvaya Holdings Private Limited	4,275,000	0.27	4,275,000	100.00	0.27
	Total	826,268,000	53.08	578,546,711	70.02	37.16

3. **Transactions in Equity Shares by the Promoters and the Promoter Group in the last one year:**

Neither the Promoters nor any member of the Promoter Group has acquired any Equity Shares in the last one year immediately preceding the date of this Letter of Offer. The other transactions entered into by the Promoters and the members of the Promoter Group in the last one year are set forth in the table below.

Name of the Shareholder	Transaction Date	Details of the Transaction	Number of Equity Shares	Disposal Price per Equity Share (in Rs.)	Aggregate Price (Rs.in crores)
Rambhoben Ukabhai	May 13, 2009	Sale	30,000,000	77	231
Rambhoben Ukabhai	May 25, 2009	Sale	27,500,000	87	239.25
Nidhi T. Tanti	May 25, 2009	Sale	9,000,000	89.35	80.42
Girish R. Tanti	May 25, 2009	Sale	23,500,000	87	204.45
Nidhi T. Tanti	September 23, 2009	Sale	12,000,000	96.86	116.23
Brij J. Tanti through F/g. Jitendra R. Tanti	September 23, 2009	Sale	18,500,000	96.86	179.19
Girish R. Tanti	September 23, 2009	Sale	39,500,000	96.86	382.59

4. **Details of Shareholders holding more than one% of the share capital of the Company**

Set forth below are the details of the Equity Shareholders holding more than one% of the share capital of the Company as on March 31, 2010:

S. No.	Name of the Shareholder	Number of Equity Shares	As a % of the share capital of the Company
1.	Tanti Holdings Private Limited (formerly Suzlon Capital Limited and Tanti Holdings Limited)	130,329,000	8.37
2.	Girish R. Tanti	116,082,000	7.46
3.	Lina J. Tanti	70,182,000	4.51
4.	Sangita V. Tanti	70,182,000	4.51

S. No.	Name of the Shareholder	Number of Equity Shares	As a% of the share capital of the Company
5.	Gita T. Tanti	64,512,000	4.14
6.	Vinod R. Tanti as Karta of Vinod Ranchhodhbhai HUF	63,000,000	4.05
7.	Brij J. Tanti through F/g. Jitendra R. Tanti	41,917,000	2.69
8.	Pranav T. Tanti	59,067,000	3.79
9.	Tulsi R. Tanti J/w. Vinod R. Tanti J/w. Jitendra R. Tanti	42,660,000	2.74
10.	Tulsi R. Tanti as Karta of Ranchhodhbhai Ramjibhai HUF	42,570,000	2.73
11.	Tulsi R. Tanti as Karta of Tulsi Ranchhodhbhai HUF	19,188,000	1.23
12.	Jitendra R. Tanti as Karta of Jitendra Ranchhodhbhai HUF	19,188,000	1.23
13.	Rajan V. Tanti through F/g. Vinod R. Tanti	16,605,000	1.07
14.	Citicorp International Finance Corporation	25,000,000	1.61

5. The Issue being a rights issue, in accordance with Regulation 34(c) of the ICDR Regulations, the requirement of Promoters' contribution and lock-in are not applicable.

6. **Employee Stock Option Scheme**

The Company has instituted the ESOP-2005, ESOP-2006, ESOP-2007, Special ESOP-2007 and ESOP-Perpetual I schemes for all eligible employees pursuant to a special resolution adopted by the Equity Shareholders on June 16, 2005, March 10, 2007, May 22, 2008, May 22, 2008 and August 13, 2009 respectively. The ESOP-2005, ESOP-2006, ESOP-2007, Special ESOP-2007 and ESOP-Perpetual I schemes cover grant of options to specified permanent employees of the Company and its Subsidiaries.

Pursuant to ESOP-2005, the Company on June 16, 2005 granted 921,000 options of Rs.10 each (subsequently adjusted to 4,605,000 options on account of sub-division of face value of Equity Shares to Rs.2 per share) to eligible employees at an exercise price of Rs.255 per share (subsequently adjusted to Rs.51 per share on account of sub-division of face value of Equity Shares to Rs.2 per share). Under the terms of the ESOP-2005, 30% of the options vested in the employees at the end of the first year, 30% at the end of the second year and the balance of 40% at the end of third year from the date on which the options were granted.

Pursuant to the ESOP-2006, the Company on November 23, 2007 granted 103,900 options of Rs.10 each (subsequently adjusted to 519,500 options on account of sub-division of face value of Equity Shares to Rs.2 per share) to eligible employees at an exercise price of Rs.961 per share (subsequently adjusted to Rs.192.20 per share on account of sub-division of face value of Equity Shares to Rs.2 per share). Under the terms of the ESOP-2006, 50% of the options vested in the employees at the end of the first year, 25% at the end of the second year and the balance of 25% will vest at the end of third year from the date on which the options were granted.

Pursuant to the ESOP-2007, the Company on May 21, 2009 granted 1,878,000 options of Rs.2 each to eligible employees at an exercise price of Rs.90.50 per share. Under the terms of the ESOP-2007, 75% of the options will vest in the employees at the end of the first year and the balance of 25% at the end of the second year from the date on which the options were granted.

Pursuant to the Special ESOP-2007, the Company on April 1, 2010 granted 14,143,500 options of Rs.2 each to eligible employees at an exercise price of Rs.72.70 per share. Under the terms of Special ESOP-2007, 500 Options will vest at the end of first year from the date of grant, 500 Options at the end of second year from the date of grant and balance 500 options at the end of third year from the date of grant and the option grantee can exercise the same at any time after the date of vesting until March 31, 2014.

In terms of the ESOP-Perpetual I scheme, the Remuneration Committee of the Board craved out the Special ESOP-2009 scheme. Pursuant to the Special ESOP-2009 (forming part of ESOP-Perpetual I) the Company on October 5, 2009 granted 10,916,787 options ("Tranche – I") of Rs.2 each to eligible employees at an exercise price of Rs.87.50 per share for its U.S. employees and Rs.70.00 per share for

other employees. Further the Company on January 30, 2010 granted 135,000 options (“**Tranche – II**”) of Rs.2 each on January 30, 2010 to eligible employees at an exercise price of Rs.77.25 per share for its U.S. employees and Rs.61.80 per share for other employees. Under the terms of Special ESOP-2009 (forming part of ESOP-Perpetual I), 50% of the options will vest in the employees at the end of the first year, 25% at the end of the second year and the balance of 25% at the end of third year from the date on which the options were granted.

Once the options vest as set out above, they are exercisable by the option holder and the Equity Shares arising on exercise of such options shall not be subject to any lock-in period except that pursuant to the insider trading code of the Company, such Equity Shares may not be sold for a period of 30 days from the date of allotment or such other period as may be prescribed from time to time under the insider trading code of the Company. Further, in the case of termination of employment or retirement, resignation, all non-vested options would stand cancelled. Options that have vested but have not been exercised can be exercised within the time prescribed as mentioned above, failing which they would stand cancelled.

The changes in the stock options during the Fiscal 2010 are set out in the following table:

	ESOP-2005	ESOP-2006	ESOP-2007	Special ESOP-2007 ⁽¹⁾	ESOP-Perpetual I	
					Tranche - I	Tranche - II
Options outstanding as at April 1, 2009	379,000	441,500	-	-	-	-
Granted during the Fiscal 2010	-	-	1,878,000	-	10,916,787	135,000
Forfeited/cancelled during the Fiscal 2010	7,000	58,500	179,000	-	-	-
Exercised during the Fiscal 2010	24,000	-	-	-	-	-
Expired during the Fiscal 2010	-	-	-	-	-	-
Options outstanding as at March 31, 2010	348,000	383,000	1,699,000	-	10,204,496	135,000
Options exercisable at the end of the Fiscal Year 2010 ⁽²⁾	348,000	287,250	-	-	-	-

Note:

(1) On April 1, 2010, the Company granted 14,143,500 options to eligible employees under the Special ESOP-2007 scheme and on April 6, 2010, the Company allotted 8,000 Equity Shares under ESOP-2005.

(2) Includes only those options which are vested as at March 31, 2010.

The Company undertakes to conform to the accounting policies specified in Schedule I to the SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999, as amended.

8. The Company has completed an initial public offering of 29,340,000 Equity Shares in Fiscal 2006 for cash at a price of Rs.510 per Equity Share (including a share premium of Rs.500 per Equity Share) aggregating Rs.14,963,400,000 consisting of a fresh issue of 26,762,680 Equity Shares by the Company and an offer for sale of 2,577,320 Equity Shares by Citicorp International Finance Corporation Inc. For further details, see the section titled “Statutory and Other Information” of this Letter of Offer. Other than this, the Company has not made any public or rights issue in the five years immediately preceding the date of filing this Letter of Offer.
9. As on March 31, 2010, the total number of members of the Company was 821,091.
10. The Directors of the Company or the Lead Managers to the Issue have not entered into any buy-back, standby or similar arrangements for any of the securities being issued through this Letter of Offer.

11. The Company undertakes that at any given time, there shall be only one denomination of Equity Shares and the Company shall comply with such disclosure and accounting norms as may be prescribed by the SEBI.
12. Except as disclosed in this Letter of Offer, the Equity Shareholders of the Company do not hold any warrant, option or convertible loan or debenture, which would entitle them to acquire further Equity Shares in the Company.
13. Except as disclosed in this Letter of Offer, there have been no transfers of Equity Shares by the Directors, the Promoters and the members of the Promoter Group within the last one year preceding the date on which this Letter of Offer is filed with the Stock Exchanges.
14. The Equity Shares are fully paid-up and as on the date of filing of this Letter of Offer, there are no partly paid-up Equity Shares.
15. The Company has not issued any Equity Shares out of revaluation reserves.
16. The terms of issue to Non-resident Equity Shareholders or applicants have been presented under the section titled “Terms and Procedure of the Issue” of this Letter of Offer.
17. Neither the Company nor the Promoters shall make any payments, direct or indirect, such as discounts, commissions, allowances or otherwise under the Issue.
18. There are restrictive covenants in the agreements entered into by the Company with certain lenders for short-term and long-term borrowings. For further details, see the section titled “Financial Indebtedness” of this Letter of Offer.
19. The Issue will remain open for at least 15 days. The Board of Directors or a duly authorized committee thereof will have the right to extend the Issue period as it may determine from time to time, provided that the Issue will not be kept open in excess of 30 days from the Issue Opening Date.
20. The Board of Directors, in its meeting held on June 27, 2009 has approved the issue of (i) GDRs, ADRs, FCCBs and/or Equity Shares through depository receipt mechanism and/or FCDs and/or NCDs with warrants or any other financial instruments convertible into or linked to Equity Shares and/or any other instruments and/or combination of instruments with or without detachable warrants with a right exercisable by the warrant holders to convert or subscribe to the Equity Shares or otherwise, and (ii) Equity Shares and/or securities convertible into Equity Shares or NCDs with warrants to QIBs pursuant to a qualified institutions placement (together, the “**Further Issue of Securities**”). The Further Issue of Securities may be made in one or more tranches up to an aggregate amount of Rs.5,000 crores and may be Rupee denominated or denominated in foreign currency and made in the course of domestic/international offerings in the domestic market and/or one or more foreign markets of the Company. The Equity Shareholders at the annual general meeting of the Company held on August 13, 2009 has approved such Further Issue of Securities. Accordingly, based on the closing market price of the Equity Shares on the Designated Stock Exchange on May 28, 2010, the Company may make a Further Issue of Securities up to 81.90 crore Equity Shares or such number of other securities that may convert up to 81.90 crore Equity Shares. However the actual number of securities that may be issued will be determined only after the terms of any such instrument price has been finalized. The Company may undertake such Further Issue of Securities at any time after the filing of this Letter of Offer with the Designated Stock Exchange at a price to be determined in accordance with applicable laws and regulations.

OBJECTS OF THE ISSUE

The primary object of the Issue is to discharge, to the extent possible, certain existing loans (“**Promoter Loans**”) availed by the Company from the Lending Promoter as set forth below.

<i>(Rs.in crore)</i>		
Loan documentation	Date of receipt	Amount received**
Letter for receipt of loan dated November 16, 2009 read with letter for balance confirmation dated April 14, 2010+	September 25, 2009	610
Letter for receipt of loan dated June 26, 2009 read with letter for balance confirmation dated April 14, 2010*	May 27, 2009	450
Letter for receipt of loan dated June 26, 2009 read with letter for balance confirmation dated April 14, 2010*	June 2, 2009	65
Letter for receipt of loan dated June 26, 2009 read with letter for balance confirmation dated April 14, 2010*	June 5, 2009	12
Letter for receipt of loan dated June 26, 2009 read with letter for balance confirmation dated April 14, 2010*	June 12, 2009	35
Letter for receipt of loan dated November 16, 2009 read with letter for balance confirmation dated April 14, 2010*	September 25, 2009	3
Total		1,175

+ Under the terms of these letters, the Company is required to pay the Lending Promoter interest at the rate of seven% per annum on a monthly basis. This loan is for a period of one year and above (unless otherwise agreed) and is unsecured.

* This loan was originally given by SE Energy Park Limited, a Promoter Group company, and has been novated to the Lending Promoter by SE Energy Park Limited by way of a novation agreement dated May 7, 2010 among the Lending Promoter, SE Energy Park Limited and the Company.

** The amount payable to the Lending Promoter as on May 29, 2010 is Rs.1,175 crores. The aggregate amount of the Promoter Loans that is intended to be discharged would also include accrued interest from May 1, 2010 until the date of allotment of Promoter Shares (as defined below). The monthly interest payable for such Promoter Loans is Rs.6.85 crores.

The Auditors by way of a letter dated May 31, 2010, have certified the following:

- a. On the dates set out in the table above, the Company received an aggregate amount of Rs.1,175 as Promoter Loan;
- b. As on May 29, 2010, a sum of Rs.1,175 crores is recorded in the books of the Company as being payable to the Lending Promoter, representing the principal amount of the Promoter Loans; and
- c. The interest rate payable on the Promoter Loans is payable at 7% per annum.

The Lending Promoter has undertaken by a letter dated May 31, 2010: (a) to apply for Equity Shares being offered pursuant to the Issue to the extent of its full Rights Entitlement; (b) to apply for any Equity Shares renounced in its favor by any other Promoter and/or Promoter Group (and together with the Equity Shares subscribed pursuant to (a) above, the “**Promoter Entitlement**”); and (c) to apply for any additional Equity Shares in the Issue only to the extent of any undersubscribed portion of the Issue, subject to applicable law, to ensure that at least 90% of the Issue is subscribed (and together with the Promoter Entitlement, the “**Promoter Shares**”), up to such an aggregate amount so as to discharge the Company’s liability towards the outstanding amount of the Promoter’s Loan (including any accrued interest until allotment).

The Company’s liability to pay the Promoter Loan would be discharged only to the extent of the aggregate amount determined by the product of the Promoter Shares as are finally allotted to the Lending Promoter and the Issue Price. The discharge of the Promoter Loan by such amount is in accordance with the provisions of Sections 75(1)(b) of the Companies Act read with a circular issued by the Department of Company Affairs, Government of India that permits the allotment of shares by a company to a person in lieu of genuine debt owed by an issuer company would be deemed to have been issued for cash.

Subscription by the Lending Promoter of additional Equity Shares beyond their Rights Entitlement shall (i) not result in a change of control of the management of the Company; and (ii) be exempt from the applicability of Regulations 11 and 12 of the Takeover Code in terms of the proviso to Regulation 3(1)(b)(ii) of the Takeover

Code. The subscription by the Lending Promoter for the Equity Shares in the Issue will also be in continuous compliance with the minimum public shareholding requirement specified under Clause 40A of the Listing Agreements and the Company will take such steps as may be necessary to ensure compliance with Clause 40A of the Listing Agreements. As such, other than meeting the requirements indicated in this section titled “Objects of the Issue”, there is no other intention or purpose for the Issue, including any intention to delist the Company, even if, as a result of any allotment in the Issue to the Lending Promoter, the shareholding of the Lending Promoter in the Company exceeds their current shareholding.

The net proceeds from the issue and allotment of the Equity Shares in the Issue from Shareholders and other eligible applicants other than the Lending Promoter, after deducting the Issue expenses, will be utilized by the Company for general corporate purposes.

The use of net proceeds of the Issue for general corporate purposes will include expenditure for the Company’s short term working capital requirements, marketing expenses including strengthening the existing marketing capabilities of the Company, modernization and renovation of offices and research and development initiatives. The proceeds of the Issue will not be used to meet the Company’s long term working capital requirements, as those will be met through internal accruals.

Proceeds of the Issue and Issue Expenses

The details of the proceeds of the Issue are summarized in the following table:

<i>(Rs.In crores)</i>	
Description	Amount (in Rs. Crores)
Gross proceeds of the Issue	1,307.66
Discharge of Promoter Loan towards Promoter Entitlement*+	694.06
Issue expenses	10.00
Net Proceeds+	603.60

* The amount of actual discharge of the Promoter Loan may also include the amount used to discharge the Promoter Loan towards any additional Equity Shares forming part of the Promoter Shares.

+ Any amount payable by the Lending Promoter in respect of the Equity Shares allotted to them in the Issue will not be received by the Company but will be discharged against the amount of the Promoter Loans in the manner set forth in this section titled “Objects of the Issue”.

The Issue related expenses include, *inter alia*, Issue management fees, printing and distribution expenses, legal fees, advertisement expenses and registrar and depository fees. Expenses related to the Issue will be borne by the Company.

A detailed breakdown of the Issue expenses is set forth in the table below:

Activity/Expense	Estimated Amount (Rs.in crores)	Percentage of total Issue expenses (%)	Percentage of total Issue size (%)
Fees of the Lead Managers, Registrar to the Issue, Bankers to the Issue, legal advisor, for other professional services and statutory fees	2.45	25	0.19
Advertising, traveling and marketing expenses	1.65	17	0.13
Printing and stationery expenses	5.9	59	0.45
Total	10.00	100	0.76

Interim Use of Proceeds

The management of the Company, in accordance with the policies set up by the Board of Directors, will have flexibility in deploying the proceeds of the Issue after deducting the Issue expenses. Pending utilization for the purposes described above, the Company intends to temporarily invest the funds in interest bearing liquid investments and instruments, including money market mutual funds and deposits with banks and corporates, excluding Promoter Group entities. Such investments will be in accordance with investment policies approved by the Board of Directors from time to time.

Bridge Loan Facilities

The Company has not availed of any bridge loan to be repaid from the proceeds of the Issue.

Monitoring of Utilization of Funds

The Board of Directors and the State Bank of India, the Monitoring Agency appointed for this purpose, will monitor the utilization of the proceeds of the Issue. The Company will disclose the utilization of the proceeds of the Issue under a separate head in its balance sheet until the Issue proceeds remain unutilized and to the extent required under applicable law and regulation, clearly specifying the purposes for which such proceeds have been utilized. The Company will also, in its balance sheet for the relevant Fiscal periods, provide details, if any, in relation to all such proceeds of the Issue that have not been utilized thereby also indicating investments, if any, of such unutilized proceeds of the Issue.

The main objects clause of the Memorandum enables the Company to undertake the activities for which the funds are being raised pursuant to the Issue. The existing activities of the Company are within the ambit of the objects clause of the Memorandum.

STATEMENT OF TAX BENEFITS

SNK & Co.
Chartered Accountants
E-2-B, The Fifth Avenue
Dhole Patil Road
Near Regency Hotel
Pune 411 001

S. R. BATLIBOI & Co.
Chartered Accountants
C-401, Fourth Floor
Panchshil Tech Park
Yerwada
Pune 411 006

To
The Board of Directors
Suzlon Energy Ltd.
Pune

Sirs,

We hereby report that the enclosed Annexure, prepared by the Company, states the possible tax benefits available to Suzlon Energy Ltd., (the "Company") and its shareholders under the current tax laws presently in force in India. Several of these benefits are dependent on the Company or its shareholders fulfilling the conditions prescribed under the relevant provisions of the relevant tax laws. Hence, the ability of the Company or its shareholders to derive the tax benefits is dependent upon fulfilling such conditions, which based on business imperatives, the Company may or may not choose to fulfill.

The benefits discussed in the Annexure are not exhaustive and the preparation of the contents stated is the responsibility of the Company's management. We are informed that this statement is only intended to provide general information to the investors and hence is neither designed nor intended to be a substitute for professional tax advice. In view of the individual nature of the tax consequences, the changing tax laws and the fact that the Company will not distinguish between the shares offered for subscription and the shares offered for sale by the selling shareholders, each investor is advised to consult their own tax consultant with respect to the specific tax implications arising out of their participation in the issue.

We do not express any opinion or provide any assurance as to whether:

- the Company or its shareholders will continue to obtain these benefits in future ; or
- the conditions prescribed for availing the benefits have been/would be met with

The contents of this Annexure are based on the information, explanations and representations obtained from the Company and on the basis of our understanding of the business activities and operations of the Company and should be read together with notes given at Note F of the Annexure A.

No assurance is given that the revenue authorities/Courts will concur with the views expressed herein. Our views are based on existing provisions of the law and its interpretation, which are subject to change from time to time. We do not assume any responsibility to update the views consequent to such changes. We shall not be liable to the Company for any claims, liabilities or expenses relating to this assignment except to the extent of the fees relating to this assignment, as finally judicially determined to have resulted primarily from bad faith or intentional misconduct. We are not liable to any person other than the Company in respect of this statement.

This certificate is provided solely for the purpose of assisting the addressee Company in discharging its responsibilities under the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations 2009.

SNK & Co.
Chartered Accountants
Firm registration number: 109176W

S. R. BATLIBOI & Co.
Chartered Accountants
Firm registration number: 301003E

per Jasmin B. Shah
Partner
Membership No: 46238
Pune
May 29, 2010

per Arvind Sethi
Partner
Membership No: 89802
Pune
May 29, 2010

ANNEXURE TO STATEMENT OF TAX BENEFIT

Annexure “A”

(A) Benefits to the Company under Income-tax Act, 1961 ('the Act')

I. Special Tax benefits available to the Company

Deduction under section 80-IB of the Act

The company has set up various manufacturing units (industrial undertakings) for the manufacture of Wind Turbine Generators ('WTG') and its parts in the backward States specified in the Eighth Schedule to the Act and the same are eligible for deduction under section 80-IB of the Act.

The Company in the past has claimed deduction under section 80-IB and is eligible to claim this deduction for the following prospective years in respect of the industrial undertakings mentioned below:-

Location of Industrial Undertaking	Unit number by which identified	30% deduction up to financial year
Daman	III	2010-2011
Pondicherry	IV	2012-2013
Daman	V	2012-2013

II. General Tax benefits available to the Company under the Income-tax Act, 1961 (“the Act”)

1. Business Income:

1.1 Depreciation

The Company is entitled to claim depreciation under section 32 of the Act on specified tangible (being Buildings, Plant & Machinery, Computer and Vehicles) and intangible assets (being Knowhow, Copyrights, Patents, Trade marks, Licenses, Franchises or any other business or commercial rights of similar nature) owned by it and used for the purpose of its business .

In case of any new plant and machinery that will be acquired and installed by the Company engaged in the business of manufacture or production of any article or thing, the Company will be entitled to a further sum equal to twenty per cent of the actual cost of such machinery or plant as additional depreciation in the first year subject to conditions specified in section 32 of the Act.

Unabsorbed depreciation if any, for an Assessment Year (AY) can be carried forward and set off against any source of income in subsequent AYs as per section 32 (2) subject to the provisions of sub-section (2) of section 72 and sub-section (3) of section 73 of the Act.

1.2 Preliminary Expenditure

As per Section 35D, the Company is eligible for deduction in respect of specified preliminary expenditure incurred by the Company in connection with extension of its industrial undertaking or in connection with setting up a new industrial unit for an amount equal to 1/5th of such expenses over 5 successive Assessment Years ('AY') subject to conditions and limits specified in that section.

1.3 Carry forward of business loss

Business losses, if any, for any AY can be carried forward and set off against the profits and gains of business or profession for 8 subsequent AYs' subject to the provisions of the Act.

1.4 Minimum Alternate Tax ('MAT') Credit

As per section 115JAA(1A), the Company is eligible to claim credit for Minimum Alternate Tax ("MAT") paid under sub-section (1) of section 115JB for any AY commencing on or after April 1, 2006 against normal income tax payable in subsequent AYs. The MAT credit eligible to be carried forward will be the difference between MAT paid and the tax computed as per the normal provisions of the Act for that AY. Such MAT credit is allowed to be carried forward for set-off against the differential tax liability (i.e., excess of normal tax liability over MAT for that subsequent year) upto 10 AYs succeeding the assessment year in which credit arises.

All the deductions mentioned above, will result into reduction in tax liability of the Company.

2. Capital Gains:

- 2.1 Capital asset means property of any kind held by an assessee whether or not connected with his business or profession but does not include any stock-in-trade, consumables stores or Raw Materials held for the purpose of his business or profession and personal effects i.e. movable property held for personal use.

Capital assets has to be categorized into long term capital assets and short term capital assets based on the period of holding which has impact on the tax liability.

2.1.1 Long term Capital Gain (LTCG)

LTCG means capital gain arising from the transfer of a long term capital asset.

Shares in a Company, listed securities or units of UTI or units of mutual fund specified under section 10(23D) or zero coupon bond will be considered as long term capital assets if they are held for a period exceeding twelve months.

In case of all other assets if the period of holding exceeds thirty six months, such assets will be treated as long term capital assets.

2.1.2 Short Term Capital Gain (STCG)

STCG means gain arising from a short term capital asset.

Share held in a Company or any other security listed in a recognized stock exchange in India or unit of the Unit Trust of India or a unit of a mutual fund specified under clause (23D) of section 10 will be considered as short term capital assets if they are held by an assessee for 12 months or less.

In case of all other assets if the period of holding is less than thirty six months, such assets will be treated as short term capital assets.

- 2.2 LTCG arising on transfer of equity share in a Company or units of an equity oriented fund are exempt from tax under Section 10(38) of the Act provided the transaction is chargeable to securities transaction tax (STT). However, the said exemption will not be available in computing book profit for the purpose of MAT payable @ 18% plus applicable Surcharge ('SC') and Education Cess ('EC') on tax.

- 2.3 As per second & third proviso to section 48, LTCG arising on transfer of capital assets, other than bonds and debentures excluding capital indexed bonds issued by Government, is to be computed by deducting the indexed cost of acquisition and indexed cost of improvement from the full value of consideration. As per section 112, LTCG is taxed @20% plus applicable SC +EC.

- 2.4 However as per proviso to section 112(1), if such tax payable on transfer of listed securities/units /Zero coupon bonds exceeds 10% of the LTCG, without availing benefit of indexation, the excess tax will be ignored.

- 2.4 As per section 111A of the Act, STCG arising on sale of equity shares or units of equity oriented mutual fund (as defined) under Section 10(23D), on a recognized stock exchange are subject to tax at the rate of 15 per cent (plus applicable SC + EC), provided the transaction is chargeable to STT. In Other cases, STCG shall be chargeable to tax at the normal tax rate applicable.
- 2.5 As per section 71 read with section 74, Short-term capital loss arising during a year is allowed to be set-off against short-term as well as long-term capital gains of the said year. Balance loss, if any, should be carried forward and set-off against short-term as well as long-term capital gains for subsequent 8 assessment years.
- 2.6 As per section 71 read with section 74, Long-term capital loss arising during a year is allowed to be set-off only against long-term capital gains. Balance loss, if any, should be carried forward and set-off against subsequent year's long-term capital gains for subsequent 8 assessment years.
- 2.7 Under section 54EC of the Act, capital gains arising on the transfer of a long-term capital asset will be exempt from capital gains tax if such capital gains are invested within a period of 6 months after the date of such transfer in specified bond issued by the following and subject to the conditions specified therein –
 - National Highways Authority of India constituted under section 3 of National Highways Authority of India Act, 1988.
 - Rural Electrification Corporation Limited, a Company formed and registered under The Companies Act, 1956

If only a part of the capital gains is so reinvested, the exemption shall be proportionately reduced.

However, after 1st April, 2007, to avail the benefit of section 54EC, the investment by an assessee made in specified long term bonds should not exceed Rupees Fifty Lacs.

If the new bonds are transferred or converted into money within three years from the date of their acquisition, the amount so exempted shall be taxable in the year of transfer.

3. Income from Other Sources:

Dividend Income

Dividend (both interim and final) income, if any, received by the Company on its investment in shares of another domestic Company shall be exempt from tax under Section 10(34) read with Section 115-O of the Act provided a dividend distribution tax at 16.61% on the amount of dividend paid, is paid by the domestic company declaring dividend.

Income received in respect of units of a Mutual Fund specified under Section 10(23D) of the Act (other than income arising from transfer of units of the Administrator of the specified undertaking or of the specified company or of a mutual fund, as the case may be) shall be exempt from tax under Section 10(35) of the Act.

4. Tax on dividend:

The tax rate is 15% (plus applicable SC and EC) as per sub-section (1A) to section 115O. The domestic company will be allowed to set-off the dividend received from its subsidiary company during the financial year against the dividend distributed by it, while computing the Dividend Distribution Tax ('DDT ') if:

- the dividend is received from its subsidiary;
- the subsidiary has paid the DDT on such dividend; and
- the domestic company is not a subsidiary of any other company.

Provided that the same amount of dividend shall not be taken into account for reduction more than once.

For the purpose of this sub-section a company shall be a subsidiary of another company, if such other company holds more than half in nominal value of the equity share capital of the company.

5. Tax Rates:

As per the provisions of the Act, company is liable to pay tax on taxable income computed under normal provisions of the Act or MAT on the book profit of the company under the provisions of section 115JB of the Act, whichever is higher. The rates of tax under both the provisions are as follows:

5.1 Under normal provisions of the Act

The basic tax rate is 30% on the taxable income.

Increased by surcharge at the rate of 7.5% of the basic tax, only if the total income exceeds Rs.1 Crore.

Education and Secondary and Higher Education cess at the rate of 3% of basic tax plus surcharge, if any.

5.2 Minimum Alternate Tax ('MAT') on book profit where the tax as per

The basic tax rate is 18%.

Increased by surcharge at the rate of 7.5% of the basic tax, only if the total income exceeds Rs.1 Crore.

Education and Secondary and Higher Education cess at the rate of 3% of basic tax plus surcharge, if any.

(B) Benefits to the Company under Indirect Tax Laws

1. Value Added Tax ('VAT')/Central Sales Tax ('CST')

In accordance with and subject to the provisions of section 8(5) of the CST Act, 1956 and vide notification no. DMN/CST/Exemption/07-08/1020 dated. 28.01.2008, the Company is entitled for central sales tax exemption on sales effected during the inter-state trade or commerce to a registered dealer on goods manufactured, processed or assembled in the union territory of Daman up to December 31, 2017 or 15 years from the date of 1st sale or from the date of first consignment /branch transfer whichever is earlier against form C/F. As the first unit started commencement of production on 6th Jan' 1997, the company is eligible to avail exemptions at least up to 5th Jan' 2012.

Effective March 24, 2004, the Company has been exempted from Sales Tax under the Pondicherry General Sales Tax Act, 1967 and under the Central Sales Tax Act, 1956 for WTG's manufactured in Pondicherry for a period of five 5 years. As per order of Commercial Tax Department, Pondicherry dated 16.10.2006, company's sales tax/CST holiday period was further extended for the period of four years from 24.3.2009 to 23.3.2013. However, vide notification no 89/F2/2009 dated February 27, 2009 the exemption is restricted only till March 31, 2010 against which the company is representing before the authorities to continue the exemption till March 23, 2013 as was ordered earlier. However, currently windmill and its parts are included under exempted category in first schedule of PGST Act. Hence sale of Windmill and its parts from Pondicherry are not liable for any VAT & CST so long the entry is exempted.

In accordance with the sales tax exemption scheme (remission of tax) under Economic development of Kutch District, the company is eligible for exemption from payment of central sales tax/Gujarat VAT for the period from 28.4.2006 to 27.4.2013 up to capital investment limit fixed at Rs 1584.45 lacs.

2. Under the Central Excise Tariff

The Company is exempted from payment of Central Excise Duty, on wind operated electricity generator, its components and parts thereof including rotor and wind turbine controller as per Item No 13 of List 5 corresponding to Sr No 84 of Notification 6/2006 – C.E dated 1 March 2006 as amended by last notification No 12/2010 – C.E dated 27 February 2010. The said notification also exempts goods specified in List 6 required for the manufacture of rotor blades subject to certification from MNRE

3. Under the Customs Tariff

The Company is allowed to import major components used in the manufacture of wind operated electricity generator as well as raw materials for rotor blade at a concession Basic Customs Duty of 5% and exemption from Countervailing Duty (CVD - levied under sub-section (1) of section 3 of Customs Tariff Act, 1975) subject to the compliance of conditions mentioned under Notification No.21/2002-cus.dated March 1, 2002 (as amended by last notification no. 21/2010 dated.February 27, 2010). The other components of WTG's, if imported are subject to basic custom duty at the rate of 7.5% to 10% plus applicable CVD & Special Additional Duty and Cess.

(C) Benefits to the members of the Company under Income-tax Act, 1961 ('the Act')

I. Special Tax benefits available to the members of the Company

No special tax benefits are available to the members of the Company.

II. General Tax benefits available to the Members of the Company

1. Resident Members

1.1. Dividend income:

Dividend (both interim and final) income, if any, received by the resident shareholder from a domestic Company is exempt under Section 10(34) read with Section 115O of the Act provided a dividend distribution tax at 16.61% on the amount of dividend paid, is paid by the domestic company declaring dividend.

1.2. Capital gains:

Benefits outlined in Paragraph (A) II 2 above are also applicable to resident shareholders.

In case of an individual or Hindu Undivided Family ('HUF'), where the total taxable income as reduced by capital gains is below exemption limit, the capital gains will be reduced to the extent of the shortfall and only the balance capital gains will be subjected to tax in accordance with the proviso to sub-section (1) of section 112 of the Act (in case of LTCG) or in accordance with the proviso to sub-section (1) of section 111A of the Act (in case of STCG).

Further, in accordance with and subject to the conditions and to the extent specified in section 54F of the Act, LTCG arising on transfer of the shares of the company (which are not exempt under section 10(38) of the Act) held by an individual or HUF shall be exempt from capital gains tax, if the net sales consideration is utilized, within a period of one year before, or two years after the date of transfer, for the purchase of a new residential house, or is utilized for construction of a residential house within three years.

1.3. Clubbing of Income:

Any income of minor children clubbed with the total income of the parent under section 64(1A) of the IT Act, will be exempt from tax to the extent of Rs. 1500/- per minor child under section 10(32) of the IT Act.

1.4. **Security Transaction Tax:**

In terms of Section 36(1)(xv), deduction shall be allowed while computing business income of an amount equal to the securities transaction tax paid by the assessee in respect of the taxable securities transactions entered into in the course of his business during the previous year, if the income arising from such taxable securities transactions is included in the income computed under the head "Profit and gains of business or profession".

2. **Tax Benefits available to Non-Resident Members**

2.1. **Dividend income:**

Dividend (both interim and final) income, if any, received by the non-resident shareholders from a domestic Company shall be exempt from tax in India under section 10(34) read with Section 115-O of the Act provided a dividend distribution tax at 16.61% on the amount of dividend paid, is paid by the domestic company declaring dividend.

2.2. **Capital gains:**

Benefits outlined in Paragraph (A) II 2 above are also available to a non-resident shareholder except that as per first proviso to Section 48 of the Act, capital gains arising on transfer of capital assets being shares of an Indian Company need to be computed by converting the cost of acquisition, expenditure in connection with such transfer and full value of the consideration received or accruing as a result of the transfer into the same foreign currency in which the shares were originally purchased. The resultant gains thereafter need to be reconverted into Indian currency. The conversion needs to be at the prescribed rates prevailing on dates stipulated. Further, the benefit of indexation as provided in second proviso to section 48 is not available to non-resident shareholders.

2.3. **Security Transaction Tax:**

Benefits outlined in Paragraph C II (1.4) above are also applicable to the non-resident shareholder.

2.4. **Tax Treaty Benefits:**

As per Section 90 of the Act, the shareholder can claim relief in respect of double taxation, if any, as per the provision of the applicable Double Tax Avoidance Agreements.

2.5. **Special provisions in respect of income / LTCG from specified foreign exchange assets available to Non resident Indians under Chapter XII-A:**

2.5.1 Non-Resident Indian (NRI) means a citizen of India or a person of Indian Origin who is not a resident. A person is deemed to be of Indian Origin if he or she, or either of his parents or any of his grandparents, were born in undivided India. NRI have an option of being governed by the provisions of Chapter XII-A of the Act which *inter alia* entitles them to the benefit in respect of transactions in specified foreign exchange assets.

2.5.2 Specified foreign exchange assets include shares of an Indian Company acquired/purchased/subscribed by NRI in convertible foreign exchange.

2.5.3 As per section 115E, income [other than dividend which is exempt under section 10(34)] from investments and LTCG from assets (other than specified foreign exchange assets) shall be taxable @ 20% (plus applicable SC + EC).

- 2.5.4 As per section 115E of the Act, LTCG arising from transfer of specified foreign exchange assets shall be taxable @ 10% (plus applicable SC + EC).
- 2.5.5 As per section 115F of the Act and subject to the conditions specified therein, LTCG arising to NRIs from transfer of shares of the Company acquired out of convertible foreign exchange, not covered in para 2.5.2 above shall be exempt in the proportion of the net consideration from such transfer being invested in specified assets or savings certificates as referred in clause 4(B) of section 10 of Income Tax Act within six months from date of such transfer.
- 2.5.6 As per section 115G of the Act, if the income of a NRI taxable in India consist only of investment income/ LTCG from investment in shares and tax has been deducted at source in respect of such income in accordance with the Act, it is not necessary for the NRIs to file return of income under section 139(1).
- 2.5.7 As per section 115H of the Act, when NRIs become assessable as a resident in India, he/she is entitled to furnish a declaration in writing to the Assessing Officer along with the return of income to the effect that the provisions of Chapter XII-A shall continue to apply to him in relation to such investment income derived from the specified assets for that year and subsequent assessment years until such assets are transferred or otherwise converted into money.
- 2.5.8 As per section 115I of the Act, NRIs may elect not to be governed by the provisions of Chapter XII-A for any assessment year by furnishing the return of income for that year under Section 139 of the Act, declaring therein that the provisions of Chapter XII-A shall not apply to him for that assessment year and, accordingly, his total income for that assessment year will be computed in accordance with the other provisions of the Act.

2.6. Clubbing of income:

Any income of minor children clubbed with the total income of the parent under section 64(1A) of the IT Act, will be exempt from tax to the extent of Rs. 1,500 per minor child under section 10(32) of the IT Act.

3. Tax Benefits available to Foreign Institutional Investors (FIIs)

3.1 Dividend income:

Dividend (both interim and final) income, if any, received by the shareholder from the domestic Company shall be exempt under Section 10(34)with Section 115O of the Act provided a dividend distribution tax at 16.61% on the amount of dividend paid, is paid by the domestic company declaring dividend.

3.2 Capital Gains:

Under Section 115AD, income (other than income by way of dividends referred in Section 115-O) received in respect of securities (other than units referred to in Section 115AB) shall be taxable at the rate of 20% (plus applicable SC & EC). No deduction in respect of any expenditure /allowance shall be allowed from such income.

Under Section 115AD, capital gains arising from transfer of securities (other than units referred to in Section 115AB), shall be taxable as follows:

As per section 111A, STCG arising on transfer of securities where such transactions is chargeable to STT, shall be taxable at the rate of 15% (plus applicable SC and EC). STCG arising on transfer of securities where such transaction is not chargeable to STT, shall be taxable at the rate of 30% (plus applicable SC & EC) LTCG arising on transfer of securities where such transaction is chargeable to STT shall be exempt from tax and where such transaction is not chargeable to STT, shall be taxable at the rate of 10% (plus applicable SC & EC). The benefit of indexation of cost of acquisition, as

mentioned under 1st and 2nd proviso to section 48 would not be allowed while computing the capital gains.

3.3 Security Transaction Tax:

Benefit as outlined in Paragraph C II (1.4) above are also available to FIIs.

3.4 Tax Treaty Benefits:

As per Section 90(2) of the Act, a shareholder can claim relief in respect of double taxation, if any, as per the provisions of the applicable double tax avoidance agreements.

4. Tax Benefits available to Mutual Funds

As per the provisions of Section 10(23D) of the Act, any income of Mutual Funds registered under the Securities and Exchange Board of India Act, 1992 or Regulations made there under, the Mutual Funds set up by public sector banks or public financial institutions and Mutual Funds authorized by the Reserve Bank of India, would be exempt from income tax, subject to the prescribed conditions.

5. Tax Benefits available to Venture Capital Companies/Funds

As per the provisions of section 10(23FB) of the Act, income of Venture Capital Company which has been granted a certificate of registration under the Securities and Exchange Board of India Act, 1992 and notified as such in the Official Gazette; and Venture Capital Fund, operating under a registered trust deed or a venture capital scheme made by Unit Trust of India, which has been granted a certificate of registration under the Securities and Exchange Board of India Act, 1992 and notified as such in the Official Gazette set up for raising funds for investment in a Venture Capital Undertaking, is exempt from income tax. However, the income distributed by the Venture Capital companies/funds to its investors would be taxable in the hands of the recipients.

6. Persons carrying on business or profession in shares and securities.

Securities transaction tax paid in respect of taxable securities transaction entered during the course of business will be available as deduction under section 36(1)(xv) while computing the taxable business income.

(D) Wealth Tax Act, 1957

Shares in a Company held by a shareholder are not treated as an asset within the meaning of Section 2(ea) of Wealth Tax Act, 1957; hence, wealth tax is not leviable on shares held in a Company.

(E) The Gift Tax Act, 1957

Gift of shares of the Company made on or after October 1, 1998 are not liable to Gift tax. However, any transfer of shares made subsequent to October 1, 2009 without adequate consideration to an individual or HUF will be taxable in the hands of the transferee under the newly inserted clause (vii) under section 56(2) of the Income Tax Act, 1961 subject to prescribed conditions and valuation rules.

(F) Notes:

- a) All the above benefits are as per the current tax laws and will be available only to the sole/first named holder in case the shares are held by joint holders. Some or all of the tax consequences may be modified or amended by future amendments to the tax laws.
- b) In respect of non-residents, the tax rates and the consequent taxation mentioned above will be further subject to any benefits available under the relevant DTAA, if any, between India and the country in which the non-resident has fiscal domicile.
- c) In view of the individual nature of tax consequences, each investor is advised to consult his/her own tax advisor with respect to specific tax consequences of his/her participation in the issue.

- d) The above Statement of Possible Direct Tax Benefits sets out the provisions of law in a summary manner only and is not a complete analysis or listing of all potential tax consequences of the purchase, ownership and disposal of shares.

SECTION IV - ABOUT US

INDUSTRY

Unless otherwise indicated, the information in this section has been derived from various Indian Government publications, the International Energy Agency's World Energy Outlook 2009 report, as well as private publications and industry reports prepared by BTM Consult Aps ("BTM"), the Global Wind Energy Council ("GWEC") and various trade associations, and has not been prepared or independently verified by Suzlon, or the Lead Managers or any of their respective affiliates or advisers. The information may not be consistent with other information compiled within or outside India. Newly installed capacity refers to the MW capacity installed during a particular year. Unless otherwise specified, accumulated installed capacity refers to the total MW capacity installed taking into account the effect of decommissioning.

Electricity Demand

Global Electricity Demand

The International Energy Agency (the "IEA") in its report titled World Energy Outlook 2009, estimated that world electricity demand is projected to increase at an annual rate of 2.5% until 2030. This report states that globally, the power generation sector is estimated to add 4,800 GW of capacity by 2030. The IEA has estimated that 80% of this growth will occur in countries that are not members of the Organization for Economic Co-Operation and Development (the "OECD"). The IEA predicts that fossil fuels will remain the dominant sources of primary energy worldwide and nuclear power's contribution is expected to decline and the use of renewable energy technologies, such as tide and wave energy, wind energy, biomass and solar energy, is expected to have the fastest rate of increase. The market for wind power is one of the largest renewables power markets and expectations are that it will soon become the most significant source of renewables-based electricity after hydropower and ahead of biomass. (Source: IEA, World Energy Outlook 2009, © OECD/IEA)

Indian Electricity Demand

Historically, the power industry in India has been characterised by energy shortages. According to a report titled Power Scenario at a Glance, prepared in February 2010 by the Central Electricity Authority, the Ministry of Power of the Indian Government (the "MOP"), in the period from April 2009 to January 2010, demand for electricity exceeded supply by an estimated 9.9% in terms of total requirements and 12.6% in terms of peak demand. Although power generation capacity has increased substantially in recent years, it has not kept pace with the growth in demand or the growth of the economy generally.

According to the MOP, as of February 28, 2010, India's power system had an installed generation capacity of approximately 157,229.48 MW. Of such installed capacity, thermal power plants powered by coal, gas or oil accounted for approximately 64.6% of total power capacity. Renewable hydroelectric stations accounted for approximately 24.7%, nuclear stations accounted for approximately 2.9% and other renewable energy sources (including wind energy) accounted for approximately 7.7%. Under India's 11th five year economic plan covering 2007 to 2012, a planned capacity addition of 78,700 MW has been proposed.

Wind Energy Demand

Global Wind Energy Demand

The global wind industry grew significantly in 2009. According to a recent announcement by GWEC dated February 3, 2010, the overall wind power capacity grew in 2009 by 37,500 MW; up 31% from 2008. This adds up to a total installed base of close to 157.9 GW. The global wind power industry has continued to grow at an average cumulative rate of over 30% over the past 10 years (Source: GWEC, May 2010).

World Wind Industry Growth rates 2006-2009

Year	Installed MW	Increase	Cumulative MW	Increase
		(%)		(%)
2006.....	15,244	30	74,052	25
2007.....	19,865	32	93,835	27
2008.....	26,282	35	120,550	28
2009.....	37,466	38	157,899	31
Average growth.....		34		28

(Source: Global Wind 2009 Report GWEC; March 2010).

Wind power is increasingly becoming a global source of energy that is being applied across economies. The 2009 wind energy market was driven almost exclusively by the United States, Europe and Asia, each adding more than 10 GW to the total world market (Source: Global Wind 2009 Report GWEC, March 2010).

Americas: The United States is by far the largest wind market in North and South America. In 2009 the Obama administration initiated a stimulus package which includes a two year extension of the crucial Production Tax Credit (“PTC”) for companies that generate wind power. Alongside the PTC the option of an investment tax credit, in lieu of PTC, has also been introduced in respect of businesses and individuals who purchase renewable energy systems of eligible technologies, which was previously available only for solar energy systems. Furthermore, substantial funds for improvements in the grid infrastructure have been agreed, along with a clear vision for creating new jobs in the renewable energy sector. The full effect of these initiatives remain to be seen, but the Americas region is in an overall positive state of development and nearly 10 GW of new wind energy was added to the grid in 2009, as compared to approximately 8.4 GW in 2008 (Source: GWEC, May 2010). Several markets in South America are also growing significantly. Brazil, for instance, has announced ambitious targets for decreasing CO2 emissions on the back of the 15th Conference of the Parties to the United National Framework Convention on Climate Change (the “COP15”) conference in Copenhagen and in December 2009, Brazil’s Electric Energy Chamber of Commerce announced the winners of the second reserve energy auction for wind power purchase agreements (“PPAs”) at which 71 projects with a combined capacity of 1.8 GW were selected (Source: Global Wind Energy Advisory, January 2010).

European Union: In the European Union, the credit crunch did not have a significant impact as a result of the incentive schemes found in Europe which provided a good shield against the negative effects of the credit crunch on the financial environment. Wind power generation accounted for 39% of all new power capacity installed in 2009 in Europe. The most recent figures from GWEC shows that the European Union climbed above 10 GW installed capacity in 2009, the main driving forces being by Germany and Spain with 1,917 MW and 2,459 MW respectively (Source: Global Wind 2009 Report GWEC, March 2010).

Asia: Unprecedented demand for energy has been the central driver for wind energy in Asia as several emerging economies in the region grow. In response to this, several countries have actively pursued improved market conditions to foster development of renewable energy in the region. China has aggressively pursued development of wind energy and its support framework has catapulted it up the global rankings. For 2009, China emerged as the world’s largest market for wind turbines in 2009 and it is expected to remain the world’s largest market in the next few years to come. China, with 13.8 GW of new capacity additions in 2009, India with a newly added capacity of 1,271 MW along with some smaller additions in Japan, South Korea and Taiwan, make Asia the biggest regional market for wind energy in 2009, with more than 15 GW of new capacity (Source: Global Wind 2009 Report, GWEC, March 2010).

Installed Wind Generation capacity in 2009 (Global)

	<u>New Installed MW</u>	<u>Total</u>	<u>Accumulated end of 2009</u>	<u>Total</u>
		<u>(%) (rounded off)</u>		<u>(%) (rounded off)</u>
Africa and Middle East.....	230	1	865	1
Asia.....	14,639	39	38,909	25
Europe.....	10,526	28	76,152	48
Latin America and Caribbean.....	622	2	1,274	1
North America.....	10,872	29	38,478	24
Pacific Region.....	577	2	2,221	1
Total.....	37,466		157,899	

(Source: Global Wind 2009 Report, GWEC; March 2010).

Indian Wind Energy Demand

India's 11th five year economic plan covering 2007 to 2012 is aiming for 10 GW of new generating capacity from wind energy. Currently, approximately 70% of the customers for wind energy are manufacturing companies generating power for their own use. This is expected to change with a newly introduced scheme for a generation based incentive of Rs.0.5 per kWh of electricity fed into the grid from wind power projects (subject to a maximum of Rs.0.62 crores per MW of installed capacity). Other policies stimulating the growth of wind power in India are the tariffs fixed by the State Electricity Regulatory Commissions and the mandatory market share policy requiring licensed operators of the distribution grid to buy at least 10% of their electricity generated from wind each year. The cumulative installed MW capacity in India as at the end of the past three calendar years was as follows:

	<u>As at December 31,</u>		
	<u>2007</u>	<u>2008</u>	<u>2009</u>
			<u>(MW)</u>
Cumulative installed capacity.....	7,845	9,655	10,827

(Source: BTM Report 2010).

Key Growth Drivers for Wind Energy

Suzlon believes that the market for wind energy has become significant due to the following factors:

Increasing Electricity Demand: In the World Energy Outlook 2009, the IEA estimated that global electricity demand will increase at an annual rate of 2.5% until 2030, with demand for electricity likely to increase at a much faster pace in developing countries such as India and China. The IEA also estimates that the share of non-hydro renewable energy sources will increase from 2.5% of total electricity output in 2007 to 8.6% in 2030 with Wind power seeing the biggest absolute increase. (Source: IEA, World Energy Outlook, 2009, © OECD/IEA) The market for wind power is one of the largest renewables power markets and expectations are that it will soon become the most significant source of renewables-based technology after hydropower and ahead of biomass.

Increasing cost competitiveness: Wind power technology being one of the most mature renewable power generation technologies is characterised by having the lowest cost of energy compared to other renewables. Additionally, according to GWEC with advances in technology wind power is becoming competitive with established generation alternatives at some sites and may become more competitive as the cost of fossil fuels increases. Some of the factors that have contributed and are expected to continue to contribute to reduced costs are increasing focus on larger projects, technological advancements resulting in WTGs with higher capacity and economies of scale resulting from increase in the size of WTG manufacturers.

Environmental awareness and government initiatives: Generating electricity from fossil fuel energy sources releases carbon dioxide, which contributes to global warming. Although a binding agreement was not reached at the COP15 conference in Copenhagen, the wind power sector is expected to continue its positive development in the medium to long term. Demand for energy is increasing and the general acceptance that greenhouse gas emissions from extensive use of fossil fuels lead to damaging climate change amplifies the focus on renewable energy sources, while volatility in the price of fossil fuels and concerns about depletion and supply security

have reduced the competitiveness of conventional energy sources. Furthermore, lower interest rates favor wind power, as capital cost is higher per installed MW compared to conventional energy sources.

As such, many countries, including India, the United Kingdom, the United States and Germany, have provided fiscal incentives and schemes to encourage the growth of renewable energy. These incentives and schemes range from preferential tariffs or tax credits for renewable energy projects to taxing those who contribute to emission of carbon dioxide. Most prominently, recent regulatory initiatives have been seen in Europe (for example, the European Union's 20% legally binding renewable energy target for 2020 accompanied by transparent multiyear national support schemes and action plans); in the United States (Green Stimulus Initiatives); in China (adoption of an ambitious 15% renewable target by 2020 accompanied by a fixed feed in tariff system and full purchase obligations for grid companies); in Australia (20% renewable energy target by 2020, and plans to launch an emissions trading system in 2011); and in South Korea (official renewable energy and wind energy targets (renewable energy supply to cover 11% of requirements by 2030 and an installed wind energy capacity target of 7,301 MW by 2030 and a preliminary renewable portfolio standard, which will commence in 2012). Further, carbon trading has also been initiated in countries in the European Union and other countries such as Japan. Carbon trading refers to a system whereby emitters of carbon dioxide and other harmful gases purchase Carbon Emission Receipts from clean energy producers, including renewable energy producers. Trading in Carbon Emission Receipts may also provide an additional stream of revenue for entities undertaking wind energy projects.

Repowering: Repowering involves the replacement of old WTGs with new and more cost efficient WTGs and is expected to become one of the growth drivers in relation to the future market for wind energy, particularly for countries in Europe that have a large number of ageing WTG installations with relatively low capacity and technology that is out of date.

Offshore Market: The offshore market is increasingly gaining importance but is still in its infancy. An example of its increasing importance is the recent announcement by the UK Crown Estate regarding the successful bidders in round 3 of its tender process, with respect to the planned 25 GW offshore wind power generation in the territorial waters of England and Wales, in the period from 2015 to 2020, potentially worth £75 billion and generating up to 70,000 jobs by 2020, which attracted attention worldwide.

With challenges regarding availability of land suitable for development in densely populated developed countries, offshore presents attractive possibilities. This is particularly true for countries surrounded by large offshore areas with shallow water, where winds are often stronger and steadier, allowing for installation of far larger turbines than those onshore (where additional considerations and restrictions, particularly around noise levels, may apply).

While the offshore market currently accounts for a marginal share of the global wind power market, expected growth rates in the segment are higher than those expected on onshore markets. It is expected that cumulative offshore wind capacity will increase to 15,598 MW globally by the end of 2014 compared to 2,110 MW in 2009. Installed offshore capacity is expected to rise to 5.5% of total installed wind capacity in 2014 from an expected 3.3% in 2010. (Source: BTM Report 2010).

Wind resource assessment studies have been undertaken by the Centre for Wind Energy Technology of the Ministry of New and Renewable Energy, Government of India ("MNRE") at two locations in India – Kudangulam and Rameshwaram, for the purpose of examining the feasibility of setting up offshore wind farm projects in India. (Source: Annual Report (2008-2009) of MNRE). Preliminary surveys do not however at this stage suggest a sizeable grid-interactive offshore wind power potential. (Source: Annual Report (2009-2010) of MNRE).

Energy Security: Increased concern about energy security, especially in the prevailing volatile geopolitical scenario is pushing countries towards renewable sources of energy such as wind energy.

Market Potential

Global Wind Energy Market Potential

The cumulative installed capacity for wind energy is expected to grow from 160,084 MW by the end 2009 to 447,689 MW by the end 2014. This represents an average growth rate of 13.5% per annum for new installations and an average growth rate of 22.8% per annum for cumulative installations. Of the total cumulative demand of 287,605 MW expected by the end of 2014, 4.7% is expected to be contributed by the offshore segment. Further, the cumulative installed wind energy capacity is expected to be 966,332 MW by the end of 2019. (Source: BTM Report 2010).

It is also estimated that Europe's share in cumulative installations will decline to 36.99% by the end of 2014 from 47.82% by the end of 2009, while the share of North and South America (including the United States) is expected to increase from 25.20% by the end of 2009 to 27.32% by the end of 2014. Further, Europe's share in cumulative offshore installations is expected to fall from 97% by the end of 2009 to 85.9% by the end of 2013. (Source: BTM Report 2010).

Indian Wind Energy Market

India is the fifth largest wind power producer in the world. India's onshore wind energy potential has been assessed at around 48,500 MW. This assumes sites with wind energy density in excess of 200W/sq.m at 50 m height with 1% of land available for wind farms requiring 12 ha/MW. (Source: Annual Report (2009-2010) of MNRE).

683 MW of installed capacity was added during the year 2009-2010 (until December 2009), increasing the cumulative installed capacity to 10,242 MW. These additions were mainly in the states of Karnataka, Gujarat, Kerala, Madhya Pradesh, Maharashtra, Rajasthan and Tamil Nadu. Wind electric generators of unit sizes between 225 kW and 2.10 MW have been deployed across the country. (Source: Annual Report (2009-2010) of MNRE).

The cumulative installed wind energy capacity in India is expected to increase from 10,827 MW by the end of 2009 to 27,327 MW by the end of 2014. (Source: BTM Report 2010).

Renewable Energy Policies

Based on the various stages of their development, different regions and countries have used different policy instruments to promote renewable energy sources in general and wind energy in particular. Specific emphasis has been placed on:

feed-in tariffs or fixed tariff regimes;

quotas/renewable portfolio standards ("**RPS**")/renewable energy credits ("**RECs**");

tendering schemes; and

other incentive mechanisms, including production and investment tax credits, rebates, low interest loans and loan guarantees and production payments.

Feed-in Tariffs/Fixed Tariffs

Feed-in tariffs or fixed tariff policies provide a minimum guaranteed price per unit of electricity produced as approved by the regulator, to be paid to the producer or as a premium in addition to market electricity prices. Regulatory measures usually impose an obligation on electricity utilities to pay the renewable energy power producer a price as specified by the government. The level of the tariff is normally set for a number of years to give investors a more secure income for a substantial part of the lifetime of the project. Many different adaptations of the instrument are applied. The level of the tariff need not bear any direct relation to either cost or price, but can be set at a level to encourage investment in green power production. Two major countries following tariff regimes are Germany and Spain.

Quotas/RPS/REC

While pricing laws establish the price and let the market determine capacity and generation, quotas (or mandated targets) work in reverse. In the case of quotas, the government sets a target and lets the market determine the price. However, in practice, RPS/REC regimes can be present in combination with fixed tariff regimes. Typically, governments and regulators mandate a minimum share of capacity or generation of electricity, or a share of fuel, to come from renewable sources. The share required often increases gradually over time, with a specific final target and end-date. The mandate can be placed on producers or distributors. Over 30 countries have mandated certain percentages, including countries in the European Union, China and Australia. More than 10 states in India have also enacted RPS regulations.

Tendering Schemes

Under tendering systems, regulators specify an amount of capacity or share of total electricity to be achieved, and the maximum price per kWh. Project developers then submit price bids for contracts. Two major countries following tendering schemes are France and China.

Other Incentive Instruments

Other complementary government initiatives to support the development of renewable energy technologies include fiscal measures such as investment tax credit, production tax credit and low interest loans, loan guarantees and investment subsidies. Other major countries following production tax credits and investment tax credits schemes are the United States and Canada (both of which have production tax credit schemes; the United States in its economic Stimulus Bill, 2009 also has an option to elect a 30% investment tax credit in place of production tax credit) and India (which has investment tax credit schemes).

In 2007-08 the MNRE announced a scheme of Generation Based Incentive (“**GBI**”) for wind energy projects announcing an “incentive” of Rs.0.50 per unit of electricity for a period of ten years for wind energy fed by the independent power producers into the grid, apart from getting the tariff as determined by the respective state regulatory commissions. The GBI is aimed at attracting a larger number of independent power producers into the wind sector.

Policy and Regulatory Environment in India

Research, development, commercialization and deployment of renewable energy systems and devices in the rural, urban, industrial and commercial sectors in India is administered by the MNRE. The MNRE has also established the Indian Renewable Energy Development Agency Limited, a financial institution to complement the role of MNRE and promote, develop and extend financial assistance for renewable energy and energy efficiency/conservation projects. In addition, the MNRE has also established the C-WET in Chennai, a specialised technical institution looking into technology development, including development of components and sub-systems, testing of WTGs and turbine certification, testing and certification related to the wind energy sector. In addition, the MNRE has also been participating in the wind resource assessment programme of the country.

Manufacture of wind turbine generators and setting up of windfarms

Manufacturers of products generated from renewable energy are required to be registered with the MNRE which is the nodal agency of the Government of India for all matters relating to non-conventional or renewable energy, including wind energy.

Companies engaged in the generation of electricity from wind energy are required to register the project being undertaken with the relevant state nodal agency and obtain permission for inter-grid connectivity from the utility.

The guidelines for wind power projects, issued in July 1995 and as amended from time to time by the MNRE set out the conditions that are required to be met for establishing windfarms and manufacturing and supplying equipment for wind energy projects. These conditions include submission of detailed project reports, selection of equipment, approval of sites for wind energy installations and type certification by certification agencies (i.e. C-WET). These guidelines have been made mandatory through revised guidelines in May 1999.

For testing and certification, C-WET has evolved a Type Approval - Provisional Scheme 2000 (“**TAPS - 2000**”) for India, as amended, which is in line with international certification schemes for wind turbines. TAPS - 2000 undertakes the issuance of certificates for new WTGs as well as the approval of certificates for WTGs already possessing type certificates/approvals. TAPS - 2000 is available to WTG manufacturers until the issue of final Type Approval Scheme and formal accreditation.

The electricity generated from a wind energy project can be used for captive consumption, sale to utilities or for transaction under open access as per prevailing state policy and regulation. Various Indian state commissions have mandated that a certain percentage of energy be procured from renewable energy sources and have set tariffs for such procurement generally ranging between 3-4 kWh.

For further details in connection with the regulatory and legal framework of the wind energy sector in India, see the section titled “Regulations and Policies in India – Overview of Relevant Laws and Regulations in India” of this Letter of Offer.

BUSINESS

Unless stated otherwise, historical financial information of the Group is derived from the Group's consolidated financial statements prepared under Indian GAAP. Historical financial information of REpower is derived from the consolidated financial statements of REpower prepared under IFRS. The Group has not provided a reconciliation of its financial statements to IAS/IFRS or U.S. GAAP and has not otherwise quantified or identified the impact of the differences between Indian GAAP and IAS/IFRS and U.S. GAAP as applied to its financial statements. As there are significant differences between Indian GAAP, IAS/IFRS and U.S. GAAP, there may be substantial differences in the results of the Group's operations, cash flows and financial position if the Group were to prepare its financial statements in accordance with IAS/IFRS or U.S. GAAP instead of Indian GAAP. Equity Shareholders must rely upon their own examination of the Company, the terms of the Issue and the financial information, before making an investment.

Unless otherwise stated, market share data for Suzlon and the Group refers to market share in the Indian market and has been sourced from the BTM Report 2010.

Overview

The Group is the world's third largest wind turbine supplier group with a total of 9.8% market share, comprised of the Group (excluding REpower) with 6.4% of global market share in the supply of wind turbine generators ("WTGs") and REpower with 3.4% of global market share of WTGs. (Source: BTM Report 2010).

The Group develops and manufactures technologically advanced WTGs with an emphasis on high performance and cost-efficiency. The Group's current product range includes WTGs with capacities from 0.35 MW to 6.0 MW.

The Group has developed several unique products and services and customized them to different geographical needs and demands to improve the value offered to customers. These include providing engineering, procurement and construction ("EPC") services to markets including India, Australia, and Brazil and providing operations and maintenance ("O&M") services to markets including the United States and Europe.

In India, the Group, together with its Subsidiaries and Affiliated Companies, has positioned itself as an integrated solution provider of services related to wind energy. Besides manufacturing WTGs, the Group is also involved in wind resource mapping, identification of suitable sites and technical planning of wind energy projects. The Group also provides EPC and after-sales O&M services through Suzlon Infrastructure Services Limited ("SISL") and power evacuation facilities through Suzlon Power Infrastructure Limited ("SPIL") and Suzlon Gujarat Wind Park Limited ("SGWPL") for WTGs it supplies in India. The Affiliated Companies, including SRL, acquire land for sites that the Group has identified as suitable for wind energy projects. These projects (including the site) are then sold or leased to its customers.

In the international markets, the Group operates as a manufacturer and supplier of WTGs and is involved in O&M and wind farm project activities. It also assists its customers in the supervision of project execution and provides training to the employees of its customers so that they can carry out the O&M of projects developed by the Group. In select international markets and with respect to certain projects, the Group also undertakes infrastructure development, installation and commissioning of WTGs and connection to power grids. In some cases, the Group also provides O&M services to its customers.

The Group is an integrated developer of WTGs, focused on the design, engineering and development of WTGs. The majority of its components, (which include tubular tower sections, controllers including control panels, and control monitoring software, turbine generator nacelles with covers, hubs and rotor blades are developed and manufactured by certain Group entities for its sub-MW and multi-MW WTGs. The Group has also established supply sources for the components that it does not manufacture, such as gearboxes, casting parts and a portion of its nacelle cover, tower and generator requirements. Through SE Forge, the Group has also set up facilities to manufacture forging and foundry components that are required for the manufacture of WTGs and their components. Raw materials for WTG rotor blades, such as glass fibre, epoxy resin and foam, are also sourced from leading suppliers. The Group (excluding REpower) sourced approximately one-half of its gearbox requirement in Fiscal Year 2010 from Hansen.

The Group conducts R&D activities primarily through the Group's Subsidiaries, Suzlon Energy GmbH ("SEG"), Suzlon Blade Technology B.V. ("SBT") and RETC Renewable Energy Technology Centre ("RETC"). RETC is a 50:50 joint venture between the Group's Subsidiaries, SE Drive Technik GmbH ("SEDT") and REpower. REpower also conducts R&D activities outside of this joint venture. These entities focus on designing and developing new WTG models, upgrading the Group's current models and developing efficient and effective rotor blade technology for its WTGs. See the section titled "Business - Research and Development" of this Letter of Offer.

The Group has significant sales and operations across the globe and is the leading provider of integrated WTG solutions in India and Australia. (Source: BTM Report 2010). The Group also has significant sales in each of the United States, Europe and China, and is expanding in other international markets such as Canada, South Africa and South America.

The accumulated sales of WTGs of the Group (excluding REpower) from the time of its establishment stood at 5,859 MW, 8,649 MW and 10,109 MW as at March 31, 2008, March 31, 2009 and March 31, 2010, respectively. India, with 688 MW, and the international markets, with 772 MW, accounted for 47.12% and 52.88%, respectively, of the Group's sales of WTGs (by volume in MW) in the Fiscal Year 2010 (excluding REpower).

The Group's consolidated total income was Rs.26,530.54 crores and Rs.20,848.67 crores for the Fiscal Year 2009 and the Fiscal Year 2010, respectively. Net profit was Rs.236.48 crores for the Fiscal Year 2009 and net loss was Rs.982.56 crores for the Fiscal Year 2010.

The following table sets forth the breakdown of the Group's total consolidated income:

(in Rs.crores, except percentages)

	For the Fiscal Year					
	2008	Percentage of Total Income	2009	Percentage of Total Income	2010	Percentage of Total Income
Sales:						
WTG and its Components	11,444.23	82.05	22,969.42	86.58	18,073.37	86.69
Gearboxes	2,404.81	17.24	3,993.64	15.05	2,656.12	12.74
Foundry and Forging ⁽¹⁾	0.01	—	17.18	0.06	104.11	0.50
Others	24.72	0.18	36.06	0.14	43.21	0.21
Intersegment Sales	(194.34)	(1.39)	(934.60)	(3.52)	(257.15)	(1.23)
Total Sales	13,679.43	98.08	26,081.70	98.31	20,619.66	98.90
Other Income⁽²⁾	267.98	1.92	448.84	1.69	229.01	1.10
Total Income	13,947.41	100.00	26,530.54	100.00	20,848.67	100.00
Note:						
1	New segment for reporting for Fiscal Year 2009.					
2	Other income consists primarily of interest received, profit on sale of investments, dividend income and other operating income.					

The following table sets forth the percentage breakdown of the total sales geographically of the Group for the Fiscal Years 2008, 2009 and 2010:

	For the Fiscal Year					
	2008		2009		2010	
	%		%		%	
India	41.07	%	17.07	%	19.89	%
Europe	23.26	%	32.40	%	43.70	%
United States	18.68	%	28.09	%	18.77	%
China	3.50	%	4.85	%	7.15	%
Australia and New Zealand	7.48	%	11.24	%	6.57	%
Others	6.01		6.35	%	3.92	%

	For the Fiscal Year					
	2008		2009		2010	
	%		%		%	
Total	100.00	%	100.00	%	100.00	%

Strengths and Strategies

The Group believes that the following are its principal competitive strengths:

Cost efficient and globally optimized integrated manufacturing base and supply chain.

With production facilities in India, China, Germany and the United States, the Group has created a global production platform for supplying to key growth markets, which leverages the cost efficiencies of multiple global locations. In addition, the Group has an integrated manufacturing base and is able to manufacture most of the key components such as rotor blades, generators, control panels, towers, nose cones, nacelle covers and forging and foundry components used in WTGs. The Group has also developed and continues to implement a strategy to take control of and/or build relationships with companies which are suppliers of key components of the Group's WTGs. The Group believes that optimizing its capacity to manufacture components will allow it to lower WTG manufacturing costs, give it greater control over the supply chain for key WTG components and enable quicker and more efficient assembly and delivery of WTG components and customized WTGs to its customers.

Established global presence.

For the last ten calendar years, the Group has been the leading WTG manufacturer in India in terms of installed capacity. (Source: BTM Report 2010). During calendar year 2009, the Group had a 59.7% share of the WTG market in India in terms of installed capacity. (Source: BTM Report 2010). The Group has also established a presence in some of the key wind markets such as the United States, Europe and China and is currently implementing projects in Brazil, Portugal, Italy, Sri Lanka and Nicaragua. The Group was ranked third in the world in terms of annual installations with a market share of 9.8%. In 2009, REpower was the third largest supplier of WTGs in Germany in terms of market share (Source: BTM Report 2010). The Group's market share makes it well-positioned to leverage its reputation and existing customer relationships to take advantage of anticipated future growth in demand for renewable energy sources.

Demonstrated track record and capability to provide customized end-to-end solutions.

The Group has a track record of executing a number of large-scale wind energy projects in different regions across India and other geographies. The Group is well-positioned in comparison with its peers as it has the capability to provide customized, integrated solutions to meet different customer needs. These include designing, developing and manufacturing WTGs, wind resource mapping, identifying suitable sites for wind farms, coordinating the acquisition of land for wind sites with the Affiliated Companies and developing these sites and installing WTGs and connecting them to the power grid. In addition, the Group provides O&M services that include a customer management system which provides its personnel and customers with real-time data relating to the WTGs. This allows the Group's technical personnel to control and monitor WTG performance on-line, even from remote locations and during adverse weather conditions which helps in reducing WTG downtime and maintenance costs.

Strong focus on research and development.

Through its strong research and development capability, the Group has been able to develop its sub-MW and multi-MW WTG models, as well as the rotor blades for these WTGs, including offshore WTGs. RETC, which is a joint venture between the Group's Subsidiaries, SEDT and REpower, is expected to focus on developing new technologies in wind energy. The Group has been able to develop in-house many of the processes and technologies that enable it to manufacture certain key components, such as nacelle covers, nose cones, control panels, rotor blades and generators. It also has the in-house capability to construct tools and moulds used in the manufacture of rotor blades.

Strong management team.

The Group benefits from a strong management team with extensive experience in the wind energy market. The Group's senior management brings with them extensive experience in the wind energy industry generally and in the design, engineering, manufacturing, marketing and maintenance of WTGs specifically. This team has international experience and its members are based in India and Europe.

Business Strategy

The Group seeks to expand its global presence by penetrating certain key growth markets and to further enhance its position in India as a provider of integrated wind energy solutions. The Group intends to accomplish this through the following strategies:

Expanding presence in international growth markets and developing new markets while maintaining strength in the Indian market.

In order to increase its share of the world market for wind energy, the Group plans to continue to grow its overseas operations. The Group intends to increase its growth in certain key markets such as the United States, China, Europe (including Germany, France, Portugal, Italy, Spain), Australia, Brazil and the United Kingdom. These markets offer many sites with optimal wind conditions, including offshore, high demand of energy and governments that encourage the development of renewable energy sources. Additionally, the Group intends to explore and develop new markets such as countries in Latin America, Eastern Europe, the Middle East, Africa and South East Asia. In furtherance of this strategy, the Group intends to consider potential investment opportunities across the value chain and also develop assets, including through new partners that offer an opportunity to grow its business and/or expand its capabilities or geographical reach.

The Group also intends to leverage its status as the leading integrated solution provider of services related to wind energy in India for further growth. India is the fifth largest wind power producer nation in the world. (Source: Annual Report 2009-2010, MNRE). Regulatory developments in India have been positive for the wind energy industry and include measures such as tariff regulations notified by the Central Electricity Regulatory Commission ("CERC") granting tax incentives to investors in companies generating wind energy and minimum renewable purchase standards stipulated by the National Action Plan on Climate Change that have been set at 5% of the total power purchases beginning in 2010 and to increase 1% every year for ten years. The Group believes that India is, and will continue to be, an important growth market for wind energy.

Improving cost efficiency to improve competitive positioning.

In order to enhance its competitive position in the wind sector, the Group is constantly striving to enhance cost efficiency to provide the lowest cost per MW generated to its customers. A vertically integrated business model supports the Group's objective to achieve leadership within the wind energy industry. Vertical integration ensures timely and long term availability and control over the critical components in the manufacture of WTGs. It also enables the Group to control manufacturing costs and thus improve margins. The Group's manufacturing facilities that are located in India and China give it a cost advantage in terms of capital, manufacturing and labor costs over some of the Group's larger competitors whose manufacturing facilities are in higher cost regions, such as Western Europe. In addition, the new manufacturing facilities of the Group located in SEZs in Coimbatore, Vadodara and Padubidri enable it to enhance its cost competitiveness. Further, the Group is able to source many key components, such as castings, generators and towers, from lower-cost suppliers based in India and China. The Group's strategy is to establish manufacturing facilities for WTGs and key components close to markets with growing demand for power generated by wind energy and additionally, some of these facilities

may be located in geographical locations that are eligible for fiscal incentives.

Continuous product improvement through technological leadership in the wind energy sector.

Through RETC, a 50:50 joint venture between the Company's Subsidiaries SEDT and REpower, the Group aims to develop innovative technology that will influence the next generation of wind turbines and undertake strategic development in the field of research and technical training. The Group also plans to establish international Subsidiaries under RETC in order to leverage the knowledge and expertise available in particular areas and to collaborate with universities to launch an academy offering high-quality technical training and qualification schemes in the wind energy sector. The Group also aims to take advantage of its vertically integrated structure to combine WTG research with its R&D platform at the component level in order to design and develop more advanced and cost efficient WTGs. It intends to expand its product line and improve its existing WTG models by implementing new technology that it is developing through the Company's R&D Subsidiaries. It is particularly focused on WTG models in the multi-MW class segment. Technological innovation such as that which allows the Group's R&D teams to use the operational data gathered by its O&M teams in order to upgrade its current WTG models and to design, develop and roll-out newer and more cost-efficient WTG models also helps improve efficiency.

Enhancing product portfolio to meet customer needs.

The Group is focused on providing maximum value to its customers by offering them a wide product range. The Group has capabilities to develop and manufacture different kinds of sub-MW and multi-MW WTGs ranging from 0.35 MW to 6.00 MW. The Group intends to increase these capabilities to develop and manufacture different kinds of sub-MW and multi-MW WTGs as well as increasing its product range in the offshore wind energy market. These WTGs can be customized to meet various requirements suitable for onshore and offshore applications, different wind classes, grid specifications and climate and temperature requirements across various geographies. The Group believes this diversified product portfolio will help the Group strengthen its presence internationally.

Maximize customer value proposition by offering customized end-to-end solutions and support.

The Group aims to provide customized, integrated solutions to meet different customer needs in various geographies, which include the entire range of activities from customized designing to commissioning. The Group's products are supported by a strong team of technical support staff. Additionally, to ensure maximum machine availability of its turbines, the Group provides O&M services to its customers.

Major Corporate Events

Suzlon was incorporated on April 10, 1995. It completed an initial public offering and was listed in India in 2005.

In the Fiscal Year 2007, Suzlon, through its 100% owned Subsidiary, AERH, acquired Hansen, the second largest gearbox manufacturer for WTGs worldwide (Source: BTM Report 2010). In December 2008, the Group sold 10% of its equity interest in Hansen and in November 2009 the Group completed a secondary placement of 35.22% of its equity interest in Hansen. Following these disposals, the Group retains 26.06% (as at March 31, 2010) of the voting and economic interest of Hansen. The Group has continued its long-term supply arrangements with Hansen and effected these sales to raise funds for the repayment of indebtedness in line with its initiatives to optimize its capital structure.

In the Fiscal Year 2008, the Group also acquired a stake in REpower, one of the leading WTG producers in Germany, through its Subsidiary SEDT. Suzlon acquired additional shares in REpower during Fiscal Year 2009 and Fiscal Year 2010, bringing its current holding to an equity interest of 90.50% in REpower. To exercise control ("control", for this purpose, being understood as the legal ability to influence or direct a company's management) over a German stock corporation, such as REpower, German stock corporation law requires a "domination agreement". Accordingly, in order to exercise control over REpower, the Group, through SEDT, had proposed entering into a "Domination and Profit and Loss Transfer Agreement" with REpower (the "**Domination Agreement**"). In October 2008, Suzlon announced that, in the context of the current market

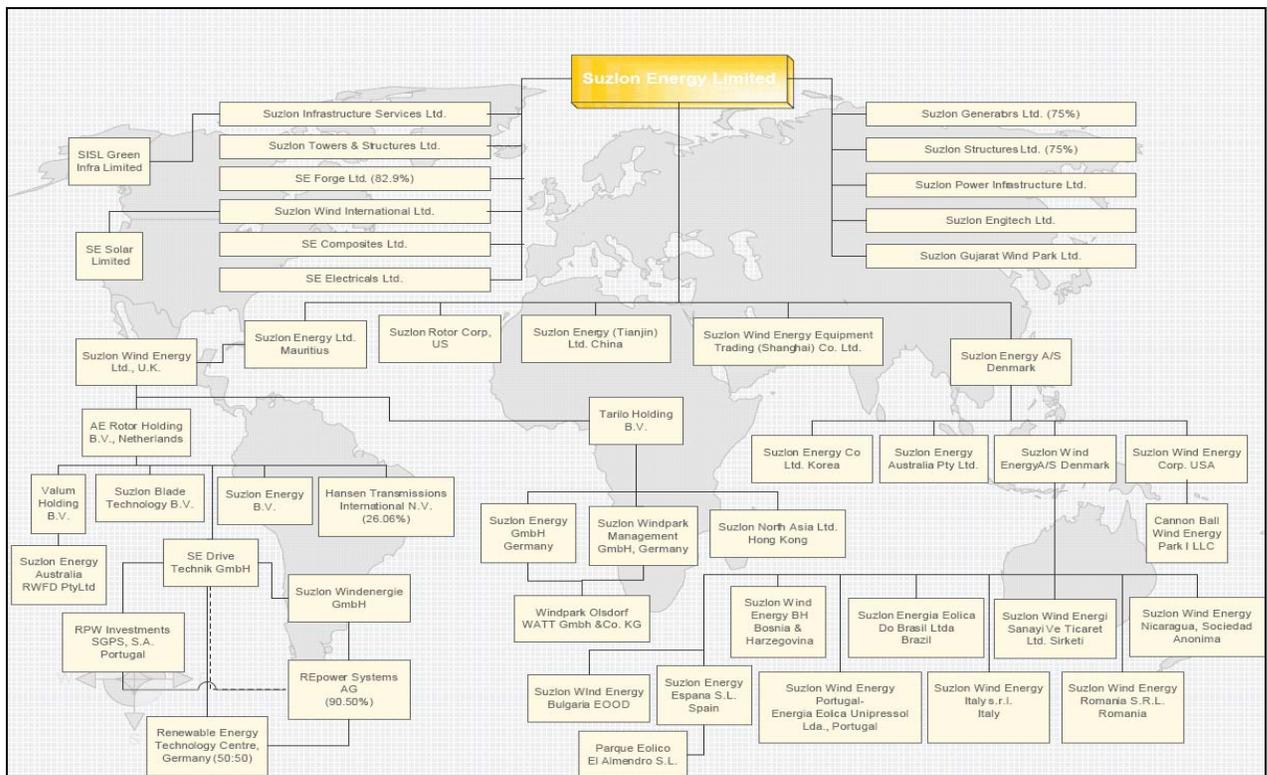
environment, both parties had agreed to suspend the process of negotiating the Domination Agreement for the time being. Without a Domination Agreement in place, any transaction between the Group and REpower has to be made on an arm's-length basis and may not create a status which would be irreversible in the event Suzlon were to dispose of its interest in REpower. In particular, without entering into a Domination Agreement, the Group cannot influence the management of REpower or participate in profits other than distributed dividends and the Group has no unilateral access to REpower's technology. The conclusion of the Domination Agreement requires a formal process pursuant to German stock corporation law, during which the Group is obliged to make an offer to buy out the minority shareholders of REpower at a fixed price and/or to pay an annual guaranteed dividend to the remaining minority shareholders. However, both the fixed price and the minimum dividend payable to the minority shareholders would be determined by a German court-appointed accountant. Additionally, a consent would be required under the terms of REpower's debt facilities in order to enter into a Domination Agreement. As no such agreement has been entered into, the businesses of Suzlon and REpower presently are, and will continue to be, operated on an arm's-length basis.

IDFC Private Equity Fund III, a unit scheme of IDFC Infrastructure Fund 3 acquired a stake of 17.1% in SE Forge for an amount of Rs.400 crores in October 2008. This investment was through the issuance of new equity shares by SE Forge. Following this investment, the Group's stake in SE Forge was diluted to 82.9%. As at March 31, 2010, the Group's stake continued to be 82.9%.

Structure of the Group

The Group is comprised of Suzlon, its domestic and international Subsidiaries and its joint ventures. Although the Group works closely with the Affiliated Companies, members of the Group do not own any equity interest in them and do not control them.

The following chart sets out the principal legal entities within the Group as at May 31, 2010. Entities are 100% owned unless otherwise indicated.



Products

The Group's key business is designing, developing and manufacturing cost-efficient WTGs, including developing and manufacturing some of the key WTG components for its sub-MW and multi-MW class of WTGs, such as rotor blades, control panels, tubular towers, generators, as well as forging and foundry work.

Wind Turbine Generators

A WTG comprises a tower (or mast), a nacelle (which contains the essential mechanical and electrical parts) and rotor blades. The generation of electricity by a WTG is a result of the interplay between the following highly developed and synchronized components:

The rotor blades: The rotor blades form the motor of the WTG. The rotor blades collect kinetic energy from wind and convert this energy into mechanical energy. The area swept by the rotor blades, their aerodynamic profile and the rotational speed of the blades are the key factors that determine the power generation capacity of the WTG.

The drive train and generator: The unit comprising the rotor shaft, gearbox and generator is called the "drive train" of the WTG. The generator at the end of the drive train converts the mechanical energy of the rotor blades into electrical power. The WTG's gearbox serves to increase the rotational speed of the rotor to match the speed of the generator.

Power regulation and limitation (stall and pitch regulation): Depending on the technique employed to regulate and limit their capacity, WTGs are generally classified as "stall-regulated" or "pitch-regulated":

Stall regulation: In a WTG with stall regulation, power regulation is achieved by causing the air flow to stall by means of the aerodynamic profile of the blade when a certain wind speed is exceeded, preventing the WTG from capturing an increasing amount of energy.

Pitch regulation: In a WTG with pitch regulation, power regulation is achieved by mounting the rotor blades on the hub so that they can be rotated around their longitudinal axis, in order to control their aerodynamic properties and thus their capacity to capture energy according to the wind conditions.

Variable-speed wind turbines: In variable-speed WTGs with pitch regulation, the electronic controls are the "brain" of the WTG and adjust the angle of incidence of the rotor blades with the generator to keep them working smoothly together. The electronic controls measure the generator's power output and, through pitch regulation, adjust the angle of incidence of the rotor blades accordingly, ensuring that the WTG delivers the maximum possible energy output from wind in all conditions.

WTG towers: The Group is now developing expertise in WTG towers through its 75% owned (as at March 31, 2010) Subsidiary, Suzlon Structures Limited. Strong forces act on the mast, which is of a height of approximately 80 metres, over the entire life of the WTG. The tower has to be constructed to withstand these forces and to provide a secure foundation to the nacelle and the rotor.

Product Range

The Group's product range covers a wide range of onshore and offshore WTG models, with nominal outputs from 0.35 MW to 6.00 MW. The Group has a range of WTG models that allow it to supply different types of WTGs that can suit the varying needs of its customers, in terms of both cost and wind conditions at a proposed WTG site. Also, the Group manufactures customized versions of WTG models based on customer requirements.

Apart from their nominal output and size, the various WTGs in the Group's product range vary primarily in the technology used for output regulation. The 0.35 MW turbine uses the less complex stall regulation technology. All other turbines are typically equipped with pitch regulation. The Group believes that the advantages offered by the higher energy yield of these pitch-regulated models will, in certain circumstances, compensate for the higher costs associated with pitch regulation. Almost all of the Group's WTGs feature an advanced control system that includes precisely calibrated sensors that monitor factors such as temperature, wind speeds and

vibrations. The Group's rotor blades are manufactured using advanced vacuum-assisted resin infusion moulding. This results in each rotor blade having a lower weight-to-swept area ratio that assists in reducing the cost per kWh of energy produced by WTGs manufactured.

The principal products of Suzlon are the 2/2.10 MW and the smaller 1.25/1.5 MW models and the principal products of REpower are MM 92, its 2.05 MW model. The Group introduced a 0.60 MW model and a 1.50 MW model in 2006. In 2009 the Group completed the installation of its first three 6.00 MW WTGs. The Group plans to expand its offshore capabilities through the 6.00 MW WTGs together with the 5.00 MW WTGs and expects offshore WTG sales to contribute a greater proportion to its overall WTG sales in future.

The following table breaks down the Group's (excluding Repower) WTG sales for the periods indicated by number of WTG models sold and MW capacity:

WTG Model	Fiscal Year 2008		Fiscal Year 2009		Fiscal Year 2010	
	Number of WTG	MW	Number of WTG	MW	Number of WTG	MW
Suzlon WTGs						
S33 (0.35 MW)	15	5.25	Nil	Nil	Nil	Nil
S52 (0.60 MW)	181	108.60	93	55.80	100	60
S6X (1.25 MW)	307	383.75	219	273.75	220	275
S82 (1.50 MW)	449	673.50	452	678.00	243	364.5
S88 (2.10 MW)	543	1,140.30	849	1,782.90	362	760.2
Total	1,495	2,311.4	1,613	2,790.45	925	1,459.7

All the terms of WTG orders, including the technical specifications of the WTG or WTG components to be supplied, payment terms and delivery schedules, are set forth in the purchase order issued by the customer and accepted by the relevant counterparty within the Group.

As at May 26, 2010 the Group's (excluding REpower) order book stood at approximately Rs.18,400 crores. As at March 31, 2010, REpower reported an order backlog, including purchase agreements, with a potential sales volume of approximately €1.1 billion, compared to €1.5 billion as at March 31, 2009, representing an increase of 40%. As part of its standard practices, the Group conducts credit checks and reviews the balance sheet of each potential customer in order to ensure that it has the financial capacity to acquire and operate WTGs.

Services – India

In India, the Group, along with the Affiliated Companies, sells integrated wind energy solutions to its customers. In addition to the Group's manufacture of WTGs, the services provided to customers cover the entire technical value chain, from the identification of suitable sites and the planning of wind farms to their technical implementation, O&M services, on-line monitoring and training of personnel.

In implementing the "integrated solutions" approach for its customers, the Group and the Affiliated Companies have developed and implemented several large-scale wind farms located throughout India. The primary cost advantage of wind farms is related to expected economies of scale. The larger the wind farm, the greater the number of WTGs that can be installed allowing the project costs to be spread across a larger number of WTGs. Similarly, larger projects have lower O&M costs per kWh due to efficiencies obtained in managing a larger wind farm such as being able to manage more WTGs with fewer personnel.

Detailed studies on wind energy resources in India for the installation of wind energy projects began in 1986 and were initially carried out by MNRE (then, the Department of Non-Conventional Energy Sources) and are currently conducted by C-WET. The program involves the identification of locations with strong winds that are close to electricity grids and have adequate land available nearby for prospective wind energy projects. Once these have been identified, wind monitoring stations are established and data on wind speed and direction is collected and processed over time at various heights at such locations. The Group uses the data collected by C-WET to conduct its own wind resource mapping activities in areas which it believes may be suitable for wind farms. Once the Group is satisfied with the suitability of an area, the Affiliated Companies undertake land

acquisition activities. The Group supplies customers with WTGs, including rotor blades, transformers and towers, which are installed and commissioned by SISL, a Subsidiary of Suzlon. In the period up to March 31, 2007, this activity was being carried out by an Affiliated Company, Synefra. SISL also provides O&M services developed by the Group and the Affiliated Companies. Power evacuation facilities are provided for certain wind farm projects by SPIL, a Subsidiary of Suzlon.

On January 12, 2009, Suzlon Gujarat Wind Park Limited (“SGWPL”), a Subsidiary of Suzlon, announced the signing of a memorandum of understanding with the Government of Gujarat for developing wind energy projects of up to 1,500 MW in the Kutch-Saurashtra region of Gujarat. SGWPL is acting as project developer and providing an integrated solution to the investors in the project, facilitating permits and regulatory clearances, land, basic services and infrastructure.

Over the years, the Group has built up extensive local expertise in wind resource mapping throughout India and in identifying suitable sites for wind farms. The services that the Group provides include:

Planning of wind farms: Planning wind farms includes identifying suitable sites based on wind resource data collected by the Group from both C-WET and its own independent studies. The planning also involves inspecting the sites, calculating capacity levels, wind resource mapping, data collection and processing and analyzing project feasibility and ascertaining the availability of land and power transmission facilities.

Land acquisition: The land used for setting up wind power projects may be private land, “revenue land” (which is owned by the Indian Government) or forest land. Private land is purchased directly from its owner and if such land is agricultural land, it is converted into non-agricultural land if required by the applicable State Government. In the case of land owned by the Indian Government, it is made available by the respective State Governments on a long-term lease or outright sale basis as per the prevailing policies of the relevant State Government. Certain State Governments, like that of Gujarat and Rajasthan, have special policies for the allotment of revenue land for wind energy projects. The land so allotted can also be transferred to third parties, such as the Group’s customers, through either a lease or a sub-lease but cannot be transferred without consent of the relevant State Government.

Certain Affiliated Companies, including SRL and Shubh Realty (South) Private Limited, acquire suitable sites from private owners that the Group has identified and undertake to provide such sites exclusively to the Group’s customers. This involves extensive negotiations with the landowners and can involve litigation between the Affiliated Company and private landowners in which the Group may be named as a party. See the section titled “Litigation” of this Letter of Offer.

Development and technical design of wind farms: The Group’s services include micrositing, which involves the identification (through the use of sophisticated computer models) of the exact locations where a WTG will be installed, taking into consideration the distance requirements between two WTGs. Micrositing helps maximize land utilization at each suitable site and assists in optimizing power generation at each site.

Infrastructure development and installation of WTGs: The construction and development of infrastructure for entire wind farms is undertaken by the Group. These activities include the building of approach roads, power evacuation facilities (such as transmission lines to the nearest sub-stations and, in some cases, the sub-stations themselves) and levelling of land for WTG tower foundations, as well as the installation and commissioning of the WTGs. The activities relating to wind farm site development and installation and commissioning of WTGs, along with transformers, are undertaken by SISL. Power evacuation facilities are provided by SPIL and tubular tower components are supplied by STSL.

Operation and maintenance services: The Group offers O&M services for its WTGs, which include round-the-clock remote and on-site monitoring, and maintenance and repair of the WTGs. The Group’s service package includes preventive and planned maintenance of WTGs, transformers and related structures. The Group also provides free repair and maintenance services for periods generally ranging from one to three years after the commissioning of the WTGs. These O&M services are provided by SISL.

In April 2004, Suzlon acquired a 100% ownership interest in SISL from members of the Promoter Group for a total consideration of Rs.7.24 crores.

The Group provides its customers with various types of warranties and guarantees. See the section titled “Product Warranties” below.

Services – International

Internationally, the Group sells its products along with O&M training and project execution supervision. In addition, it has started to provide integrated services in certain international markets depending on prevailing market conditions. It also provides O&M services on a project-specific basis in certain international markets.

In Germany, the Group through REpower undertakes the construction of wind farms. This involves completing necessary construction requirements for infrastructure, planning and realization of the network connection, design and development of the electrical network technology, construction requirements for the infrastructure and, in some cases, the evaluation of the potential location and the configuration of the windpark. REpower also provides a range of services in relation to its WTGs including technical maintenance and 24-hour remote monitoring. All of REpower’s WTGs in Germany are connected to the “Permanent Monitoring System” which enables remote monitoring of all facilities from the service headquarters in Husum, Germany. REpower has established a network of service locations throughout Germany to provide effective service to wind farm sites. REpower’s logistics system allows it to source the necessary spare parts and components and to install them on site at short notice. REpower is not generally involved in land acquisition or wind farm development activities.

Manufacturing Facilities

The following tables set forth information regarding the Group’s (other than Hansen) existing and proposed manufacturing facilities and the installed capacity of each of these facilities, including SEZ units. REpower’s manufacturing facilities are located at Trampe, Husum, Bremerhaven and Osterrönfeld (Germany).

Location	Product	Unit	Quantity ⁽¹⁾	Commencement of Operations (Fiscal Year)
India:				
Diu	WTGs	Number of WTGs	100	1997
Daman.....	WTGs	Number of WTGs	300	2000
Daman.....	Rotor blades for WTGs	Number of sets of rotor blades	420	2002
Pondicherry.....	WTGs	Number of WTGs	720	2004
	Rotor blades for WTGs	Number of sets of rotor blades	790	2004
Daman.....	WTGs	Number of WTGs	600	2004
Maharashtra	Rotor blades for WTGs	Number of sets of rotor blades	300	2006
	Generators	MW capacity	2,000	2006
	Tubular towers	Metric tonnes	26,000	2007
Gujarat	Rotor blades for WTGs	Number of sets of rotor blades	200	2007
	Tubular towers	Metric tonnes	78,000	2005
	Forging and machining (in an SEZ)	Metric tonnes	70,000	2009
Karnataka (in an SEZ).....	WTG	Number of WTGs	1,500	2009
	Rotor Blades for WTG	Number of WTGs	1,500	2009
Tamil Nadu (in an SEZ)	Foundry and machining	Number of WTGs	120,000	2009
	Generators and Panel	Number of sets of rotor blades	3,000	2009
Overseas:				
United States.....	Rotor blades for WTGs	Number of sets of rotor blades	288	2007
China.....	WTGs	Number of WTGs	480	2007
	Rotor blades for	Number of sets of rotor	480	2007

Location	Product	Unit	Quantity ⁽¹⁾	Commencement of Operations (Fiscal Year)
	WTGs	blades		
Germany	WTGs	MW capacity	1,700	2001 ⁽²⁾
Notes:				
1. The installed capacities disclosed in the above table are variable and subject to changes in product mix and utilization of manufacturing facilities, given the nature of the Group's operations.				
2. The Group acquired the facility in the Fiscal Year 2009.				

During each of the Fiscal Year 2008, the Fiscal Year 2009 and the Fiscal Year 2010, the Group undertook various expansion plans to add new manufacturing facilities and expand existing facilities. These include:

Expansion of the Group's integrated WTG manufacturing facility: The Group increased its overall integrated WTG manufacturing capacity by approximately 8.26% or 450 MW from 5,450 MW as at March 31, 2009 to 5,900 MW as at March 31, 2010.

Establishment of a new foundry unit in an SEZ near Coimbatore, India with a manufacturing capacity of 120,000 MT per annum. Commercial operation of the foundry unit commenced in the second half of the Fiscal Year 2009.

Construction of a new forging unit near Vadodara, India with a manufacturing capacity of approximately 42,000 rings (or 70,000 MT) per annum and the ability to produce rings up to 5,000 mm in diameter, 600 mm in height and 4 MT in weight. Commercial operation of the forging unit commenced in the second half of the Fiscal Year 2009. This facility has been ramped up to meet current business requirements.

Construction of a new rotor blade testing facility near Vadodara, India, which is the first of its kind in Asia. At present, only a small number of such facilities exist in Europe and the United States. The facility is capable of conducting complete life cycle tests on rotor blades as well as static tests and is expected to develop advanced types of non-destructive testing methods. The rotor blade testing facility commenced operations in the Fiscal Year 2009.

Establishment of two new production facilities at Bremerhaven which manufacture the 5.00 MW offshore WTGs.

Commencing construction of an assembly facility in Portugal.

The manufacturing units in Daman, Pondicherry, Tamil Nadu, Karnataka, Gujarat and Vadodara are currently eligible for various fiscal incentives such as income and sales tax.

Given (i) the size of the potential market for WTGs in China, (ii) the requirement that a certain percentage of a Chinese WTG project's components be sourced from Chinese-based manufacturers and (iii) the cost of shipping WTG components from India, the Group also incorporated a local Subsidiary, Suzlon Energy Tianjin Limited, and constructed a fully-integrated WTG manufacturing facility in Tianjin, China, which commenced operating in July 2006. This manufacturing facility has an annual capacity of 600 MW and manufactures WTGs and key components such as rotor blades, nacelle covers, generators and control panels. Through its acquisition of REpower the Group also acquired production facilities in China, which are operated by REpower North (China) Co. Ltd.

In Minnesota, United States, the Group has constructed a rotor blade manufacturing facility to reduce the cost associated with the outsourcing and/or shipping of this key WTG component and to ensure timely supply of WTGs to customers in certain regions of North America. Through its acquisition of REpower, the Group acquired manufacturing facilities for WTGs in Germany at Husum, and the cities of Trampe and Bremerhaven and development centres in Osnabrück and Rendsburg. It also acquired production facilities in China, which are operated by REpower North (China) Co. Ltd.

The Group's strategy is to acquire and/or build relationships with companies which supply the key components of WTGs. Currently, the Group has the capacity to manufacture rotor blades, control panels, nacelle covers,

tubular towers and generators. In March 2005, the Group began manufacturing a portion of its tubular tower requirements through its majority owned Subsidiary, Suzlon Structures Limited (“**Suzlon Structures**”). The Group also manufactures a significant portion of its generator requirements through its majority owned Subsidiary, Suzlon Generators Limited (“**Suzlon Generators**”). The remaining components and various small parts are sourced from third-party manufacturers and suppliers either on a purchase order basis or pursuant to negotiated supply agreements. The Group also sources raw materials for rotor blade manufacturing, such as glass fibres, foam and epoxy resin, from third-party suppliers. The Group expects to continue to source a portion of its tubular tower, generator and gearboxes requirements from third-party suppliers.

Sales and Marketing

In India, the Group has an extensive sales and marketing division that reports to the Group’s corporate office in Pune. Outside India, the Group’s WTGs are sold primarily through its international sales and marketing team based in Denmark at the offices of Suzlon Energy A/S (Denmark) (“**Suzlon Denmark**”). Suzlon Denmark functions as the international sales and marketing headquarters of the Group.

REpower operates its sales and marketing division through decentralized teams in its key markets. Subsidiaries and affiliated companies in France, Spain, Italy, UK, Portugal, Greece, Australia, China and the United States represent REpower in international markets. In China, REpower also licenses its technology to Zhejiang Windey Engineering Ltd. and Dongfang Steam Turbine Works. Furthermore, for the United States and Australian/New Zealand markets, REpower has appointed Suzlon as a non-exclusive sales agent.

The WTGs are supplied by Suzlon to its respective Subsidiaries in various countries (excluding India and China, where WTGs are manufactured by the Group) and they are sold to the ultimate customers by those Subsidiaries.

See “Risk Factors– Risks Relating to the Group’s Business - Projects included in the Group’s order book may be delayed or modified, which could have a material adverse effect on its cash flow position, financial condition and results of operations” of this Letter of Offer.

India

The Group has divided the Indian market according to the states where it has identified suitable sites for wind energy projects, specifically: Maharashtra, Gujarat, Rajasthan, Tamil Nadu, Karnataka, Madhya Pradesh, Andhra Pradesh and Kerala. Marketing for each state is under the supervision of a senior management executive. The Group also has sales offices in key cities in India.

Potential customers are contacted by the Group’s marketing team, who introduce such customers to the Group and the potential benefits of wind energy. The Group’s marketing team conducts regular follow-up calls and visits and provides potential customers with detailed working and feasibility studies regarding wind power projects. From time to time, the Group also obtains customers through participation in tenders by power utilities, state nodal agencies and public sector entities.

International Markets

The Group is currently expanding its presence internationally, with an emphasis on the United States, Europe, China, Sri Lanka, South America and, Australia.

United States

In 2001, the Group incorporated Suzlon Wind Energy Corporation (USA) (“**SWECO**”), a Subsidiary of Suzlon Denmark, in order to establish a presence in the United States. The Group considers the United States to be among its top three wind energy markets in the world in terms of cumulative installations.

The Group intends to focus on establishing ongoing business relationships with a core group of key customers, strategic investors and financial investors, with a view to gaining access to wind power projects that these entities propose to undertake, as well as securing exclusive WTG supply agreements with these entities. The

Group focuses its direct sales efforts in three main geographic areas of the United States: the Midwest, the South (Texas and Oklahoma) and the West (California), which will allow it to concentrate on utilities and independent service operators in areas that it believes have growth potential. The Group may also offer customers assistance in obtaining project finance and also provide technical services relating to the installation and O&M of WTGs.

Europe and South America

The European and South American markets are managed by Suzlon Energy A.S. Denmark (“SEAS”), a subsidiary of Suzlon Denmark. The following markets are of particular strategic focus: Portugal, Spain, Italy, Greece and Brazil as they constitute growth markets. Suzlon has established marketing and project offices as Subsidiaries of SWEAS in the above-mentioned countries. REpower won a bid for a government tender in Portugal to provide a wind energy project with a projected capacity of 400 MW. The Group provides technical services relating to the installation, EPC and O&M of WTGs.

China

The Group has a representative office in Beijing and a manufacturing unit in Tianjin. In 2009, China was the largest wind energy market in the world in terms of installed wind power capacity (Source: BTM Report 2010). The Chinese government is encouraging the development of renewable energy sources and has declared its intention to generate 15% of its electricity from renewable energy sources by 2020, accompanied with a fixed feed-in tariff system and full purchase obligations for grid companies. As the energy market in China is currently dominated by state-owned utilities, the Group expects that these state-owned utilities and their Subsidiaries will be its primary customers.

Australia and New Zealand

Marketing activities in Australia and New Zealand are conducted by Suzlon Energy Australia Pty. Ltd., a subsidiary of Suzlon Denmark. The Group believes that both Australia and New Zealand have the natural resources necessary to potentially generate substantial amounts of renewable energy. The Group may also offer customers assistance in obtaining project finance and provide technical services relating to the installation, EPC and O&M of WTGs.

Customers

The Group has four principal types of customers in India: (i) companies that have manufacturing units with high power consumption; (ii) companies with high profitability and/or surplus liquidity that seek investment opportunities with stable returns and tax benefits; (iii) power utilities and public sector entities; and (iv) companies selling “Carbon Emission Receipts”. The Group’s target international customers include: (i) companies interested in investing in renewable energy sources; (ii) utilities; (iii) wind energy project developers; and (iv) municipalities, schools and cooperatives in the United States interested in establishing captive power facilities.

Since December 31, 2009, major sales orders for the Group include:

A contract in March 2010 between Suzlon and Gujarat State Petronet Ltd. to supply 35 wind turbines (each with a rated power of 1.5 MW).

A contract in April 2010 between REpower and Al Yel Elektrik to supply 44 MW wind turbines (each with a rated power of 3.37 MW).

A contract in February 2010 between REpower and Akuo Energy SAS to supply 51 wind turbines (each with a rated power of 2.05 MW).

A contract in February 2010 between REpower and EOLE-RES S.A. to supply 26 wind turbines (each with a rated power of 2.00 MW).

A contract in February 2010 between REpower and RWE Innogy to supply 48 wind turbines (each with a rated power of 6.15 MW).

The Group's agreements with customers generally operate in phases with additional payment advances for each stage. Additionally, the agreements provide for liquidated damages to be paid to customers if the project is not completed on schedule.

REpower has a limited number of customers, which typically include utilities and power companies. It has long term relationships in place with most of its major customers. Purchase agreements with customers typically include the provision of WTGs over a number of years. Framework agreements entered into with customers commit them to accept a certain number of WTGs within certain timeframes. Under framework agreements, REpower commits to providing such WTGs predominantly at agreed prices. Details for specific projects and the required WTG specifications must then be notified to REpower within time periods specified in the framework agreement. Only notified projects are included in REpower's order book and not the capacity included in the framework agreements.

Quality Management Certification

Pursuant to the Group's internal policies, all of the design and manufacturing facilities of the Group and each of its O&M services have either been certified as ISO 9001:2008 by Det Norske Veritas ("DNV") or are in the process of being so certified. DNV is one of the world's leading certification bodies. It is an independent foundation with the purpose of safeguarding life, property and the environment. WTG model type certifications are permitted from five agencies (including DNV), pursuant to the revised guidelines for wind power projects issued by MNRE.

Product Certification

The Group's WTGs are also designed to meet the standards set by independent international agencies such as Germanischer Lloyd ("GL") or the DNV. Once the Group has completed a WTG design, the design is usually presented for type approval and certification in accordance with the Certification of Wind Energy Conversion Systems laid down by GL. The Group has also obtained WTG type certification from internationally accredited agencies such as GL, DNV and agencies such as the C-WET. The C-WET is an autonomous body and the major specialized technical institution to the MNRE. See the section titled "Regulations and Policies" of this Letter of Offer. C-WET was associated with the Risø National Laboratory, another internationally-recognized WTG certification agency.

The rotor blades also undergo extensive static and fatigue tests conducted by blade testing centres. Typically, the type approval and certification process would take anywhere between nine to fifteen months. The Group has established a rotor blade testing centre in Vadodara.

During the course of the type certification process, WTG design, prototype performance and systems are independently assessed and verified, which assists in providing assurance to customers regarding the design, performance and safety of the Group's WTGs. Furthermore, banks and other financial institutions often require type certification for the WTGs that the Group's customers propose to acquire to provide financing to its customers for their purchases. In quite a few cases, however, the Group is allowed to sell its WTGs on a "self-certification" basis.

Logistics

The dimensions and weight of WTG assemblies are such that their delivery can be expensive and a considerable logistical challenge, particularly in the case of the 5.00 MW and 6.00 MW WTGs, which are implemented by REpower and require assembly on-site. These challenges, particularly in terms of transport vehicles and the condition of transport routes, can create considerable problems, particularly in regions with less developed infrastructure. The Group depends on various forms of transport such as air, sea-borne freight, rail and road, to receive raw materials and components used in the production of WTGs and to deliver its products from its manufacturing facilities to its customers. As the Group expands its operations, its logistical challenges will increase particularly in relation to the shipping of WTGs and its components. As a result, the Group conducts site suitability studies not only in terms of available wind resources, but also in terms of accessibility and

presence of basic infrastructure. The cost of transport can make the delivery of the Group's sub-MW and multi-MW WTG models substantially more expensive in certain regions. See "Risk Factors – Risks Relating to the Group's Business - Any failure of delay in the transportation and logistics arrangements entered into by the Group could have a material adverse effect on its business and operations" of this Letter of Offer.

Suppliers

Raw Materials

Raw materials for rotor blades, such as glass fibre, foam and epoxy resin, are sourced from several suppliers, such as Kush Synthetics Pvt. Ltd., Saint-Gobain Syncogles B.V., DOW Europe GmbH (Switzerland), Diab International AB (Sweden) and GURIT (Tianjin) Composites Material Company Limited. The Group is able to source them from other suppliers in the event its current suppliers cannot meet the Group's manufacturing needs. The Group sources castings from two companies located in China. For the Fiscal Year 2010, the consumption of imported raw materials as a percentage of Suzlon's consumption of raw materials was 61.99%.

Components

The Group's strategy is to acquire and/or build relationships with suppliers of key components of WTGs. However, the Group still needs to purchase components such as gearboxes, generators, towers, bearings and castings from several different manufacturers. The Group has adopted a strategy of procuring these components from manufacturers who have established themselves as suppliers of components that are compatible with its WTGs and meet its technical and quality standards, either on a purchase order basis or through negotiated supply agreements. In order to minimize the risk regarding availability of key components and of competition, the Group has entered into exclusive supply agreements with some of its suppliers, pursuant to which such suppliers have undertaken to maintain a minimum level of inventory to meet the Group's demand. The Group provides some suppliers with advances on orders, which range from 5% to 25% of the value of orders placed, depending on the supplier and the components involved. Otherwise, payment terms are usually on a letter of credit or documents against acceptance basis.

Unlike Suzlon, REpower historically has not manufactured the key components of its WTGs, such as towers and rotor blades. It maintains research and design control over key components and has strong relationships with third party suppliers who manufacture the key components to REpower's specifications. As a result, REpower has historically been dependent on these component suppliers. This was evident in the first half of the calendar year 2007 where, due to a global shortage in certain components (such as gearboxes), delays in the delivery of components resulted in delays in the installation and completion of WTGs. The Group expects that its investment in REpower will improve the availability of key components to REpower, due to improved relationships with suppliers and sourcing of select components from the Group. REpower has recently begun designing and producing its own rotor blades for a number of its WTGs. Furthermore, during the calendar year 2009, Suzlon commenced supplying rotor blades to REpower from its facilities in China.

Tubular Towers: The primary supplier of tubular towers in India is STSL, which is a 100% owned Subsidiary of Suzlon. STSL carries out this business through Suzlon Structures, which is its joint venture with the Kalthia Group. Suzlon Structures designs and manufactures tubular towers for primarily high and heavy WTG installations. STSL provides management support to Suzlon Structures while the Kalthia Group has operational responsibility for Suzlon Structures' manufacturing plant in Gandhidham, which is located in the Kutch district in the State of Gujarat. Suzlon Structures commenced manufacturing tubular towers in March 2005 and the Group procures a significant portion of its tubular tower requirements from Suzlon Structures. The order requirements for South India are generally met through job work done by Toolfab Engineering Industries Pvt. Ltd and Jay Engineering Industries, which have been associated with Suzlon for the last five years.

Gearboxes: Gearboxes are currently supplied by Winergy AG and Hansen.

Generators: The main supplier of generators and generator components is Siemens Limited, which is located in India. However, the Group (excluding REpower) also manufactures a significant portion of its generator requirements through its subsidiaries, SE Electricals Limited and Suzlon Generators. Suzlon Generators manufactures slip ring generators required for WTGs. The Group provides management support and

procurement services to Suzlon Generators. Elin EBG Motoren GmbH, Austria was responsible for the initial start-up and commissioning of Suzlon Generators' manufacturing plant and providing the necessary technology and know-how required for the manufacture of slip ring generators. Elin EBG Motoren GmbH, Austria is required to share technical information and raw material requirements to facilitate identification of the suppliers and vendors in India.

Gear Rims: The Group purchases gear rims from IMO Momentenlager GmbH and gear rims and flanges from PSM (Korea).

Slewing Rings: The Group purchases slewing rings from IMO Momentenlager GMBH, the Schaeffler group of Germany, Galperti Tech S.r.l., (Italy) and Kaydon, United States.

Brake Callipers: The Group purchases brake callipers from Svendborg Brakes A/S and yaw and pitch drives from Bonfiglioli Riduttori Spa, Bonfiglioli Getriebe GmbH and Bonfiglioli Transmissions (Pvt) Ltd.

Castings: The Group purchases castings for WTGs from several suppliers in India, in each case on a purchase order basis. It also purchases castings from China from Jiangyin Jixin Machinery Company Limited and Zhejiang Jiali.

As part of its strategy to acquire and/or build relationships with the suppliers of its key components for WTGs, the Group may from time to time evaluate the feasibility of entering into similar joint venture agreements with partners that have developed expertise in the manufacture of key WTG components.

Some suppliers include price escalation clauses in their supply contracts. Where possible, price increases are passed on through price escalation clauses in purchase agreements with customers. However, the Group is not fully protected from price increases in key inputs.

Competition

The global WTG market is characterized by a small group of manufacturers. It was estimated that, in the calendar year ended December 31, 2009, ten of the world's top suppliers of WTGs supplied approximately 80.9% of the total global market. (Source: BTM Report 2010). The Group's primary competitors are the Danish manufacturers, Vestas Wind Systems A/S and Siemens AG, the U.S. manufacturer G.E. Wind (which acquired the WTG manufacturer Enron Wind Corp.), Chinese manufacturers Sinovel, Goldwind and Dongfang, Spanish manufacturer Gamesa Eólica and the German companies Enercon GmbH and Nordex AG. Based on annual installed capacity during 2009, the Group's market share is 9.8% (Source: BTM Report 2010). In India, the Group's primary competitors include Indian subsidiaries of Vestas Wind Systems A/S and Enercon GmbH, Southern Windfarms and Vestas R.R.B India Ltd. During the calendar year ended December 31, 2009, the Group held a 60% share of the global WTG market in India in terms of installed capacity. (Source: BTM Report 2010). Although the Group has acquired REpower, it remains a competitor of REpower in key markets, including Europe and the United States.

See "Risk Factors - The Group's acquisition of REpower may negatively impact the Group's financial condition and results of operations in the future" of this Letter of Offer.

Research and Development

The Group places particular emphasis on continued R&D and undertakes its R&D activities primarily through its 100% owned Subsidiaries, SEG, SBT and RETC. The Group intends to invest significant resources in R&D during the next five years. It has taken initiatives towards upgrading and increasing the cost-efficiency of its existing WTG models and designing, developing and stabilizing new models to extract energy from wind as efficiently as possible. The acquisition of REpower will promote further R&D activities as researching and developing advanced WTG technology forms a core part of REpower's business. REpower's R&D is focused on improving power and efficiency of the existing WTGs to improve and expand and increase REpower's offshore capabilities and total output, respectively.

Specifically, the Group has undertaken investments in the following areas of research: (i) aerodynamic

performance enhancements; (ii) development of turbine variants for local markets; (iii) increasing reliability of rotor blades and other parts and automated operations; and (iv) continued initiatives on innovation projects.

The Group has established technology innovation, process engineering and rotor blades in India, aerodynamic development of rotor blades in the Netherlands, and composite wind turbine technology in Germany. The Group has established RETC, a global technology centre for wind power in Hamburg, as a 50:50 joint venture (as at March 31, 2010) between the Group's Subsidiaries, SEDT and REpower. RETC does not include the transfer of any existing technology or knowledge from any of the Group's Subsidiaries and there is currently no specific product development planned. It is expected that RETC will undertake advanced research on specific areas of WTG materials, construction and operations. RETC aims to develop innovative technology that will influence the next generation of wind turbines. Among other things, RETC aims to undertake strategic development in the field of research and technical training in the future. Orders for research will be placed by either REpower or Suzlon and will be paid for by the requesting party.

Intellectual Property Rights and Technical Know-How

The Group believes that securing patent and other intellectual property protection in respect of its technology is important to its business and that its future performance will depend in part on its ability to obtain and maintain patents, to maintain confidential information and trade secrets and to avoid infringing third party intellectual property rights. The Group protects its technology through a combination of intellectual property rights owned by the Group, such as patents and trademarks, and putting in place procedures to guard the security of confidential information.

The Group has been granted a trademark for the Suzlon circle logo and WTG illustration. As at March 31, 2010, Suzlon had made six German patent applications, two valid German utility models, one European patent application and four worldwide patent applications under the terms of the Patent Corporation Treaty and one under European Community Design right.

Protecting its innovations is crucial to REpower to perpetuate its development of market defining solutions. In the short time since the REpower patent department was founded, REpower has filed more than 110 patent families and more than 474 international patent publications are available. Currently, REpower holds 67 granted patents.

At present, REpower is authorized to bear and use the "REpower" brand name under a license agreement until end of 2012. The first steps toward a change of name have already been initiated with the relevant departments.

Since the acquisition of REpower, the Group has entered into license agreements for the technologies developed by REpower, including the 1.5 MW WTGs (models MD70 and MD77) as well as for the smaller 48/600 and 48/750 model WTGs, with the following licensing parties:

Licensor	Model	Location	Exclusivity	Term
Fuhrländer AG, Waigandsheim/Westerwald	MD70/MD77	Germany, Italy, Spain, Portugal, Brazil	No	Unlimited
Sudwind Energy GmbH (Nordex Gruppe), Norderstedt	MD70/MD77	Worldwide (with the exception of France, Luxembourg, Belgium and Japan)	No	Unlimited
Goldwind Science & Technology Stock & Co., China	48/600, 48/750	China	No	Unlimited
Zhejiang Windey Technology Co., China	48/600, 48/750	China	No	Unlimited
Dongfang Steam Turbine Works, China	MD70/MD77	China	No	Unlimited
Essar Group, India	MD77	India, Maldives	Yes	Until 2017

The Group is entitled to apply for registration of its product designs under the intellectual property laws of various countries. As a result, its employment contracts, particularly those with certain of its employees who have special technical knowledge about its WTGs or its business, contain a general confidentiality undertaking. For employees of the Group's R&D Subsidiaries, the confidentiality undertaking extends for a specified period following the termination of employment. In addition to the confidentiality provisions, these employment agreements often contain non-compete clauses.

The Group also requires suppliers of key components to enter into non-disclosure arrangements to limit access to and distribution of its proprietary and confidential information.

The Group is currently involved in disputes involving the “Suzlon” trade name in China. The Group is not currently involved in any other disputes, nor is it aware of any other pending action against it, relating to intellectual property disputes.

Insurance Coverage

The Group has insurance coverage, including for business interruptions, which the Group considers reasonably sufficient to cover all normal risks associated with its operations and which it believes is in accordance with industry standards in India. The Group maintains insurance coverage on all its office premises and its manufacturing units against fire, earthquake and certain other risks. In addition, the Group maintains transit insurance for the transport by rail or by road of all incoming raw materials and outgoing goods to and from locations in India and transit insurance for the transport by sea or by air for all incoming raw materials and outgoing goods from outside India to within India. This transit insurance covers damages that may be caused due to contingencies such as inland transit strikes, riots and civil commotion. The Group is in the process of taking insurance to cover the period during which the installation of WTGs in Maharashtra, Gujarat, Rajasthan and Madhya Pradesh occurs. In the case of overseas marketing Subsidiaries (Subsidiaries of Suzlon Energies A/S, Denmark) the erection is covered under an erection all risks policy for the period of erection subject to a specified termination date. If the owner/buyer is executing the erection works, the coverage is limited to activities provided by Suzlon, such as supervision, testing or commissioning. It also includes a full 24-month extended maintenance cover from the take-over-certificate (the “**TOC**”) date for any damages after the TOC date due to an incidence occurring during the erection period (excluding, however, the defective part itself) or damages after the TOC date when repairing any defects from the construction period. However, warranty claims and repair costs of goods sold are not covered.

All of the Group’s insurance relating to office premises and manufacturing units in India and relating to the transit of goods contain “Agreed Bank Clauses” which provide that any payments made under such policies are made to certain banks and financial institutions that have provided financing for the same.

The Group maintains insurance against any claim that may be made against each of its Directors and officers in their capacity as such.

The Group’s insurance policies generally have a term of one year.

Human Resources

The Group believes that a combination of its position as a leading wind energy solutions provider, its working environment and competitive compensation packages allow it to attract and retain talent and personnel. In line with its human resource strategy, the Group has also implemented various initiatives such as training programmes in order to build better organizational capability that the Group believes will enable it to sustain competitiveness in the global market. The Group believes its relationship with its employees is generally good. However, in the past the Group has occasionally experienced work stoppages of production facilities because of labor issues Other than the employees at the Group’s centres at Pondicherry and Satara and those employed by Hansen and REpower, none of its employees belongs to a union.

The following table shows the number of people employed by the Group (other than Hansen):

	As at March 31,		
	2008	2009	2010
Total number of employees.....	10,674	14,868	13,879

The Group’s compensation policy is performance based and the Group believes it is competitive with industry standards. The Group’s compensation packages are generally adjusted annually based on industry salary

correction, compensation surveys and individual performance. From time to time, employees who have met or exceeded performance standards are awarded bonuses. The Group also awards long-service bonuses to employees who have completed at least five years of service.

The Group provides residential, medical, recreational and communications facilities, as part of the wind farm infrastructure, for employees forming part of the Group's O&M teams and who are based in remote wind farm sites.

Suzlon has instituted a stock option plan to reward and help retain its employees and to enable them to participate in the Group's future growth and financial success. The stock option plan includes provision for the grant of options to employees of Suzlon and its Subsidiaries (except the Group's Subsidiaries in the United States). Suzlon has granted 921,000 options (subsequently adjusted to 4,605,000 options on account of Share split) under the terms of the ESOP-2005 and 103,900 options (subsequently adjusted to 519,500 options on account of share split) under the terms of the ESOP-2006 and 1,878,000 options under the terms of the ESOP-2007, which may be exercised by eligible employees and its Subsidiaries within a period of five years from the date of their respective first vestings. Additionally, the Shareholders of Suzlon have also approved the Special ESOP-2007 and ESOP Perpetual-I, however no options have yet been granted under either of these.

The Group provides all its employees in India with group personal accident insurance. The Group also provides medical insurance coverage for all employees in India, including self, spouse and dependent children. Suzlon has also taken "key man" insurance for two of its Directors.

Real Estate and Real Property

The Group's corporate office is currently located at "One Earth", opposite Magarpatta City, Hadapsar, Pune - 411 028. However, the Group constructed new Indian headquarters in Pune (Suzlon Campus) in 2009 at an estimated total development cost (including land) of approximately Rs.360.0 crores. The Group's manufacturing facilities are located at Maharashtra, Gujarat, Diu, Daman, Karnataka, Tamil Nadu and Pondicherry (India), Tianjin (China) and Minnesota (United States). REpower's manufacturing facilities are located at and in Trampe, Husum, Bremerhaven and Osterrönfeld (Germany).

The Group (other than Hansen) has approximately 11 properties in India that it uses for the purpose of its factories and units. There are approximately 100 properties located in India that the Group (other than Hansen) uses as office premises or storage facilities, of which it owns approximately 10 and leases the rest including for purposes of temporary accommodation for its employees. The Group (other than Hansen) owns the properties located in Germany, China and United States that it uses for the purpose of its factories and other units.

Safety, Health and Environmental Regulations

The Group is subject to extensive, evolving and increasingly stringent occupational safety, health and environmental laws and regulations governing its manufacturing processes and facilities. Such laws and regulations address, among other things, air emissions (particularly volatile organic compounds), waste water discharges, the generation, handling, storage, transportation, treatment and disposal of chemicals, materials and waste, workplace conditions and employee exposure to hazardous substances. The Group has incurred, and expects to continue to incur, operating costs to comply with such laws and regulations. In addition, the Group has made and expects to continue to make capital expenditures on an ongoing basis to comply with safety, health and environmental laws and regulations. The Group believes it is in compliance in all material respects with all applicable safety, health and environmental laws and regulations. However, the Group continues to bear certain risks in this regard.

See "Risk Factors – Risks Relating to the Wind Energy Industry - The construction and operation of wind energy projects is subject to regulation, including environmental controls, and changes in these regulations could have a material adverse effect on the Group's business, financial condition and results of operations" of this Letter of Offer.

The Group is committed to maintaining a safe and healthy working environment. The Group has also been awarded an across-the-company single Integrated Management System (ISO: 9001, ISO: 14001 &

OHSAS:18001) certification as an umbrella concept. This has replaced the independent company certifications of the different segments leading to synergizing the supply chain, and bringing all manufacturing business units under a single certification programme. The Group also has a dedicated, qualified, experienced internal audit team for assessing and evaluating the quality, environment and safety management system performance. See the section titled “Regulations and Policies” of this Letter of Offer.

Corporate Social Responsibility (“CSR”)

The Promoter Group has specially formed “Suzlon Foundation”, a non-profit company under Section 25 of the Companies Act, to facilitate inclusive development throughout the Group’s business operations. It is determined to go beyond charitable and philanthropic acts. The Suzlon Foundation considers issues such as making money in a responsible way, looking at the Group’s business cycle as a whole, and planning inclusive development to guarantee the future of the Group’s business. Using the five essential capitals of good business – financial, natural, social, human and physical capital – Suzlon seeks to minimize the negative impacts of its business and promote the positive impacts through sustaining the environment, the community and its business simultaneously. Therefore, CSR is an integral process and not something that is done in addition to business at Suzlon. Suzlon has identified three levels of CSR: transformative projects to develop the Group’s business practices internally; responsive projects to react to impacts and opportunities in the communities in which the Group operates; and projects to actively address global issues beyond the Group’s business.

Product Warranties

The Group provides its customers with various types of warranties and guarantees. These include (i) free operations and maintenance warranties and performance guarantees other than damage due to lightning, over-voltage and normal wear and tear, and subject to full payment being made; (ii) absolute unit guarantees on the minimum number of units of electricity that will be generated by the WTG, subject to grid availability and outage due to force majeure conditions (subject to fluctuations in wind speed); and (iii) 100% machine availability after an initial stabilization period. Until March 2007, the Group provided absolute unit guarantees to most of its WTG customers in India. Since March 2007, the Group has been providing absolute unit guarantees on a case-by-case basis. For the Fiscal Year 2010, the Group paid customers Rs.265.61 crores arising from performance guarantee claims.

Suzlon has faced certain issues with residents of Dhule and Sangli in Maharashtra, India resulting in disruption of the smooth operations of WTGs in these regions, which have in turn resulted in a generation shortfall below the guaranteed generation amounts. Suzlon has incurred expenses of Rs.65.46 crores towards restoration costs of these WTGs and the cost of consequential generation losses aggregated Rs.59.07 crores in the Fiscal Year 2008. The generation guarantee liability for the WTGs installed in the regions of Dhule and Sangli has been computed taking into account the events of force majeure and is based on the best estimates of the management. See the sections titled “Litigation” and “Management’s Discussion and Analysis of Results and Operations” respectively, of this Letter of Offer.

Suzlon has completed a retrofit program to resolve blade crack issues noticed in some of its S88 turbines in the United States and Europe. The retrofit program involved the structural strengthening of blades on S88 (2.1MW) turbines. The retrofit program was carried out by maintaining a rolling stock of temporary replacement blades to minimize the downtime for operational turbines. Suzlon made a provision of Rs.221.59 crores in the Fiscal Year 2009. In June 2008, Edison Mission Energy, a customer that encountered the blade crack issue, exercised its option not to purchase 150 WTGs. See the section titled “Management’s Discussion and Analysis of Results of Operations” of this Letter of Offer.

REGULATIONS AND POLICIES IN INDIA

OVERVIEW OF RELEVANT LAWS AND REGULATIONS IN INDIA

The following description is a summary of the relevant regulations and policies, as prescribed by the Central or certain State Governments in India, which are applicable to the Company. The regulations set out below may not be exhaustive, and are only intended to provide general information to investors and are not intended to be a substitute for professional legal advice. Additionally, the subsidiaries of the Company are governed by various other regulations, including other regulations and policies governing the Company and its subsidiaries outside India.

For the purpose of our business, we are regulated by various general and sector-specific laws and regulations and policies in India, and are required to obtain certain licenses and approvals under the prevailing laws and regulations as applicable.

Introduction

The Ministry of New and Renewable Energy, Government of India (“**MNRE**”), previously known as the Ministry of Non-Conventional Energy Sources, is the nodal agency of the Government of India for all matters relating to non-conventional or renewable energy, including wind energy. The wind power program in India was initiated in 1983-84. In 1981, the Commission on Alternative Sources of Energy (“**CASE**”) was constituted and was charged with the responsibility of formulating policies in respect of renewable or non-conventional sources of energy and their implementation, developing and implementing programmes for development of new and renewable energy apart from coordinating and intensifying research and development in the sector. In 1982, the Department of Non-Conventional Energy Sources (“**DNES**”) was created under the Ministry of Energy, Government of India for promoting activities relating to development, trial and induction of variety of renewable energy technologies for use in different sectors. In 1992, the MNRE started functioning as a separate Ministry of the Government of India to develop all areas of renewable energy. Thereafter, MNRE has issued various policy guidelines to all the states with a view to promote commercial development and private investment in this sector. The guidelines pertain to areas such as preparation of detailed project reports, micro-siting, selection of wind turbine equipment, operation and maintenance and performance evaluation. Various states in India have introduced renewable energy policies following the MNRE’s Guidelines.

Ministry of New and Renewable Energy, Government of India

The mandate of the MNRE includes research, development, commercialization and deployment of renewable energy systems and devices for various applications in rural, urban, industrial and commercial uses. In order to ensure quality of wind farm projects and equipment, the MNRE introduced the MNRE Guidelines. The MNRE Guidelines were superseded by the revised guidelines issued on June 13, 1996, and have been periodically updated since. The MNRE Guidelines, *inter alia*, make provision for proper planning, installation at specific approved sites, selection of quality equipment, implementation and performance monitoring of wind power projects. The MNRE Guidelines were made mandatory through revised guidelines issued on May 24, 1999.

In 1987, MNRE established the Indian Renewable Energy Development Agency Limited (“**IREDA**”), a financial institution under the administrative control of the MNRE to complement the role of MNRE. IREDA is involved in extending financial assistance and related services to promote deployment of renewable energy systems in India. In addition, MNRE has established the Centre for Wind Energy Technology (“**C-WET**”) at Chennai, India, which is the major specialized technical institution, performing *inter alia*, functions such as, development of components and sub-systems, testing of WTGs, certification of wind turbines and identifying resource rich regions of India.

Manufacture of WTGs and setting up of wind farms

The Company is required to obtain all generic approvals for setting up a manufacturing facility in India. In addition, renewable energy product manufacturers are required to seek the approval of the MNRE before commencing operations in manufacturing facilities in respect of WTGs. The revised MNRE Guidelines in 1996 set out the requirements that should be met for establishing wind power projects and requirements in respect of

manufacturing and supplying equipment for wind power projects. These requirements include the submission of detailed project reports, approval of sites for wind power installations, type certification by independent testing and certification agencies and performance monitoring to ensure quality of the WTGs manufactured.

The requirement for certification and independent testing has been amended several times since the revised MNRE Guidelines were issued on June 13, 1996. The revised MNRE Guidelines dated February 27, 1997 contained certain clarifications regarding the certification, and stated that all wind electric generators to be installed and their manufacturing facilities should have been subjected to third-party testing and quality assurance evaluation, and subsequent certification by recognized organizations. WTG model type certifications were permitted from five agencies, including Riso National Laboratories, Denmark, DNV and Lloyds Register. The testing and evaluation for certification activities were permitted only at the test stations acceptable to the certification agencies mentioned above, including National Wind Turbine Test Stations set up in other countries, and Riso National Laboratories, Denmark. Manufacturing, installation, surveillance and certification should be carried out by any agency authorized to issue ISO 9000 certification.

This requirement of certification by foreign manufacturers was removed by way of revised MNRE Guidelines dated May 24, 1999, and manufacturers were required to provide self-certification about the quality and performance of their equipment, subject to penalties if such certification is not found to be reflective of the performance of their equipment, until the time testing and certification facilities were established in India. On the establishment of C-WET and commencing of testing and certification of wind turbines by C-WET, the MNRE Guidelines were revised on October 23, 2000, and the requirement of certification by independent testing and certification agencies was re-introduced. For testing and certification, C-WET has evolved a Type Approval – Provisional Scheme 2000 (“**TAPS-2000**”) for India, as amended in 2003. TAPS-2000 provides for provisional certification and corresponding requirements of provisional type testing and measurements until the formation and issue of final Type Approval Scheme (“**TAS**”) and formal accreditation. However, certain manufacturers were permitted to continue to provide self-certification about the quality and performance of their equipment. This self-certification scheme has been extended from time to time. Subject to the satisfaction of certain conditions as set out in the revised guidelines issued on December 8, 2009, it has been decided to extend the facility for self-certification for the machines which are already under type-testing and certification by C-WET or internationally accredited type-testing and certifying agencies. C-WET would undertake the evaluation of the wind turbines set up under the self-certification scheme. These revised guidelines also set out the number of wind turbine models allowed under the self-certification scheme. The revised MNRE Guidelines dated January 8, 2010 amend the guidelines dated December 8, 2009, and impose certain additional requirements in certain cases, such as compliance with the MNRE Guidelines dated July 24, 2008 for which the type-testing and certification agreements are based.

Infrastructure development for wind power projects

Land

The land used for setting up wind power projects may be private land, revenue land (Government owned) or forest land. Private land is purchased directly from the owners and in the event such land is agricultural land, such land is converted into non-agricultural land, if so required by the Government. In case of land owned by the Government, it is made available by the respective State Governments on long-term lease or outright sale basis in accordance with the prevailing policies of the concerned State Government. In case of forest land, the MoEF has issued a policy elaborating upon the procedure and guidelines, which have been discussed below. Certain State Governments like, Karnataka, Gujarat and Rajasthan have special policies for allotment of revenue lands for wind power projects, as discussed below.

The Karnataka Renewable Energy Policy, 2009 provides for identified lands to be developed by Karnataka Renewable Energy Development Limited (“**KREDL**”) to facilitate setting up of various renewable energy projects expeditiously. Certain funds established under this policy will be utilized, *inter alia*, to develop the land. KREDL is to subcontract the land to renewable energy developers for 30 years and the rent is to be as per the prime lending rate over the current market price subject to land availability and financial limits. The Policy contemplates setting aside 10% of all SEZ lands under the Industrial Policy of 2009 for developing renewable energy projects, including wind power projects.

In Rajasthan, for example, allotment of land is carried out only after an application is submitted to the state nodal agency, Rajasthan Renewable Energy Corporation Limited (“**RRECL**”). RRECL forwards such applications in respect of identified government land to the concerned District Collector within seven days of receipt of application, and shall forward the grid interfacing plan to the concerned electricity authorities for technical acceptance. After the RRECL issues in-principle clearance, the application is forwarded to a State Level Empowered Committee constituted by the State Government. If the application relates to projects utilizing wind energy on forest land, certain additional requirements set out by the Department of Forest, the Government of Rajasthan must be complied with. The applicant may commence activities on the allotted land only after approval is granted by the State Level Empowered Committee.

The Government of Gujarat has announced a special policy for allotment of revenue land for the purposes of setting up wind farm projects. Applications for establishing WTGs may be made for sites notified by the Gujarat Energy Development Agency (“**GEDA**”) and any other sites identified as a potential site within the state. The WTGs may be set up on private land, or revenue wasteland (GEDA land), if available. Activities on such land may be commenced once the approval of a Co-ordination Committee is granted for the allotment of GEDA land on lease.

In the case of forest land, the MoEF announced a special policy on November 10, 2003, which was subsequently amended on May 14, 2004, elaborating the procedures and guidelines for diversion of the forest lands under the Forest (Conservation) Act, 1980 for the purpose of establishing wind power projects. The said guidelines, *inter alia*, provide for the following:

- areas like national parks and sanctuaries, areas of outstanding natural beauty, natural heritage sites, sites of archaeological importance and sites of special and scientific interests and other important landscapes cannot be considered for wind power projects;
- wind power projects are required to be located at a safe distance (300 metres or more) from these sites;
- distance from the industrial coasts is required to be a minimum of 3-5 km;
- specific guidelines in order to protect the natural habitats of birds and animals are required to be observed;
- to ensure optimal use of forest land, it has been stipulated that WTGs of capacity of at least 500 KW should be allowed as a matter of policy; and
- the lease period shall be for a period of 30 years, and a lease rent of Rs.30,000 per MW, together with costs for compensatory afforestation, net present value etc. are to be charged from the user agency.

Power Evacuation

In order to evacuate the power generated by the wind power project, creation of proper power evacuation facilities in form of internal lines, external high voltage lines and sub-stations becomes essential. Under the MNRE Guidelines, a commissioning certificate should not be issued unless facilities for evacuation of the rated capacity has been provided, and the system is properly connected to the grid.

Depending upon the location of the wind power project, we are required to take additional permissions or authorizations. Often, the nodal agency or a committee constituted for granting approval for wind power projects in the State will facilitate the granting of all clearances or permissions under a single clearance window once an application for land is made in the manner discussed above.

Wind power generation

Under the Electricity Act 2003, which repealed all the earlier enactments pertaining to this sector, the activity of generating power does not require any license or permission. Persons engaged in the generation of electricity from wind power are required to register the project being undertaken with the relevant state nodal agency and obtain permission for inter-grid connectivity from the utility. The electricity generated from the wind power project can be used for captive consumption, sale to utilities or for transaction under open access as per

prevailing state policy and regulatory orders, if any. Various Indian state commissions have mandated a certain percentage of energy procurement from renewable energy sources, and have also set tariffs for such procurement by various distribution companies.

The tariffs are based on relevant tariff orders/regulations passed by different regulatory commissions for specific states. Charges for captive users and sales to third party consumers, along with cross subsidy surcharge are at times independent of the tariff orders/regulations passed by the commission for specific technology. In this regard, the rates for captive/third party sales may change from year to year, or may be fixed (if specified in the purchase contract for the wind energy generator). Further, the Electricity Act, 2003 also mandates that all regulatory commissions should procure certain percentage of power generation from renewable energy sources by all distribution companies. As far as the tariff and wheeling charges are concerned, it is stipulated that they should be decided by respective regulatory commissions as provided under the Electricity Regulatory Commissions Act, 1998, as amended (the “**ERC Act**”).

The CERC has introduced the Central Electricity Regulatory Commission (Terms and Conditions for Tariff Determination from Renewable Energy Sources) Regulations, 2009, as amended, (the “**Tariff Regulations**”) which are applicable in all cases where the CERC determines tariff for a generating station or a unit thereof under Section 62 read with Section 79 of the ERC Act. The regulations set out (a) the eligibility criteria for these regulations to be applicable to certain wind power projects having a specified wind power density and using new WTGs, and (b) the manner in which the tariff applicable to power projects may be evaluated, for example, the applicability of these regulations is subject to the wind power project, among other criteria. Chapter 3 of the Tariff Regulations specify the technology-specific parameters for projects involving wind energy. In certain cases, the tariff may be assessed on a case-to-case basis.

Type Testing

The C-WET, pursuant to a technical note (CWET/TEST/TN/2/2009) dated December 21, 2009, has issued guidelines for scheduling activities for type testing (the “**Type Testing Guidelines**”). In order to prevent delays in planned schedules with respect to assignments in a given windy season (April to September), the Type Testing Guidelines require specified activities, including site feasibility studies, installation of test turbines and finalization of test plans, to strictly adhere to a definite schedule and time frames, as laid down therein. Further, pursuant to another technical note (CWET/TEST/TN/1/2009) dated December 21, 2009, the C-WET has laid down guidelines for the evaluation of test sites for the purpose of type testing, in accordance with the recommendation of certain relevant standards such as wind conditions, measurement sector and terrain slopes. These guidelines also require compliance with the recommendations of the International Electrotechnical Commission in respect of site assessment, information from customers. The C-WET has powers to make site visits of proposed locations and select the most feasible location for testing.

Direct Taxes

Under the provisions of the Income Tax Act, 1961 and the Rules made thereunder, specific concessions have been made available to non-conventional energy sector, including wind energy. Accelerated 80% depreciation has been provided on specified renewable energy based devices/projects including wind mill and devices that run on wind mills.

Section 80-IA of the Income Tax Act, 1961 provides for deduction for ten consecutive assessment years, from the total income of an assessee, of an amount equal to 100% of the profits derived from an undertaking set up in any part of India for the generation or generation and distribution of power, which begins to generate power during the period between April 1, 1993 and March 31, 2010. This deduction is subject to payment of the Minimum Alternative Tax (MAT).

Environment Laws

Our business is subject to environmental laws and regulations. The applicability of these laws and regulations varies from operation to operation and is also dependent on the jurisdiction in which we operate. Compliance with relevant environmental laws is the responsibility of the occupier or operator of the facilities. Our

operations require various environmental and other permits covering, among other things, water use and discharges, stream diversions, solid waste disposal and air and other emissions.

Major environmental laws applicable to our operations include:

The Environment (Protection) Act, 1986, as amended (“EPA”)

The EPA is an umbrella legislation in respect of the various environmental protection laws in India. The EPA vests the Government of India with the power to take any measure it deems necessary or expedient for protecting and improving the quality of the environment and preventing and controlling environmental pollution. This includes rules for *inter alia*, laying down the quality of environment, standards for emission of discharge of environment pollutants from various sources, inspection of any premises, plant, equipment, machinery, examination of manufacturing processes and materials likely to cause pollution. Penalties for violation of the EPA include fines up to Rs.100,000, imprisonment of up to five years or both.

There are provisions with respect to certain compliances by persons handling hazardous substances, furnishing of information to the authorities in certain cases, establishment of environment laboratories and appointment of Government analysts.

The Environment Impact Assessment Notification No. 1533(E), 2006 (“EIA Notification”)

The Environmental Impact Assessment Notification S.O. 1533 (the “**2006 Notification**”) issued on September 14, 2006 under the provisions of the EPA, and the Environment (Protection) Rules, 1986, as amended, prescribes that the construction of new projects, activities undertaken, expansion or modernization of existing projects or activities (including certain specified activities listed in the 2006 Notification relating to capacity addition with change in process and/or technology) in any part of India requires prior environmental clearance from the MoEF, based on the recommendations of an Expert Appraisal Committee (“**EAC**”) constituted by the Government of India, or, as the case may be, the State or Union Territory Level Environment Impact Assessment Authority (“**SEIAA**”), based on the recommendations of a State or Union Territory Level Expert Appraisal Committee (“**SEAC**”), in accordance with the procedure specified in the 2006 Notification. All projects and activities are broadly categorized into two categories (“**GoI Category**” and “**State Category**”, respectively) based on certain specified criteria.

Under the 2006 Notification, the environmental clearance process for new projects generally consists of four stages – (i) screening (ii) scoping (iii) public consultation and (iv) appraisal. An application seeking prior environmental clearance is required to be made in the prescribed forms, after the identification of prospective site(s) for the project and/or activities to which the application relates, before commencing any construction activity, or preparation of land, at the site by the applicant. The applicant has to furnish, along with such application, a copy of the pre-feasibility project report or a conceptual plan, in case of construction projects or activities.

(i) Screening

State Category projects and activities are subject to the screening process. This stage involves the screening of an application seeking prior environmental clearance by the SEAC for determining whether the project or activity requires further environmental studies for the preparation of an Environment Impact Assessment (“**EIA**”) report for its appraisal prior to the grant of environmental clearance.

(ii) Scoping

At the scoping stage, the EAC or the SEAC, as the case may be, determines detailed and comprehensive terms of reference, addressing relevant environmental concerns for the preparation of the EIA report in respect of the project or activity for which prior environmental clearance is sought.

(iii) Public Consultation

Public consultation refers to the process by which the concerns of local affected persons and others who have a plausible stake in the environmental impacts of the project or activity are ascertained, taking into account all the material concerns in the project or activity design, as appropriate. Public consultation is implemented through public hearings and written responses from affected persons.

(iv) Appraisal

Appraisal means the detailed scrutiny by the EAC or the SEAC, as the case may be, of the application and other documents such as the final EIA report, outcome of the public consultation, etc. submitted by the applicant. The appraisal of the application is required to be completed within 60 days of receipt of the final EIA report or the prescribed forms, where public consultation is not necessary. The recommendations of the EAC or SEAC, as the case may be, are placed before the MoEF or the SEIAA, respectively, for a final decision within the next 15 days.

The clearance granted is valid for a period of five years from the commencement of the construction or operation of the project and has to be renewed thereafter in the event the project lasts longer than five years. However, in case of area development projects and townships, the validity period is limited only to such activities that are the responsibility of the applicant as a developer. This period of validity may be extended by the MoEF or the SEIAA, as the case may be, by a maximum period of five years provided an application is made by the applicant within the validity period, together with updated submissions for construction projects or activities. The project developer/manager concerned is required to submit half-yearly compliance reports in respect of the stipulated prior environmental clearance terms and conditions.

Forest (Conservation) Act, 1980 (the “Forest Act”) and the Forest (Conservation) Rules, 2003, as amended (the “Forest Rules”)

The Forest Act requires consent from the relevant authorities prior to clearing forests by cutting trees, using the forest for non-forest purposes, renewals of leases and other matters under the Forest Rules. All applications have to be made through the respective State Governments who forward the applications which are complete in all respects to the regional office or the MoEF. Penalty for non-compliance with the provisions of the Forest Act is simple imprisonment which may extend to 15 days.

An advisory committee has been constituted under the Forest Act to give effect to the provisions of the Forest Act and Forest Rules.

The Hazardous Wastes (Management, Handling and Transboundary Movement) Rules, 2008, as amended (the “Hazardous Wastes Rules”)

The Hazardous Wastes Rules aim to regulate the proper collection, generation, processing, packaging, transportation, use, destruction, conversion, offer for sale, treatment, storage and transfer of hazardous waste by imposing an obligation on every occupier and operator of a facility generating hazardous waste for safe and environmentally sound handling of hazardous waste generated at such facility. Every occupier and operator of a facility generating hazardous waste must obtain an approval from the applicable State Pollution Control Board. The occupier, the transporter and the operator are liable for damages caused to the environment resulting from the improper handling and disposal of hazardous waste. The operator and the occupier of a facility are liable to pay any financial penalties as levied for any violation of the provisions of the Hazardous Wastes Rules by the respective State Pollution Control Boards with pre-approval from the Central Pollution Control Board. Penalty for the contravention of the provisions of the Hazardous Waste Rules includes imprisonment up to five years, imposition of fines as may be specified in the EPA or both.

Water (Prevention and Control of Pollution) Act, 1974, as amended (the “Water Act”)

The Water Act aims to prevent and control water pollution as well as restore water quality by establishing and empowering the Central Pollution Control Board and the State Pollution Control Boards. Under the Water Act, any person establishing any industry, operation or process, any treatment or disposal system, use of any new or altered outlet for the discharge of sewage or new discharge of sewage, must obtain the consent of the relevant State Pollution Control Board, which is empowered to establish standards and conditions that are required to be

complied with. In certain cases the State Pollution Control Board may cause the local Magistrates to restrain the activities of such person who is likely to cause pollution. Penalty for the contravention of the provisions of the Water Act include imposition of fines or imprisonment or both.

The Central Pollution Control Board has powers, *inter alia*, to specify and modify standards for streams and wells, while the State Pollution Control Boards have powers, *inter alia*, to inspect any sewage or trade effluents, and to review plans, specifications or other data relating to plants set up for treatment of water, to evolve efficient methods of disposal of sewage and trade effluents on land, to advise the State Government with respect to the suitability of any premises or location for carrying on any industry likely to pollute a stream or a well, to specify standards for treatment of sewage and trade effluents, to specify effluent standards to be complied with by persons while causing discharge of sewage, to obtain information from any industry and to take emergency measures in case of pollution of any stream or well.

A central water laboratory and a state water laboratory have been established under the Water Act.

Air (Prevention and Control of Pollution) Act, 1981, as amended (the “Air Act”)

Pursuant to the provisions of the Air Act, any person, establishing or operating any industrial plant within an air pollution control area, must obtain the consent of the relevant State Pollution Control Board prior to establishing or operating such industrial plant. The State Pollution Control Board is required to grant or refuse to grant consent within a period of four months of receipt of an application, but may impose conditions relating to pollution control equipment to be installed at the facilities. No person operating any industrial plant in any air pollution control area is permitted to discharge the emission of any air pollutant in excess of the standards laid down by the State Pollution Control Board. The penalties for the failure to comply with the provisions of the Air Act include imprisonment of not less than one year and six months which may extend to six years and fine, and in the event of continues failures, an additional fine of Rs.5,000 per day. If an area is declared by the State Government to be an air pollution control area, then, no industrial plant may be operated in that area without the prior consent of the State Pollution Control Board.

Under the Air Act, the Central Pollution Control Board has powers, *inter alia*, to specify standards for quality of air, while the State Pollution Control Boards have powers, *inter alia*, to inspect any control equipment, industrial plant or manufacturing process, to advise the State Government with respect to the suitability of any premises or location for carrying on any industry and to obtain information from any industry.

The Water (Prevention and Control of Pollution) Cess Act, 1977, as amended (the “Water Cess Act”)

The Water Cess Act provides for levy and collection of a cess on water consumed by industries with a view to augment the resources of the Central and State Pollution Control Boards constituted under the Water Act. Under this statute, every person carrying on any industry is required to pay a cess calculated on the basis of the amount of water consumed for any of the purposes specified under the Water Cess Act at such rate not exceeding the rate specified under the Water Cess Act. A rebate of up to 25% on the cess payable is available to those persons who install any plant for the treatment of sewage or trade effluent, provided that they consume water within the quantity prescribed for that category of industries and also comply with the provision relating to restrictions on new outlets and discharges under the Water Act or any standards laid down under the EPA. For the purpose of recording the water consumption, every industry is required to affix meters as prescribed. Penalties for non-compliance with the obligation to furnish a return and evasion of cess include imprisonment of any person for a period up to six months or a fine of Rs.1,000 or both and penalty for non payment of cess within a specified time includes an amount not exceeding the amount of cess which is in arrears.

Employment and Labour Laws

We are subject to various labor, health and safety laws which govern the terms of employment of the laborers at our manufacturing facilities, their working conditions, the benefits available to them and the general relationship between our management and such laborers. These include:

Industrial Disputes Act, 1947, as amended (“IDA”)

The IDA seeks to pre-empt industrial tensions in an establishment and, provide the mechanics of dispute resolution, collective bargaining and the investigation and settlement of industrial disputes between workmen and employees or workmen and workmen or employees and employees. While the IDA provides for the voluntary reference of industrial disputes to arbitration, it also empowers the appropriate Government agency to refer industrial disputes for compulsory adjudication and prohibit strikes and lock-outs during the pendency of conciliation proceedings before a board of conciliation or adjudication proceedings before a labor court.

Industries Development and Regulation Act, 1951, as amended (“IDRA”)

The IDRA was enacted for the development and regulation of certain industries, and provides that in public interest, the control of certain industries listed in Schedule I of the IDRA should be vested with the Central Government. The IDRA provides for the owner of every industrial undertaking to register such undertaking.

Further, the IDRA required the owner of every new industrial undertaking, except an undertaking of which the Central Government is the owner, to obtain a license issued by the Central Government prior to the establishment of such industrial undertaking. The IDRA also requires the owner of any undertaking to obtain a license or permission from the Central Government to manufacture any new article. The IDRA provides for the control of supply, distribution, price, etc., of certain articles, liquidation or reconstruction of companies, power to provide relief to certain industrial undertakings and management or control of industrial undertakings owned by companies in liquidation.

Contract Labour (Regulation and Abolition) Act, 1970, as amended (“CLRA”)

The CLRA has been enacted to regulate the employment of contract labour. The CLRA applies to every establishment in which 20 or more workmen are employed or were employed on any day of the preceding 12 months as contract labor. The CLRA vests the responsibility on the principal employer of an establishment to register as an establishment that engages contract labor. Likewise, every contractor to whom the CLRA applies must obtain a license and may not undertake or execute any work through contract laborers except in accordance with the license issued.

To ensure the welfare and health of contract labor, the CLRA imposes certain obligations on the contractor in relation to establishment of canteens, rest rooms, drinking water, washing facilities, first aid and other facilities and payment of wages. However, in the event the contractor fails to provide these amenities, the principal employer is under an obligation to provide these facilities within a prescribed time period.

Penalties, including both fines and imprisonment, may be levied for contravention of the provisions of the CLRA.

Employee State Insurance Act, 1948, as amended (“ESIA”)

The ESIA requires the provision of certain benefits to employees or their beneficiaries in the event of sickness, maternity, disability or employment injury. Every factory or establishment to which the ESIA applies is required to be registered in the manner prescribed under the ESIA. Every employee, including casual and temporary employees, whether employed directly or through a contractor, who is in receipt of wages up to Rs.15,000 per month, is entitled to be insured under the ESIA. The ESIA contemplates the payment of a contribution by the principal employer and each employee to the Employee State Insurance Corporation of India.

Payment of Wages Act, 1936, as amended (“PWA”)

The PWA regulates the payment of wages to certain classes of employed persons and makes every employer responsible for the payment of wages to persons employed by such employer. No deductions are permitted from, nor is any fine permitted to be levied on wages earned by a person employed except as provided under the PWA.

Minimum Wages Act, 1948, as amended (“MWA”)

The MWA provides for a minimum wage payable by employers to employees. Under the MWA, every employer is required to pay the minimum wage to all employees, whether for skilled, unskilled, manual or clerical work, in accordance with the minimum rates of wages that have been fixed and revised under the MWA. Workmen are to be paid for overtime at overtime rates stipulated by the appropriate State Government. Contravention of the provisions of this legislation may result in imprisonment up to six months or a fine up to Rs.500 or both. Further, State Governments are empowered to stipulate higher penalty, in monetary terms, for contravention of the provisions of this legislation, if it deems fit to do so.

Employee's Compensation Act, 1923, as amended (the "Employee's Compensation Act")

Under the Employee's Compensation Act, if personal injury is caused to an employee by accident arising out of and in the course of employment, the employer would be liable to pay such employee compensation in accordance with the provisions of the Employee's Compensation Act. However, no compensation is required to be paid (i) if the injury does not disable the employee for a period exceeding three days, (ii) where the employee, at the time of injury, was under the influence of drugs or alcohol, such injury not resulting in death or permanent total disablement, or (iii) where the employee wilfully disobeyed safety rules or wilfully removed or disregarded safety devices.

Payment of Gratuity Act, 1972, as amended ("PGA")

Under the PGA, an employee who has been in continuous service for a period of five years is eligible for gratuity upon retirement or resignation. The entitlement to gratuity in the event of superannuation or death or disablement due to accident or disease, will not be contingent on an employee having completed five years of continuous service. The maximum amount of gratuity payable to an employee must not exceed Rs.350,000.

An employee in a factory is said to be in "continuous service" for a certain period notwithstanding that his service has been interrupted during that period by sickness, accident, leave, absence without leave, lay-off, strike, lock-out or cessation of work not due to the fault of the employee. The employee is also deemed to be in continuous service if the employee has worked (in an establishment that works for at least six days in a week or is employed below the ground in a mine) for at least 190 days in a period of 12 months or 95 days in a period of six months immediately preceding the date of reckoning.

Payment of Bonus Act, 1965, as amended ("PBA")

The PBA provides for the payment of a minimum annual bonus to all employees regardless of whether the employer has made a profit or a loss in the accounting year in which the bonus is payable. Under the PBA, every employer is bound to pay to every employee, in respect of the relevant accounting year, a minimum bonus equal to 8.33% of the salary or wage earned by the employee during the accounting year or Rs.100, whichever is higher, whether or not the employer has any allocable surplus in the accounting year. If the allocable surplus, as defined in the PBA, available to an employer in any accounting year exceeds the aggregate amount of minimum bonus payable to the employees, the employer is bound to pay bonuses at a higher rate which is in proportion to the salary or wage earned by the employee and the allocable surplus during the accounting year, subject to a maximum of 20% of such salary or wage. Contravention of the provisions of the PBA by a company will be punishable by imprisonment for up to six months or a fine of up to Rs.1,000, or both, against persons in charge of, and responsible to the company for, the conduct of the business of the company at the time of contravention.

Employees' Provident Funds and Miscellaneous Provisions Act, 1952, as amended ("EPFA")

The EPFA creates provident funds for the benefit of employees in factories and other establishments. Contributions are required to be made by employers and employees to a provident fund and pension fund established and maintained by the Government of India. The employer is responsible for deducting employees' contributions from the wages of employees and remitting the employees' as well as its own contributions to the relevant fund. The EPFA empowers the Government of India to frame various funds such as the Employees Provident Fund Scheme, the Employees Deposit-linked Insurance Scheme and the Employees Family Pension Scheme.

Other Laws

Land Acquisition Act, 1894, as amended (the “Land Acquisition Act”)

Under the provisions of the Land Acquisition Act, the Government of India or appropriate State Government is empowered to acquire any land from private persons for “public purpose” subject to payment of compensation to the persons from whom the land is so acquired. The Land Acquisition Act further prescribes the manner in which such acquisition may be made by the Government of India or the appropriate State Government. Additionally, any person having an interest in such land has the right to object to such proposed acquisition.

Factories Act, 1948, as amended (the “Factories Act”)

The Factories Act defines a ‘factory’ to be any premises on which on any day in the previous 12 months, ten or more workers are or were working and in which a manufacturing process is being carried on or is ordinarily carried on with the aid of power; or where at least 20 workers are or were working on any day in the preceding 12 months and on which a manufacturing process is being carried on or is ordinarily carried on without the aid of power. State Governments prescribe rules with respect to the prior submission of plans, their approval for the establishment of factories and the registration and licensing of factories.

The Factories Act provides that the ‘occupier’ of a factory (defined as the person who has ultimate control over the affairs of the factory and in the case of a company, any one of the directors) shall ensure the health, safety and welfare of all workers while they are at work in the factory, especially in respect of safety and proper maintenance of the factory such that it does not pose health risks, the safe use, handling, storage and transport of factory articles and substances, provision of adequate instruction, training and supervision to ensure workers’ health and safety, cleanliness and safe working conditions. If there is a contravention of any of the provisions of the Factories Act or the rules framed thereunder, the occupier and manager of the factory may be punished with imprisonment or with a fine.

Restrictions on Foreign Ownership of Indian Securities

General

Foreign investment in Indian securities is regulated by the Foreign Exchange Management Act, 1999 (“**FEMA**”) and the rules, regulations and notifications issued by the RBI under FEMA. A person resident outside India can transfer any security of an Indian company or any other security to an Indian resident only in accordance with the terms and conditions specified in FEMA and the rules and regulations made thereunder or as permitted by the RBI or the Government of India through the Foreign Investment Promotion Board (“**FIPB**”). The Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2000, as amended (the “**FEM Securities Regulations**”), govern the issue of Indian securities to persons resident outside India and the transfer of Indian securities by or to persons resident outside India.

The FEM Securities Regulations provide that an Indian entity may issue securities to a person resident outside India or record in its books any transfer of security from or to such person only in the manner set forth in FEMA and the rules and regulations made thereunder or as permitted by the RBI.

Foreign direct investment

Foreign direct investment means investment by way of subscription and/or purchase of securities of an Indian company by persons resident outside India (“**FDI**”). The Government of India, pursuant to its liberalization policy, set up the FIPB to regulate together with the RBI, all FDI into India.

The Government of India has from time to time made policy pronouncements on FDI through press notes and press releases. Recently, the Department of Industrial Policy and Promotion, Ministry of Commerce and Industry, Government of India (“**DIPP**”), issued Circular 1 of 2010 (“**Circular 1 of 2010**”), which with effect from April 1, 2010, consolidates and supersedes all previous press notes, press releases and clarifications on FDI issued by the DIPP that were in force and effect as on March 31, 2010. The Government proposes to

update the consolidated circular on FDI policy every six months and therefore, Circular 1 of 2010 is valid until the DIPP issues an updated circular on September 30, 2010.

Subject to certain conditions and exceptions, FDI in most sectors does not require prior approval of the FIPB, or the RBI, if the percentage of equity holding by all foreign investors does not exceed the specified sector threshold. These conditions include certain minimum pricing requirements, compliance with the Takeover Code, and ownership restrictions based on the nature or origin of the foreign investor. Subscription by foreign investors of any ADRs/GDRs is treated as FDI into the issuer Indian company and such ADRs/GDRs are subject to policies and regulations applicable to FDI.

A Non-resident entity (other than a citizen of Pakistan or an entity incorporated in Pakistan) can invest in India, subject to the policy laid down for FDI. A citizen of Bangladesh or an entity incorporated in Bangladesh can invest in India under the policy laid down for FDI, only with the prior approval of the Government of India.

The following investments require the prior permission of the FIPB:

- (i) investments in excess of the specified sectoral caps or in sectors in which FDI is not permitted or in sectors which specifically require the prior approval of the FIPB;
- (ii) investments by any foreign investor who, on January 12, 2005, had an existing joint venture, or a technology transfer/trade mark agreement in the same field as the Indian company in which the FDI is proposed (such restriction, the “**Same Field Restriction**”). However, no prior FIPB approval is required: (a) if the investor is a venture capital fund registered with the SEBI or a multinational financial institution, or (b) if in the existing joint venture, investment by the foreign investor is less than three% of the equity share capital of the existing joint venture, or (c) if the existing joint venture or collaboration is now defunct or sick, or (d) for the transfer of shares of an Indian company engaged in the information technology sector or in the mining sector for the same area or mineral;
- (iii) investments in excess of 24% of the equity capital of units manufacturing items reserved for small scale industries; and
- (iv) all proposals relating to the acquisition of shares of an Indian company by a foreign investor (including an individual of Indian nationality or origin residing outside India and corporations established and incorporated outside India) which are not under the automatic route.

FDI is prohibited in the following sectors, among others:

- retail trading (except single brand product retailing);
- atomic energy;
- lottery business; and
- gambling and betting.

In other cases, investments can be made either with the specific prior approval of the Government of India (i.e. the Secretariat for Industrial Assistance/FIPB) or under the “automatic route”. Foreign investment in preference shares (other than fully convertible preference shares), such as non-convertible, optionally convertible or partially convertible, (for which funds have been received on or after May 1, 2007) are categorized as debt and must conform with the ECB Guidelines. All fully convertible preference shares are treated as FDI and would therefore be included in calculating the FDI in a company for the purpose of sectoral caps.

Subject to certain exceptions and the prescribed sectoral caps, FDI in Indian companies does not require the prior approval of the FIPB or the RBI. However, a declaration in a prescribed form, detailing the foreign investment, must be filed with the RBI within a specified period of the foreign investment being made in the Indian company. The foregoing description applies only to an issuance of shares by, and not to a transfer of shares of, Indian companies. The Government of India has indicated that in all cases where FDI is permitted

under the automatic route, the RBI would continue to be the primary agency for the purposes of monitoring and regulating foreign investment.

The Government of India has clarified that in the following instances, a fresh approval of the FIPB/CCEA may not be required in respect of any additional foreign investment in the same entity, where:

- (i) the entity whose activities had previously required prior approval of the FIPB/CCFI/CCEA, and which had accordingly obtained such prior approval for the initial foreign investment, subsequently has its activities placed under the automatic route;
- (ii) a sectoral cap that had previously restricted the entity, which had accordingly obtained such prior approval of the FIPB/CCFI/CCEA for the initial foreign investment, is subsequently removed or increased and the activities of the entity are placed under the automatic route, provided that such additional foreign investment along with the initial foreign investment does not exceed the applicable sectoral cap; and
- (iii) prior approval of the FIPB/CCFI/CCEA had been obtained earlier for the initial or original foreign investment pursuant to the Same Field Restriction; provided that the prior approval of the Government of India is not required under the FDI policy for any other reason.

Calculation of Total Foreign Investment in Indian Companies

Paragraphs 4.1 and 4.6 of Circular 1 of 2010 determine the calculation of total foreign investment in an Indian company. Foreign investment is defined broadly and includes all types of investments including FDI, investment by FIIs and NRIs, ADRs/GDRs, FCCBs, convertible preference shares and convertible debentures.

Circular 1 of 2010 specifies that all investments made directly by a Non-resident entity in an Indian company would be considered as foreign investment. Further, if an Indian investing company is owned (beneficial ownership of more than 50% of the capital) and controlled (the power to appoint a majority of the directors) by resident Indian citizens and/or Indian companies, foreign investment in the Indian investing company will not be considered when calculating indirect foreign investment in the Indian investee company. However, if an Indian investing company is owned or controlled by Non-resident entities, the entire investment by such a company in the Indian investee company will be considered foreign investment in the investee company. An exception to the above-mentioned rule is that if the investee company is a wholly owned subsidiary of the investing company which is owned or controlled by Non-resident entities, foreign investment in the investee company will be the same as foreign investment in the investing company.

Paragraph 4.6 of Circular 1 of 2010 provides guidelines relating to downstream investments by Indian companies that are owned or controlled by foreign entities. These guidelines are based on the principle that downstream investments by Indian companies owned or controlled by foreign entities should follow the same rules as those applicable to direct foreign investment. In respect of downstream investments by Indian companies that are not owned or controlled by foreign entities, there would not be any restrictions.

For the purpose of downstream investments, Circular 1 of 2010 classifies Indian companies into (i) operating companies, (ii) operating-and-investing companies and (iii) investing companies. In connection with foreign investment in these categories of Indian companies, Circular 1 of 2010 provides that:

- (a) Operating company: Foreign investment in an operating company will need to comply with the terms and conditions for foreign investment in the relevant sector(s) in which such company operates;
- (b) Operating-and-investing company: Foreign investment in such a company will need to comply with the terms and conditions for foreign investment in the relevant sector(s) in which such company operates. Further, the investee Indian company in which downstream investments are made by such company will need to comply with the terms and conditions for foreign investment in the relevant sectors in which the investee Indian company operates; and

- (c) Investing company: An “investing company” has been defined in Circular 1 of 2010 as an Indian company holding only direct or indirect investments in other Indian companies other than for trading of such holdings. Any foreign investment in such company will require the prior approval of the FIPB.

Circular 1 of 2010 further provides that foreign investment in an Indian company that does not have (i) any operations, and (ii) any downstream investments, will require the prior approval of the FIPB.

Pricing

Regulation 6 of the FEM Securities Regulations, as amended by Notification Number FEMA 205/2010-RB dated April 7, 2010, states that the offer on rights basis to the persons outside India shall be (a) in the case of a company listed on a recognized stock exchange in India, at a price as determined by the company; and (b) in the case of shares of a company not listed on a recognized stock exchange in India, at a price which is not less than the price at which the offer on rights basis is made to resident shareholders.

Regulation 5 of Schedule I to the FEM Securities Regulations, as amended by Notification Number FEMA 205/2010-RB dated April 7, 2010, states that the price of shares issued to persons resident outside India shall not be less than (i) if the shares are listed on any recognized stock exchange in India, the price calculated in accordance with the applicable SEBI guidelines; (ii) if the shares are not listed on any recognized stock exchange in India, the fair valuation of the shares determined by a SEBI registered Category-1 Merchant Banker or a chartered accountant in accordance with the discounted free cash flow method; and (iii) if there is a preferential allotment of the shares, the price as applicable to transfer of shares from resident to Non-resident in accordance with the pricing guidelines laid down by the RBI from time to time.

Every Indian company issuing shares in accordance with the FEM Securities Regulations is required to submit a report to the RBI in the prescribed form within 30 days of receipt of the consideration and another report in the prescribed Form FC-GPR within 30 days from the date of issue of the shares to the Non-resident purchaser.

Investment by Foreign Institutional Investors

The FEM Security Regulations enable FIIs registered with the SEBI, including institutions such as pension funds, investment trusts, asset management companies and incorporated/institutional portfolio managers, to make portfolio investments in all securities of listed companies in India. Investments by registered Foreign Institutional Investors or NRIs made through a stock exchange are known as portfolio investments. FIIs wishing to invest and trade in Indian securities in India under the FEM Securities Regulations are required under the SEBI (Foreign Institutional Investors) Regulations 1995 (“**FII Regulations**”) to register with the SEBI and obtain a general permission from the RBI.

Foreign investors are not necessarily required to register with the SEBI under the FII Regulations as FIIs and may invest in securities of Indian companies pursuant to the FDI route discussed above.

FIIs that are registered with the SEBI are required to comply with the provisions of the FII Regulations. A registered FII may buy, subject to the ownership restrictions discussed below, and sell freely on the stock exchange, securities issued by any Indian company, realise capital gains on investments made through the initial amount invested in India, subscribe to or renounce rights offerings for shares, appoint a domestic custodian for custody of investments made and repatriate the capital, capital gains, dividends, income received by way of interest and any compensation received towards sale or renunciation of rights offerings of shares. No single FII can hold more than ten% of the post-issue total paid-up equity capital of the Company. In respect of an FII investing in the Equity Shares on behalf of its sub-accounts, the investment on behalf of each sub-account shall not exceed ten% of the total paid-up equity capital of the Company or five% of the total paid-up equity capital of the Company, in case such sub-account is a foreign corporate or a foreign individual and provided that such investment is made out of funds raised or collected or brought from outside through normal banking channels and the investment shall also not exceed the overall ceiling specified for FIIs.

The total holding of all FIIs in a company is subject to a cap of 24% of the total issued capital of a company which can be increased up to the percentage of the relevant sectoral cap on FDI in respect of such company with

the passing of a special resolution by the shareholders of the company in a general meeting. The Company has increased the FII limit to 49% pursuant to a special resolution of its Shareholders dated August 13, 2009.

Under the RBI Notification Number FEMA 20/2000-RB dated May 3, 2000 (as amended from time to time), a registered FII is permitted to purchase shares/convertible debentures of an Indian company through public offer/private placement, subject to the FII limits stipulated therein. An Indian company is permitted to issue such shares or convertible debentures provided that:

- in the case of a public offer, the price of the shares to be issued is not less than the price at which shares are issued to residents; and
- in the case of an issue by private placement the price is not less than the price derived under the ICDR Regulations or guidelines issued by the Controller of Capital Issues, as applicable.

Regulation 15A of the FII Regulations provides that an FII may issue, or otherwise deal in, offshore derivative instruments (an offshore derivative instrument is defined as an instrument, by whatever name called, which is issued overseas by an FII in respect of securities held by it that are listed or proposed to be listed on any recognized stock exchange in India (all such offshore derivative instruments referred to herein as “P-Notes”), directly or indirectly, only in the event (i) such P-Notes are issued only to persons that are regulated by an appropriate foreign regulatory authority; and (ii) such P-Notes are issued in compliance with the KYC requirements. An FII shall ensure that no further issue or transfer is made of any offshore derivative instruments issued by or on behalf of it to any person other than a person regulated by an appropriate foreign regulatory authority. Sub-accounts of FIIs are not permitted to issue P-Notes.

Portfolio Investment by Non-Resident Indians

The FEM Transfer Regulations enable NRIs to make portfolio investments in shares or convertible debentures of an Indian company through a registered broker on a recognized stock exchange in India, in accordance with such FEM Transfer Regulations.

Under the portfolio investment scheme, each NRI can purchase up to five% of the paid-up share capital of an Indian company, subject to the condition that the aggregate paid-up share capital of such Indian company purchased by all NRIs through portfolio investments does not exceed ten%. The above limit of ten% may be raised to 24% if a special resolution is adopted by the shareholders of the company. In addition to portfolio investments in Indian companies, NRIs may also make foreign direct investments in Indian companies under the FDI route discussed above.

The overseas corporate bodies, at least 60% of which are owned by the NRIs (“OCBs”), were allowed to invest by way of Portfolio Investment until 2001 when the RBI prohibited such investments. Further, pursuant to circulars dated September 16, 2003 and December 8, 2003, the RBI no longer recognizes OCBs as a separate category of investor. In this connection, the RBI has issued the Foreign Exchange Management (Withdrawal of General Permission to Overseas Corporate Bodies) Regulations, 2003 notified pursuant to Notification No. FEMA 101/2003-RB dated October 3, 2003 pursuant to which with effect from September 16, 2003 the facilities for OCBs under FEMA and the rules issued by the RBI thereunder stand withdrawn.

Transfer of shares and convertible debentures of an Indian company

Subject to what is stated below, a person resident outside India may transfer the shares or convertible debentures held by him in Indian companies in accordance with the FEM Securities Regulations. A person resident outside India, not being a Non-Resident Indian or an OCB, may transfer by way of sale the shares or convertible debentures held by him to any other person resident outside India without the prior approval of the RBI. A Non-Resident Indian may transfer by way of sale the shares or convertible debentures held by him to another Non-Resident Indian without the prior approval of the RBI. However, the person to whom the shares or convertible debentures are being transferred will have to obtain the prior permission of the FIPB under the Same Field Restrictions if as on January 12, 2005, such person has an existing joint venture or tie-up in India through investment in shares or debentures or a technical transfer/trade mark agreement or investment by

whatever name called in the same field in which the company whose shares are being transferred is engaged, except:

- investments to be made by venture capital funds registered with the SEBI or a multinational financial institution;
- where the existing joint venture investment by either of the parties is less than three%;
- where the existing venture/collaboration is defunct or sick; or
- for transfer of shares of an Indian company engaged in the information technology sector or in the mining sector for the same area or mineral.

Further, a Non-resident may transfer any security held by him to a person resident in India by way of gift, or may sell such security on a recognized stock exchange in India through a registered broker.

Further, the RBI has granted general permission under the FEM Securities Regulations for the transfer of shares by a person resident outside India to a person resident in India, subject to compliance with certain terms, conditions and reporting requirements. A resident who wishes to purchase shares from a Non-resident must, pursuant to the relevant notice requirements, file a declaration with an authorized dealer in the prescribed Form FC-TRS, together with the relevant documents and file an acknowledgment thereof with the Indian company to effect transfer of the shares. Pursuant to the RBI circular dated April 22, 2009, the sale consideration in respect of equity instruments purchased by a person resident outside India, remitted into India through normal banking channels, shall be subject to a KYC check by the remittance receiving AD Category – I bank at the time of receipt of funds. Further, the form FC-TRS should be submitted to the AD Category – I bank, within 60 days from the date of receipt of the amount of consideration. The onus of submission of the form FC-TRS within the given timeframe would be on the transferor or transferee which is resident in India.

Non-residents (other than erstwhile OCBs) are permitted to purchase shares or convertible debentures of an Indian company (subject to applicable sectoral caps), other than an Indian company engaged in the financial services sector, from a resident of India without the prior approval of the RBI, subject to compliance with prescribed conditions, pricing guidelines, submission of required documents and reports and obtaining a certificate from the applicable authorized dealer. Similarly, a Non-resident (i.e. incorporated Non-resident entity, erstwhile OCBs, foreign nationals, Non-Resident Indians, FIIs) may sell shares or convertible debentures of an Indian company (subject to applicable sectoral caps), to a resident of India without the prior approval of the RBI, subject to compliance with prescribed pricing guidelines, submission of required documents and reports and obtaining a certificate from the applicable authorized dealer. The price at which such transfer by Non-residents to persons resident in India has been prescribed by the RBI in its circular dated October 4, 2004, as amended by the RBI circular dated May 4, 2010. The pricing guidelines stipulate that where the shares of an Indian company are listed on a recognized stock exchange, the price of shares to be transferred by way of sale shall not be more than the price at which a preferential allotment of shares can be made under the applicable regulations and guidelines issued by the SEBI, provided that such price of shares is determined for such duration as specified in the applicable regulations or guidelines, preceding the relevant date, which shall be the date of purchase or sale of shares. Further, the price per share arrived at should be certified by a SEBI registered Category-I-Merchant Banker or chartered accountant.

The prior approval of the RBI is required for the transfer of shares from residents to Non-residents by way of sale in the following instances: (a) transfer of shares/convertible debentures of an Indian company engaged in the financial services sector, (b) transactions which attract the provisions of the Takeover Code, (c) if the activity of the Indian company whose shares are being transferred falls outside the automatic route and the approval of the FIPB has been obtained for such transfer, (d) the transfer is to take place at a price which falls outside the pricing guidelines specified by the RBI, and (e) where the Non-resident acquirer proposes to defer payment of the amount of consideration.

Transfers by way of sale not covered under the automatic route, by a person resident outside India of the shares/convertible debentures held by him to a person resident in India, require prior permission of the RBI. Where the shares of the Indian company concerned are traded on a stock exchange, while considering the grant

of permission, the RBI may make stipulations as to the price of the shares or convertible debentures while granting its permission and would take into account whether the sale is as per the pricing guidelines and is effected through a merchant banker registered with the SEBI or through a stock broker registered with the stock exchange.

Further, a Non-resident may transfer any security held by him to a person resident in India by way of gift.

Renunciation by and/or in favor of Non-residents

Any renunciation (i) from a resident Indian Equity Shareholder to a Non-resident, or (ii) from a Non-resident Equity Shareholder to a resident Indian, or (iii) from a Non-resident Equity Shareholder to a Non-resident is subject to the renouncer/renounee obtaining the necessary approvals, including from the RBI under FEMA.

No single FII can hold more than ten% of the Company's post-Issue paid-up share capital. In respect of an FII investing in the Equity Shares on behalf of its sub-accounts, the investment on behalf of each sub-account shall not exceed ten% of the total paid-up share capital of the Company or five% of the total paid-up share capital of the Company, in case such sub-account is a foreign corporate or an individual. Currently, the aggregate FII investment in the Company cannot exceed 49% of the Company's total paid-up capital. With the approval of the Board of Directors and the Equity Shareholders by way of a special resolution, the aggregate FII holding can go up to 100%. However, as on the date of this Letter of Offer, the Company has not obtained any approval from the Board of Directors or the Equity Shareholders to increase the FII limit to more than 49%

Pursuant to Circular No. 14 dated September 16, 2003 issued by the RBI, OCBs have been derecognized as an eligible class of investors and the RBI has subsequently issued the Foreign Exchange Management (Withdrawal of General Permission to Overseas Corporate Bodies (OCBs)) Regulations, 2003. Accordingly, the existing Equity Shareholders of the Company who do not wish to subscribe for the Equity Shares being offered but wish to renounce the same in favor of one or more persons shall not renounce the same (whether for consideration or otherwise) in favor of any OCB.

MANAGEMENT AND CORPORATE GOVERNANCE

The Articles provide that the minimum number of Directors on the Board of Directors shall be three and the maximum number of Directors shall be 12. Currently, the Company has six directors. The Company may, subject to the provisions of the Articles and the Companies Act, alter the minimum or the maximum number of directors by approval of its Shareholders.

Board of Directors

The following table sets forth details regarding Board of Directors as at the date of this Letter of Offer:

S. No.	Name/Age/Director Identification Number/Term/Occupation	Nationality	Address	Other Directorships
1.	<p>Tulsi R. Tanti</p> <p><i>Age:</i> 52 years</p> <p><i>DIN:</i> 00002283</p> <p><i>Designation:</i> Chairman and Managing Director</p> <p><i>Term:</i> For a period of three years with effect from April 1, 2008</p> <p><i>Occupation:</i> Business</p>	Indian	A-902, Ssilver woods, Mundhwa, Pune 411 036	<p>SE Forge Limited</p> <p>Synew Steel Limited</p> <p>Suzlon Green Power Limited</p> <p>Senergy Global Limited</p> <p>Suruchi Holdings Private Limited</p> <p>Sugati Holdings Private Limited</p> <p>Primoris Investments B.V.</p> <p>Optimus Investments Pte. Ltd.</p> <p>Colossus Holdings Pte. Ltd.</p> <p>Sagarkanya Shipping Lines Pte. Ltd.</p> <p>SE Drive Technik GmbH, Germany</p> <p>Suzlon Energy (Tianjin) Limited, P.R. China</p> <p>Suzlon Energy Limited, Mauritius</p> <p>Suzlon Wind Energy Limited, U.K.</p> <p>Hansen Transmission International N.V., Belgium</p> <p>Suzlon Energy A/S, Denmark</p> <p>REpower Systems AG, Germany</p> <p>TH venture Pte. Ltd , Cayman Island</p> <p>Suzlon North Asia Ltd, Hong Kong</p> <p>Tarilo Holding BV, Netherlands</p> <p>Suzlon Wind Energy Equipment Trading (Shanghai) Co. Ltd, China</p> <p>AE Rotor Holding BV, Netherlands</p>
2.	<p>Girish R. Tanti</p> <p><i>Age:</i> 40 years</p> <p><i>DIN:</i> 00002603</p> <p><i>Designation:</i> Executive Director</p> <p><i>Term:</i> For a period of three years with effect from April 1, 2008</p> <p><i>Occupation:</i> Business</p>	Indian	A-1107, Ssilver woods, Mundhwa, Pune 411 036	<p>Tanti Holdings Private Limited</p> <p>Sugati Holdings Private Limited</p> <p>Samanvaya Holdings Private Limited</p> <p>SE Solar Limited</p> <p>Suzlon Energy Limited, Mauritius</p> <p>Suzlon Wind Energy Limited, UK</p> <p>Optimus Investments Pte. Ltd., Singapore</p> <p>Colossus Holdings Pte. Ltd., Singapore</p> <p>Primoris Investments BV, Netherlands</p> <p>TH venture Pte. Ltd. Cayman Island</p> <p>Suzlon North Asia Ltd, Hong Kong</p> <p>Tarilo Holding BV, Netherlands</p> <p>Repower Systems AG, Germany</p>
3.	<p>Ajay Relan</p> <p><i>Age:</i> 56 years</p> <p><i>DIN:</i> 00002632</p> <p><i>Designation:</i> Independent Director</p> <p><i>Term:</i> Liable to retire by rotation</p> <p><i>Occupation:</i> Fund Advisory</p>	Indian	C-121, Defence Colony, New Delhi 110 003	<p>Micro Abrasives (India) Private Limited</p> <p>Bendochy Agro Products Private Limited</p> <p>CX Advisors Private Limited</p>

S. No.	Name/Age/Director Identification Number/Term/Occupation	Nationality	Address	Other Directorships
4.	Ashish Dhawan <i>Age:</i> 41 years <i>DIN:</i> 00015111 <i>Designation:</i> Independent Director <i>Term:</i> Liable to retire by rotation <i>Occupation:</i> Business Executive	Indian	55A, Jor Bagh, New Delhi 110 003	Chryscapital Investment Advisors (India) Private Limited ChrysCapital II LLC ChrysCapital III LLC ChrysCapital IV LLC ChrysCapital V LLC
5.	Pradip Kumar Khaitan <i>Age:</i> 69 years <i>DIN:</i> 00004821 <i>Designation:</i> Independent Director <i>Term:</i> Liable to retire by rotation <i>Occupation:</i> Advocate	Indian	B-103, Rai Enclave, 7/1A, Sunny Park, Kolkata 700 019	CESC Limited Dalmia Cement (Bharat) Limited Egyptian Indian Polyester Company SAE Electrosteel Castings Limited Emaar MGF Land Limited Gillanders Arbuthnot & Co. Limited Graphite India Limited Hindustan Motors Limited India Glycols Limited OCL India Limited Pilani Investment & Industries Corporation Limited South Asian Petrochem Limited VISA Steel Limited Woodlands Medical Centre Limited
6.	V. Raghuraman <i>Age:</i> 67 years <i>DIN:</i> 00411489 <i>Designation:</i> Independent Director <i>Term:</i> Liable to retire by rotation <i>Occupation:</i> Adviser	Indian	20, Kallol Apartments, IP Extension, Parpat Ganj, Delhi 110 092	None

Nature of Relationship

Two of the Company's Directors, Tulsi R. Tanti and Girish R. Tanti are brothers. None of the other Directors of the Company are related to each other. No Director has been selected as a Director or as a member of the senior management of the Company pursuant to any arrangement or understanding with any major shareholders, customers, suppliers or others.

Brief Biography of the Company's Directors

Mr. Tulsi R. Tanti is the founder of the Company and has been the Chairman and Managing Director since its inception in 1995. Under Mr. Tulsi R. Tanti's stewardship, the Company has ranked as the eighth largest WTG manufacturer in the world according to the BTM Report, March 2010. Mr. Tulsi R. Tanti is a commerce graduate and holds a Diploma in Mechanical Engineering. He is responsible for the overall strategic direction of the Company and has received a number of awards in recognition for his leadership of the wind energy industry, including "Champion of the Earth 2009" award by the United Nations Environment Program, "Global Indian Award 2009" by the Canada India Foundation, "Hero of the Environment Award" by TIME Magazine,

“Rajiv Gandhi Award 2007” for the most successful industrialist in India, “Ernst & Young Entrepreneur of the Year 2006” award by Ernst & Young, “India Business Leader Award 2006” by the television channel CNBC TV18 in the category “The most promising entrant into the big league”, “Terialumni Award” for outstanding “Entrepreneurship in Energy — Environment Technologies 2006” by The Terialumni Trust, “Best Renewable Man of the Decade” which is a lifetime achievement award from the Foundation of Indian Industry and Economists in 2005, “World Wind Energy Award 2003” by the World Wind Energy Association and “Business Leadership Award 2002” by the Solar Energy Society of India.

Mr. Girish R. Tanti is one of the Promoters and an executive Director of the Company. He is the brother of Mr. Tulsi R. Tanti. He is an entrepreneur with over 11 years of experience in business management. Mr. Girish Tanti has been involved at a strategic and operational level with the Company since its formation in 1995. Mr. Girish Tanti is an engineer with a Masters Degree in Business Administration from the U.K. He played an active role in the growth of the business leading critical functions like identifying new business opportunities, fostering and managing international partnerships, global sourcing, sales and marketing, global human resource management, internationalization of the Company’s operations, developing and building the “Suzlon” brand and information technology initiatives like the SAP implementation. Mr. Girish Tanti now works in a strategic, supervisory role as a mentor and member of the Board of Directors.

Mr. Ajay Relan has over 25 years of corporate and investment banking experience in India, Saudi Arabia, Tunisia and Switzerland. Previously, he was the Managing Director of CitiGroup Venture Capital International in India and also the Chief Executive of Citicorp Securities & Investments Limited. He has an MBA from the Indian Institute of Management, Ahmedabad and a B.A. Honors (Economics) degree from St. Stephen’s College, Delhi. He was appointed on the Board of Directors as a nominee of Citicorp International Finance Corporation Inc. on April 19, 2004. He ceased to be a nominee on January 29, 2007 and was appointed as an independent Director on the Board of Directors with effect from January 29, 2007.

Mr. Pradip Kumar Khaitan has B.Com and LL.B. degrees and is also Attorney-at-Law (Bell Chambers Gold Medalist). He is a well-known lawyer and partner of Khaitan & Company, Advocates. He is a member of the Bar Council of India and the Indian Council of Arbitration, New Delhi. His areas of specialization are commercial and corporate laws, tax laws, arbitration, joint ventures, mergers and acquisition, restructuring and de-mergers. He was appointed to the Board of Directors with effect from August 25, 2004.

Mr. V. Raghuraman is currently the Principal Advisor and a Chief Co-ordinator — Energy, Environment and Natural Resources of the Confederation of Indian Industry (CII) Energy Program. He is an internationally recognized specialist in energy management, energy efficiency, energy policy and related regulatory and technology issues. He is a member of the Study Group on Nuclear Energy — An Indian Perspective (2000) of Indian National Academy of Engineering (INAE) and the Convener of the CII — USIIBC Working Group on Civil Nuclear Cooperation. He is a chemical engineer by qualification and has worked as a consultant, trainer, researcher in National Productivity Council (NPC) and rose up to the position of Deputy Director General. Subsequently, he served as the Secretary General of the Associated Chamber of Commerce and Industry (ASSOCHAM). He also served as the Chairman of the South Asian Regional Energy Co-operation (SAREC). He was appointed to the Board of Directors with effect from October 29, 2005.

Mr. Ashish Dhawan is the Senior Managing Director of ChrysCapital and is based in New Delhi. He is the co-founder of ChrysCapital, a private equity fund that currently manages approximately U.S.\$2,250 million across five funds. ChrysCapital’s investment strategy focuses on investing in export-oriented outsourcing services and high growth domestic services. He holds a Masters degree in business administration with distinction from Harvard University and holds a dual Bachelors degree (B.S./B.A.) in applied mathematics and economics from Yale University. He was appointed on the Board of Directors as a nominee Director of ChrysCapital III, LLC on August 10, 2004. He ceased to be a nominee on December 22, 2005 and was appointed as an independent Director on the Board of Directors with effect from December 28, 2005.

Terms of appointment of the Managing Director, Mr. Tulsi Tanti

The Company, pursuant to the approval granted by the Board of Directors and Shareholders at their respective meetings held on January 29, 2008 and May 22, 2008, has entered into an agreement dated July 30, 2008 (“**MD Agreement**”) with Mr. Tulsi R. Tanti, appointing him as the Managing Director of the Company for a term of

three years commencing from April 1, 2008. Under the terms of the MD Agreement, Mr. Tulsi R. Tanti is required to manage the affairs of the Company and exercise and perform such powers and duties as the Board of Directors may from time to time determine, and subject to the overall superintendence, control and direction of the Board of Directors, he also has powers to do and perform all acts, deeds and things which in the ordinary course of business he may consider necessary or proper or in the interest of the Company. According to the terms of the MD Agreement, Mr. Tulsi R. Tanti is entitled to a remuneration consisting of a basic salary of Rs.1,250,000 per month and certain other perquisites.

The perquisites and allowance payable to Mr. Tulsi R. Tanti under the MD Agreement, include medical benefits for him and his family, personal accident and key man insurance, leave travel allowance for him and his family, encashment of leave, membership fee of up to two clubs, car(s) with driver, telephone, and contribution to the superannuation fund to a ceiling of 27% of his salary. However, total remuneration payable to Mr. Tulsi R. Tanti shall not exceed the limits prescribed under Sections 198 and 309 of the Companies Act. Additionally, pursuant to the special resolution of the Shareholders dated May 22, 2008, in case of any loss or inadequacy of profits, Mr. Tulsi R. Tanti, is entitled to be paid remuneration within the limits as prescribed under Part II Section II (B) of Schedule XIII to the Companies Act. For Fiscal Year 2009, the Company followed such limits and the excess compensation paid to Mr. Tulsi R. Tanti over such limit, was returned by him to the Company. For Fiscal Year 2010, the remuneration paid to Mr. Tulsi R. Tanti is in excess of such limit and the Company intends to adopt a special resolution approving the payment of such excess remuneration to Mr. Tulsi R. Tanti, and apply to the Central Government for necessary approval under Section 198 of the Companies Act.

During the continuance of the MD Agreement, Mr. Tulsi R. Tanti is required not to be in any way engaged in any other business of a similar nature or competitive with that carried on by the Company. In addition to the terms and conditions specified in the MD Agreement, Mr. Tulsi R. Tanti's services are governed by the Company's existing service conditions as may be issued to him from time to time. Mr. Tulsi R. Tanti is not liable to retire by rotation.

Terms of appointment of the Executive Director, Mr. Girish Tanti

The Company, pursuant to the approval granted by the Board of Directors and Shareholders at their respective meetings held on January 29, 2008 and May 22, 2008, has entered into an agreement dated July 30, 2008 (“**WTD Agreement**”) with Mr. Girish R. Tanti, appointing him as Wholetime Director designated as Executive Director of the Company for a term of three years commencing from April 1, 2008. Under the terms of the WTD Agreement, Mr. Girish R. Tanti is required to manage the affairs of the Company and exercise and perform such powers and duties as the Board of Directors may from time to time determine, and subject to the overall superintendence, control and direction of the Board of Directors, Mr. Girish R. Tanti has powers to do and perform all acts, deeds and things which in the ordinary course of business he may consider necessary or proper or in the interest of the Company. According to the terms of the WTD Agreement, Mr. Girish R. Tanti is entitled to a remuneration consisting of a basic salary of Rs.500,000 per month and certain other perquisites.

The perquisites and allowance payable to Mr. Girish R. Tanti under the WTD Agreement, include medical benefits for him and his family, personal accident and key man insurance, leave travel allowance for him and his family, encashment of leave, membership fee of up to two clubs, car(s) with driver, telephone and contribution to the superannuation fund to a ceiling of 27% of his salary. However, total remuneration payable to Mr. Girish R. Tanti shall not exceed the limits prescribed under Sections 198 and 309 of the Companies Act. Additionally, pursuant to the special resolution of the Shareholders dated May 22, 2008, in case of any loss or inadequacy of profits, Mr. Girish R. Tanti, is entitled to be paid remuneration within the limits as prescribed under Part II Section II (B) of Schedule XIII to the Companies Act. The Company has followed such limits and the excess compensation paid to Mr. Girish R. Tanti over such limit for the Fiscal Year 2009, has been returned by him to the Company. For Fiscal Year 2010, the remuneration paid to Mr. Girish R. Tanti is in excess of such limit and the Company intends to adopt a special resolution approving the payment of such excess remuneration to Mr. Girish R. Tanti, and apply to the Central Government for necessary approval under Section 198 of the Companies Act.

During the continuance of the WTD Agreement, Mr. Girish R. Tanti is required not to be in any way engaged in any other business of a similar nature or competitive with that carried on by the Company. In addition to the terms and conditions specified in the WTD Agreement, Mr. Girish R. Tanti's services will be governed by the

Company's existing service conditions as may be issued to him from time to time. Mr. Girish R. Tanti is not liable to retire by rotation.

Shareholding of the Directors of the Company

The following table details the shareholding of the Directors in the Company in their personal capacity as on March 31, 2010.

S. No.	Name of Directors	Number of Equity Shares
1.	Tulsi R. Tanti*	10,962,000
2.	Girish R. Tanti	116,082,000
3.	Ajay Relan	—
4.	Pradip Kumar Khaitan	—
5.	V. Raghuraman	—
6.	Ashish Dhawan	—

Note: *Tulsi R. Tanti also holds Equity Shares as Karta of Tulsi Ranchhodhbhai HUF, as Karta of Ranchhodhbhai Ramjibhai HUF and jointly with Vinod R. Tanti and Jitendra R. Tanti.

Compensation of the Company's Directors

The following tables set forth all compensation paid by the Company to its Directors for the Fiscal 2010:

Non-Executive Directors

The non-executive Directors are not paid any remuneration except sitting fees for attending the meetings of the Board of Directors and/or committees thereof. The sitting fees payable to non-executive Directors is within the limits prescribed by the Companies Act. The Company does not have material pecuniary relationship or transactions with its non-executive Directors. The details of the sitting fees paid and stock options granted to the non-executive Directors as on March 31, 2010 are as under:

S. No.	Name of Directors	Sitting Fees (in Rs.)	Stock Options Granted
1.	Ajay Relan*	—	—
2.	Pradip Kumar Khaitan	220,000	—
3.	V. Raghuraman	300,000	—
4.	Ashish Dhawan	200,000	—

Note: * Since Mr. Ajay Relan had expressed his unwillingness to accept sitting fees, he has not been paid any sitting fee for attending the meetings of Board of Directors.

Executive Directors

Remuneration to the executive Directors is decided based on the years of experience and contribution made by the respective executive Directors. The details of the remuneration paid to the executive Directors as on March 31, 2010 are as under.

S. No.	Name of Directors	Annual Salary (in Rs.)	Retirement Benefits/Gratuity/Provident Fund (in Rs.)	Commission/Bonus/Stock Options	Total (in Rs.)	Service Contract	Notice Period
1.	Mr. Tulsi R. Tanti (Chairman & Managing Director)*	1,35,33,180	10,47,732	—	1,45,80,912	Three years up to March 31, 2011	Three months
2.	Mr. Girish R. Tanti* (Executive Director)	55,80,912	4,19,088	—	60,00,000	Three years up to March 31, 2011	Three months

Note: * Mr. Tulsi R. Tanti and Mr. Girish R. Tanti have been appointed as Managing Director and Executive Director of the Company, respectively, on revised terms and conditions for a further period of three years with effect from April 1, 2008, as recommended by the Board of Directors in its meeting held on January 29, 2008 and approved by the Equity Shareholders on May 22, 2008.

No Director is entitled to any benefit upon cessation of their directorship with the Company.

DIVIDEND POLICY

Under the Companies Act, an Indian company pays dividends upon a recommendation by its board of directors and approval by a majority of the shareholders, who have the right to decrease but not to increase the amount of dividend recommended by the board of directors. Under the Companies Act, dividends may be paid out of profits of a company in the year in which the dividend is declared or out of the undistributed profits or reserves of the previous Fiscal Years or out of both.

The Company does not have a formal dividend policy. Any dividends declared are recommended by the Board of Directors and approved by the Equity Shareholders at their discretion and depends on the financial condition, results of operations, capital requirements and surplus, contractual obligations and restrictions, the terms of the credit facilities and other financing arrangements of the Company at the time a dividend is considered, and other relevant factors.

The table below sets forth the details of the dividends declared by the Company during the last five Fiscal Years:

Fiscal Year	Interim Dividend per Equity Share (in Rs.)	Final Dividend per Equity Share (in Rs.)	Total Dividend per Equity Share (in Rs.)	Interim Dividend (in Rs.crores)	Final Dividend (in Rs.crores)	Total Dividend ⁺ (in Rs.crores)
2006	2.50*	2.50*	5.00*	71.88	71.88	143.76
2007	5.00*	Nil*	5.00*	143.88	Nil	143.88
2008	Nil**	1.00**	1.00**	Nil	149.69	149.69
2009	Nil	Nil	Nil	Nil	Nil	Nil
2010	Nil	Nil	Nil	Nil	Nil	Nil

* The face value of the Equity Shares is Rs.10 each.

** The face value of the Equity Shares is Rs.2 each.

+ Excluding dividend Distribution Tax.

The amounts paid as dividends in the past are not necessarily indicative of the dividend policy of the Company or dividend amounts, if any, in the future.

Dividends are payable within 30 days of approval by the Equity Shareholders at its annual general meeting. The Articles also give the Board of Directors the discretion to declare and pay interim dividends without obtaining Shareholder approval.

When dividends are declared, all the Equity Shareholders whose names appear in the register of members of the Company as on the “record date” are entitled to be paid the dividend declared by the Company. Any Equity Shareholder who ceases to be an Equity Shareholder prior to the record date, or who becomes an Equity Shareholder after the record date, will not be entitled to the dividend declared by the Company.

SECTION V - FINANCIAL INFORMATION

FIANANCIAL STATEMENTS

SNK & Co.
Chartered Accountants
E-2-B, The Fifth Avenue
Dhole Patil Road
Near Regency Hotel
Pune 411 001

S. R. BATLIBOI & Co.
Chartered Accountants
C-401, Fourth Floor
Panchshil Tech Park
Yerwada
Pune 411 006

Auditor's Report

The Board of Directors Suzlon Energy Limited

1. We SNK & Co. and S. R. Batliboi & Co. have audited the attached consolidated balance sheet of Suzlon Energy Limited ('SEL' or the 'Company') and its subsidiaries as described in Schedule Q, Note II (1), its associate as described in Schedule Q, Note II (3) and joint venture as described in Schedule Q, Note II (2) (together referred to as the 'Group') as at March 31, 2010, and also the consolidated profit and loss account and the consolidated cash flow statement for the year ended on that date annexed thereto ("Consolidated Financial Statements"). These Consolidated Financial Statements are the responsibility of SEL's management and have been prepared by management on the basis of separate financial statements and other financial information regarding components. Our responsibility is to express an opinion on these Consolidated Financial Statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Consolidated Financial Statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. We did not audit the financial statements of certain subsidiaries, whose audited financial statements, reflect Group's share of total assets of Rs. 850.42 crores as at March 31, 2010, Group's share of total revenues of Rs. 1,103.52 crores and Group's share of total cash flows of Rs. 54.58 crores for the year then ended. These financial statements and other financial information have been audited solely by SNK & Co. on which, S. R. Batliboi & Co. has placed reliance for the purpose of this report.
4. We did not audit the financial statements of certain subsidiaries, whose audited financial statements, reflect Group's share of total assets of Rs. 1,316.54 crores as at March 31, 2010, Group's share of total revenues of Rs. 2,669.63 crores and Group's share of total cash flows of Rs. (220.97) crores for the year then ended. These financial statements and other financial information have been audited solely by S. R. Batliboi & Co. on which, SNK & Co. has placed reliance for the purpose of this report.
5. We did not audit the financial statements of certain subsidiaries, whose audited financial statements, reflect Group's share of total assets of Rs. 36,196.86 crores as at March 31, 2010, Group's share of the total revenue of Rs. 14,387.18 crores and Group's share of total cash flows amounting to Rs. (457.11) crores for the year then ended. These financial statements and other financial information have been audited by other auditors whose reports have been furnished to us, and our opinion is based solely on the report of other auditors.

SNK & Co.
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Chartered Accountants
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Panchshil Tech Park
Yerwada
Pune 411 006

These financial statements include the audited financial statements of subsidiaries, having Group's share of total assets of Rs. 32,257.44 crores as at March 31, 2010, Group's share of total revenues of Rs. 5,820.92 crores and Group's share of total cash flows amounting to Rs. (1,060.63) crores for the year then ended, which have been audited by member firms of Ernst & Young Global in the relevant countries and whose reports have been furnished to us, and our opinion is based solely on their reports.

These financial statements audited by member firms of Ernst & Young Global include the audited financial statements of Hansen Transmissions International N.V., having Group's share of total assets of Rs. Nil as at March 31, 2010, Group's share of total revenues of Rs. 2,656.12 crores, Group's share of total cash flows amounting to Rs. (853.43) crores and Group's share of profit of Rs. 0.77 crores for the year then ended, which have been audited by member firm of Ernst & Young Global and whose reports have been furnished to us, and our opinion is based solely on their report. Hansen Transmissions International N.V. has been consolidated as a subsidiary till November 30, 2009 and consolidated as an associate under equity method from December 1, 2009 to March 31, 2010.

6. We did not audit the financial statements of certain subsidiaries, whose financial statements, reflect Group's share of total assets of Rs. 198.58 crores as at March 31, 2010, Group's share of total revenues of Rs. 382.86 crores and Group's share of total cash flows amounting to Rs. 43.77 crores for the year then ended. These financial statements and other financial information have been certified by management and our opinion is based solely on these management certified accounts.
7. Without qualifying our opinion, we draw attention to Schedule Q, Note 7(d) regarding non-provision of proportionate premium on redemption of US\$ 479.04 Million (Rs. 2,150 crores as at March 31, 2010) Foreign Currency Convertible Bonds amounting to Rs. 377.22 crores which has been considered by the Group as a contingent liability. Since the ultimate outcome of the matter cannot be presently ascertained, no provision for the above liability that may that may result in future, has been made in the accompanying financial statements.
8. Without qualifying our opinion, we draw attention to Schedule Q, Note 9 of the consolidated financial statements. The Indian Wind Energy Association ('InWEA) of which the Company is a member has filed a civil appeal in the Supreme Court against an order of the Appellate Tribunal for Electricity in regard to levy of Infrastructure Development Charges by Tamil Nadu State Electricity Board. The ultimate outcome of this matter cannot be presently ascertained due to it being highly technical and legalistic in nature. The Group has obtained a legal opinion which states that the InWEA/Group has a strong case and we have placed reliance on this opinion.
9. We report that the consolidated financial statements have been prepared by SEL's management in accordance with the requirements of Accounting Standards (AS) 21, Consolidated Financial Statements, Accounting Standards (AS) 23, Accounting for Investments in Associates in Consolidated Financial Statements and Accounting Standard (AS) 27, Financial Reporting of Interests in Joint Ventures notified pursuant to the Companies (Accounting Standards) Rules, 2006.
10. Based on our audit and on consideration of reports of other auditors on separate financial statements and on the other financial information of the components, and to

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Pune 411 006

the best of our information and according to the explanations given to us, we are of the opinion that the attached consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:

- (a) in the case of the consolidated balance sheet, of the state of affairs of the Group as at March 31, 2010;
- (b) in the case of the consolidated profit and loss account, of the loss for the year ended on that date; and
- (c) in the case of the consolidated cash flow statement, of the cash flows for the year ended on that date.

For SNK & Co
Firm registration number: 109176W
Chartered Accountants

For S. R. Batliboi & Co
Firm registration number: 301003E
Chartered Accountants

per Jasmin B. Shah
Partner
Membership No 46238

per Arvind Sethi
Partner
Membership No 89802

Place: Mumbai
Date: May 29, 2010

Place: Mumbai
Date: May 29, 2010

Suzlon Energy Limited
Consolidated balance sheet as at March 31, 2010

All amounts in rupees crore unless otherwise stated

Particulars	Schedule	As at March 31,	
		2010	2009
SOURCES OF FUNDS			
Shareholders' funds			
Share capital	A	311.35	299.66
Employee stock options outstanding	B	15.67	10.44
Share application money pending allotment		0.04	-
Reserves and surplus	C	6,274.21	8,221.64
		6,601.27	8,531.74
Preference shares issued by subsidiary company		2.50	2.50
Minority interest		328.48	2,313.45
Loan funds			
Secured loans	D	8,123.36	10,276.62
Unsecured loans	E	4,544.58	4,592.95
		12,667.94	14,869.57
Deferred tax liabilities		182.80	441.74
		19,782.99	26,159.00
APPLICATION OF FUNDS			
Fixed assets (including intangible assets)			
Gross block	F	11,538.29	15,102.40
Less: Accumulated depreciation / amortisation		1,377.21	1,821.00
Net block		10,161.09	13,281.40
Capital work-in-progress		413.04	1,984.02
		10,574.13	15,265.42
Investments	G	1,092.29	5.08
Deferred tax assets		86.33	254.93
Foreign currency monetary translation difference account (See Schedule Q, Note 12(d))		253.68	398.01
Current assets, loans and advances			
Inventories	H	5,994.30	7,173.65
Sundry debtors		3,174.00	5,392.79
Cash and bank balances		2,904.28	3,069.84
Other current assets		3,017.77	3,345.71
Loans and advances		2,107.82	2,900.89
		17,198.17	21,882.88
Less : Current liabilities and provisions	I		
Current liabilities		8,426.73	10,689.73
Provisions		994.88	957.59
		9,421.61	11,647.32
Net current assets		7,776.56	10,235.56
Miscellaneous expenditure (To the extent not written off or adjusted)	J	-	-
		19,782.99	26,159.00
Significant accounting policies and notes to consolidated financial statements	Q		

The schedules referred to above and the notes to accounts form an integral part of the consolidated balance sheet.

As per our report of even date

For and on behalf of the Board of Directors of
Suzlon Energy Limited

For SNK & Co.
Firm Registration number: 109176W
Chartered Accountants

For S.R. BATLIBOI & Co.
Firm Registration number: 301003E
Chartered Accountants

Tulsi R. Tanti
Chairman & Managing Director

per Jasmin B. Shah
Partner
Membership No. 46238

per Arvind Sethi
Partner
Membership No. 89802

Ashok Jangid
Vice President
and Company Secretary

Girish R. Tanti
Director

Place: Mumbai
Date : May 29, 2010

Place: Mumbai
Date : May 29, 2010

Place: Mumbai
Date: May 29, 2010

Suzlon Energy Limited
Consolidated profit and loss account for the year ended March 31, 2010

All amounts in rupees crore unless otherwise stated

Particulars	Schedule	April 01, 2009 to	April 01, 2008 to
		March 31, 2010	March 31, 2009
INCOME			
Sales and service income		20,619.66	26,081.70
Other income	K	229.01	448.84
		20,848.67	26,530.54
EXPENDITURE			
Cost of goods sold	L	13,628.16	16,856.80
Operating and other expenses	M	3,799.63	4,267.54
Employees' remuneration and benefits	N	2,145.41	2,165.75
Financial charges	O	1,457.99	1,053.94
Depreciation / amortisation	F	662.97	573.14
Preliminary expenditure written off	J	-	0.09
		21,694.16	24,917.26
PROFIT/ (LOSS) BEFORE TAX AND EXCEPTIONAL ITEMS		(845.49)	1,613.28
Less/ (add) : Exceptional items [See Schedule Q, Note 4]	P	(211.89)	896.29
PROFIT/ (LOSS) BEFORE TAX		(633.60)	716.99
Current tax		183.23	211.11
MAT credit entitlement		(1.59)	(4.03)
Earlier year - current tax		0.01	(0.07)
Deferred tax		174.45	67.12
Fringe benefit tax		0.03	13.99
PROFIT/ (LOSS) AFTER TAX		(989.73)	428.87
Add : Share in associate's profit after tax		16.12	2.32
Less: Share of profit of minority		(8.95)	(194.71)
NET PROFIT/ (LOSS)		(982.56)	236.48
Balance brought forward		1,925.60	1,690.12
PROFIT AVAILABLE FOR APPROPRIATIONS		943.04	1,926.60
APPROPRIATIONS			
Residual dividend of previous year		-	0.13
Dividend on preference shares		-	-
Tax on dividends		0.01	0.87
Surplus carried to balance sheet		943.03	1,925.60
Earnings/ (loss) per share (in Rs) [See Schedule Q, Note 17]			
- Basic [Nominal value of share Rs 2]		(6.39)	1.58
- Diluted [Nominal value of share Rs 2]		(6.39)	1.52
Significant accounting policies and notes to consolidated financial statements	Q		

The schedules referred to above and the notes to accounts form an integral part of the consolidated profit and loss account.

As per our report of even date

For and on behalf of the Board of Directors of
Suzlon Energy Limited

For SNK & Co.
Firm Registration number: 109176W
Chartered Accountants

For S.R. BATLIBOI & Co.
Firm Registration number: 301003E
Chartered Accountants

Tulsi R. Tanti
Chairman & Managing Director

per Jasmin B. Shah
Partner
Membership No. 46238

per Arvind Sethi
Partner
Membership No. 89802

Ashok Jangid
Vice President
and Company Secretary

Girish R. Tanti
Director

Place: Mumbai
Date : May 29, 2010

Place: Mumbai
Date : May 29, 2010

Place: Mumbai
Date: May 29, 2010

Suzlon Energy Limited
Consolidated cash flow statement for the year ended March 31, 2010

All amounts in rupees crore unless otherwise stated

Particulars	Year Ended March 31,	
	2010	2009
CASH FLOW FROM OPERATING ACTIVITIES		
Profit/ (loss) before tax and exceptional items	(845.49)	1,613.28
Adjustments for:		
Depreciation/ amortisation	662.97	573.14
(Profit)/ loss on assets sold / discarded, net	(8.80)	0.02
(Profit)/ loss on sale of investments, net	-	(93.18)
Preliminary expenses incurred	-	(0.09)
Preliminary expenses written off	-	0.09
Interest income	(69.40)	(176.93)
Interest expenses	1,195.03	901.21
Dividend income*	(0.06)	0.00
Premium on redemption of preference shares of subsidiary	-	(1.64)
Provision for operation, maintenance and warranty	528.72	366.72
Provision for performance guarantee	203.32	280.87
Provision for liquidated damages	215.05	284.33
Bad debts written off	8.25	3.79
Provision for doubtful debts and advances	47.34	21.02
Adjustments for consolidation	470.88	(32.64)
Exchange differences, net	74.43	(0.60)
Employee stock option scheme	10.72	8.45
Wealth-tax	0.03	0.06
Operating profit/ (loss) before working capital changes	2,492.99	3,747.90
Movements in working capital		
(Increase) / decrease in sundry debtors and unbilled revenue	1,225.19	(2,657.20)
(Increase) / decrease in inventories	6.43	(1,849.08)
(Increase) / decrease in loans and advances	697.18	(435.19)
(Increase) / decrease in margin money deposits	69.01	(108.37)
Increase / (decrease) in current liabilities and provisions	(2,037.13)	856.73
Cash (used in) from operations	2,453.67	(445.21)
Direct taxes paid (net of refunds)	(219.37)	(237.22)
Net cash (used in) / generated from operating activities before exceptional items	2,234.30	(682.43)
Exceptional items paid	-	(541.32)
Net cash (used in) / generated from operating activities	2,234.30	(1,223.75)
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(1,090.57)	(3,330.84)
Proceeds from sale of fixed assets	66.48	14.19
Paid for acquisition of subsidiaries	(1,423.70)	(4,177.57)
Proceeds on sale of stake in subsidiary	1,672.51	477.25
Purchase of investments	(101.80)	(400.10)
Sale / redemption of investments	-	400.35
Inter-corporate deposits repaid / (granted)	(35.76)	(115.78)
Interest received	67.85	286.31
Dividend received	0.06	0.00
Premium on redemption of preference shares of subsidiary	-	1.64
Net cash (used in) / generated from investing activities	(844.93)	(6,844.55)

Suzlon Energy Limited

Schedules to the consolidated balance sheet as at March 31, 2010
All amounts in rupees crore unless otherwise stated

Particulars	As at March 31,	
	2010	2009
SCHEDULE-A : SHARE CAPITAL		
Authorised		
2,225,000,000 (2,225,000,000) equity shares of Rs 2/- each	445.00	445.00
	445.00	445.00
Issued and subscribed		
Equity		
1,556,731,743 (1,498,295,400) equity shares of Rs 2/- each fully paid-up	311.35	299.66
[Of the above equity shares, 1,259,276,500 (1,259,276,500) shares of Rs 2/- each were allotted as fully paid bonus shares by utilisation of Rs 174.04 crore (Rs 174.04 crore) from general reserve, Rs 1.03 crore (Rs 1.03 crore) from capital redemption reserve and Rs 76.80 crore (Rs 76.80 crore) from securities premium account]		
[Of the above equity shares 58,400,000 (Nil) equity shares of Rs.2 each were issued by way of Global Depository Receipts (GDR)] [See Schedule Q, Note 6]		
[Outstanding Employee stock options exercisable into 635,250 (571,000) equity shares of Rs 2/- each fully paid] [See Schedule Q, Note 11]		
	311.35	299.66
SCHEDULE-B : EMPLOYEE STOCK OPTIONS OUTSTANDING		
Employee stock options outstanding	29.77	12.20
Less: Deferred employee compensation outstanding	14.10	1.76
	15.67	10.44
SCHEDULE-C : RESERVES AND SURPLUS		
Capital redemption reserve		
As per last balance sheet	15.00	15.00
Unrealised gain on dilution		
As per last balance sheet	1,402.93	1,200.25
Add : Additions during the year	-	295.13
Less : Deduction on account of sale of subsidiary [See Schedule Q, Note 5]	1,107.80	92.45
	295.13	1,402.93
Securities premium account		
As per last balance sheet	3,465.18	3,456.62
Add : Additions during the year	530.29	13.61
	3,995.47	3,470.23
Less : Expenses on issue of global depository receipts [See Schedule Q, Note 6]	11.07	-
Expenses on issue of bonds/ debentures [See Schedule Q, Note 7]	5.31	5.05
	3,979.09	3,465.18
General reserve		
As per last balance sheet	953.92	952.82
Add : Adjustment as per transitional provisions of AS - 11 (net of tax of Rs Nil)	-	1.10
Less : Deduction on account of sale of subsidiary [See Schedule Q, Note 5]	3.42	-
	950.50	953.92
Capital reserve on consolidation	0.03	0.03
Foreign currency translation reserve		
(Exchange differences during the year on net investment in non-integral operations)		
As per last balance sheet	458.98	476.86
Movement during the year	(367.55)	(17.88)
	91.43	458.98
Profit and loss account	943.03	1,925.60
	6,274.21	8,221.64

Suzlon Energy Limited

Schedules to the consolidated balance sheet as at March 31, 2010
All amounts in rupees crore unless otherwise stated

Particulars	As at March 31,	
	2010	2009
SCHEDULE - D : SECURED LOANS [See Schedule Q, Note 8]		
12.5%secured redeemable non-convertible debentures	-	300.00
Term loans		
From banks and financial institutions	5,243.65	5,981.99
From others	611.54	17.75
	5,855.19	5,999.74
Working capital facilities from banks and financial institutions	2,265.43	3,976.26
Vehicle loans	2.74	0.62
	8,123.36	10,276.62
SCHEDULE - E : UNSECURED LOANS		
Long-term		
Foreign currency convertible bonds [See Schedule Q, Note 7]	2,150.89	2,535.50
Capital from profit participation rights [See Schedule Q, Note 12(a)]	60.54	67.52
From banks and financial institutions	71.89	14.05
From others	1,189.58	466.64
	3,472.90	3,083.71
Short-term		
From banks and financial institutions	666.34	1,443.05
From others	405.34	66.19
	1,071.68	1,509.24
	4,544.58	4,592.95

Sudon Energy Limited

Schedules to the consolidated balance sheet as at March 31, 2010
All amounts in rupees crore unless otherwise stated

SCHEDULE - F: FIXED ASSETS (INCLUDING INTANGIBLE ASSETS)

Assets	As at April 1, 2009		Additions		Acquisition (See Note 3)		Gross Block Sale of subsidiary (See Note 4)		As at March 31, 2010		As at April 1, 2009		For the year		Depreciation / amortisation Sale of subsidiary (See Note 4)		As at March 31, 2010		Net Book As at March 31, 2010	
	7,177.02	173.75	907.19	328	3486	1,265.67	6,104.65	129.24	1,488.32	17,754	2,48	67,447	58,94	1,025.01	7,58	1,025.01	1,377.21	101,61.09	13,281.40	
Goodwill on consolidation	7,177.02		907.19		3486	1,265.67	6,104.65		17,754	2,48	67,447	58,94	1,025.01	7,58	1,025.01	1,377.21	101,61.09	13,281.40		
Leasehold land	173.75	3.28	3.28			42.07	129.24		7,544	1.11	7,544	0.34				3.82	129.24	173.75		
Buildings	59.01	0.71	0.71			(2.11)	57.60		1,488.32		1,488.32					184.97	53.78	1,896.47		
Plant and equipment	2,074.01	488.60	488.60	8.74		(93.13)	1,488.32		10,525	4.77	10,525					85.90	96.75	9,768		
Power generation plant and machinery	4,365.73	1,214.19	1,214.19			(99.02)	2,488.32		11,454.62	18.57	11,454.62					6,214.94	4,469.44	3,217.49		
Wind research and measuring equipments	26.06	16.06	16.06				36.89		18.57	36.85	18.57					19.41	17.48			
Computer and office equipments	374.79	77.06	77.06		1811	192.50	262.65		182.64	4.77	182.64					95.34	167.31	192.15		
Furniture and fixtures	331.83	149.11	149.11	8.01		(26.82)	431.80		142.82	7.308	142.82					193.43	238.37	189.01		
Vehicles	26.61	3.60	3.60			0.74	25.91		10.29	3.02	10.29					11.66	14.25	16.32		
Intangible assets		285.26	169.04			(23.63)	395.74		65.36	78.94	65.36					111.94	285.80	218.90		
Patents and Drawings		168.31	101.78			(9.56)	200.42		68.56	7.87	68.56					70.26	130.16	59.75		
Software																				
Capital work in progress			3,095.87		3486	5,995.24	11,662		1,821.00	67,447	1,821.00					58.94	101,61.09	13,281.40		
TOTAL	15,102.40	1,510.24	3,095.87		3486	5,995.24	11,662		1,821.00	67,447	1,821.00					58.94	101,61.09	13,281.40		
Previous year	5,599.84	5,675.76	5,675.76		5,879.1	461.58	15,102.40		1,031.84	57,573	1,031.84					15.27	13,281.40			

Notes:

1. Depreciation charge for the current year amounting to Rs 674.47 crore (Rs 575.73 crore) includes Rs 11.49 crore (Rs 2.59 crore) which has been capitalised as part of self-manufactured assets. The depreciation charged in the profit and loss account amo
2. Capital work in progress includes advances for capital goods Rs 20.45 crore (Rs 61.34 crore).
3. Additions to gross block and depreciation charge for the current year includes balances taken over on account acquisition of 4.41% stake of Repower (North China) Ltd by Repower Systems AG which amounts to Rs 34.86 crore and Rs 7.58 crore respectively.
4. Deductions to gross block and depreciation fund for the current year is on account of sale of stake in Hansen Transmissions International NV, on November 24, 2009 which amounts to Rs 5,999.24 crore and Rs 1,025.01 crore respectively. [Also see Schedule
5. Borrowing cost amounting to Rs. 11.21 crore (Rs. 39.34 crore) have been capitalised to qualifying assets.

Suzlon Energy Limited

Schedules to the consolidated balance sheet as at March 31, 2010
All amounts in rupees crore unless otherwise stated

Particulars	As at March 31,	
	2010	2009
SCHEDULE-G : INVESTMENTS		
LONG-TERM INVESTMENTS		
In associates [See Schedule Q, Note 3 and 5]		
Cost of Investment	969.29	-
Add: Share of post acquisition profit	16.12	-
	985.41	-
Others (at cost, fully paid)		
Government and other securities (non trade)	0.02	0.02
Other non trade investments	6.85	5.06
	6.87	5.08
	992.28	5.08
SHORT TERM INVESTMENTS		
Investment in mutual funds (Quoted and at lower of cost and market value)	100.01	-
	100.01	-
	1,092.29	5.08
SCHEDULE-H : CURRENT ASSETS, LOANS AND ADVANCES		
Current assets		
Inventories		
Raw materials	2,831.80	3,811.20
Semi finished goods, finished goods, work-in-progress and contracts in progress	2,989.39	3,159.78
Land and land lease rights	38.50	33.57
Stores and spares	134.61	169.10
	5,994.30	7,173.65
Sundry debtors		
(Unsecured)		
Outstanding for a period exceeding six months		
Considered good	795.54	852.51
Considered doubtful	75.94	40.28
	871.48	892.79
Others, considered good	2,378.46	4,540.28
	3,249.94	5,433.07
Less: Provision for doubtful debts	75.94	40.28
	3,174.00	5,392.79
Cash and bank balances		
Cash on hand	1.15	1.47
Cheques on hand	9.84	42.18
Balances with scheduled banks		
in current accounts	729.85	74.11
in margin accounts	172.43	194.98
in term deposit accounts	70.61	159.91
Balances with non scheduled banks		
in current accounts	771.38	730.11
in margin accounts	8.02	484.15
in term deposit accounts	1,141.00	1,382.93
	2,904.28	3,069.84
Other current assets		
(Unsecured and considered good)		
Due from customers	3,017.77	3,345.71
	3,017.77	3,345.71
Loans and advances		
(Unsecured and considered good, except otherwise stated)		
Deposits		
with customers as security deposit	13.56	19.55
with others	155.12	155.39
Advance against taxes, net	102.62	50.53
MAT credit entitlement	152.71	151.16
Inter corporate deposits	152.01	116.25
Advances recoverable in cash or in kind or for value to be received		
Considered good	1,531.80	2,408.01
Considered doubtful	9.60	6.56
	1,541.40	2,414.57
Less: Provision for doubtful loans and advances	9.60	6.56
	1,531.80	2,408.01
	2,107.82	2,900.89
	17,198.17	21,882.88

Suzlon Energy Limited		
Schedules to the consolidated balance sheet as at March 31, 2010		
All amounts in rupees crore unless otherwise stated		
Particulars	As at March 31,	
	2010	2009
SCHEDULE-I : CURRENT LIABILITIES AND PROVISIONS		
Current liabilities		
Sundry creditors	3,942.31	5,996.17
Share application money, pending refund	-	95.00
Other current liabilities	1,236.42	1,827.89
Interest accrued but not due	28.93	43.88
Due to customers	483.85	13.52
Advances from customers	2,735.22	2,713.27
	8,426.73	10,689.73
Provisions		
Provision for taxes, net		-
Gratuity, superannuation, leave encashment and other employee benefits	50.62	73.20
Performance guarantee, operation, maintenance and warranty, liquidated damages	944.26	883.13
Dividend		-
Tax on dividend	-	1.26
	994.88	957.59
	9,421.61	11,647.32
SCHEDULE - J : MISCELLANEOUS EXPENDITURE		
(To the extent not adjusted or written off)		
Preliminary expenses	-	-
Add : Addition during the year		0.09
Less : Written off during the year		0.09
	-	-

Suzlon Energy Limited

Schedules to the consolidated profit and loss account for the year ended March 31, 2010
All amounts in rupees crore unless otherwise stated

Particulars	April 01, 2009 to March 31, 2010	April 01, 2008 to March 31, 2009
SCHEDULE-K : OTHER INCOME		
Interest income		
From banks	37.09	147.23
From others	32.31	29.70
Dividend income*	0.06	0.00
Premium on redemption of preference shares of subsidiary	-	1.64
Profit on sale of investments, net	-	93.18
Other operating income	159.55	177.09
* Amount below Rs 0.01 crore		
	229.01	448.84
SCHEDULE-L : COST OF GOODS SOLD		
Raw materials consumed, including project business		
Opening stock	3,811.20	1,883.53
Add : Purchases, including purchases for project business	12,435.55	19,847.98
	16,246.75	21,731.51
Less : Closing stock	2,831.80	3,811.20
	(A) 13,414.95	17,920.31
Trading purchases	(B) 47.75	22.64
(Increase)/ Decrease in stock		
Opening balance:		
Semi finished goods, finished goods, work-in-progress and contracts in progress	3,159.78	2,095.32
Land and land lease rights	33.57	11.88
	(C) 3,193.35	2,107.20
Closing balance:		
Semi finished goods, finished goods, work-in-progress and contracts in progress	2,989.39	3,159.78
Land and land lease rights	38.50	33.57
	(D) 3,027.89	3,193.35
(Increase)/ Decrease in stock	(E) = (C)-(D) 165.46	(1,086.15)
	(A)+(B)+(E) 13,628.16	16,856.80

Suzlon Energy Limited

Schedules to the consolidated profit and loss account for the year ended March 31, 2010
All amounts in rupees crore unless otherwise stated

Particulars	April 01, 2009 to March 31, 2010	April 01, 2008 to March 31, 2009
SCHEDULE-M : OPERATING AND OTHER EXPENSES		
Stores and spares	201.10	327.56
Power and fuel	84.86	92.27
Factory expenses	62.97	65.70
Repairs and maintenance:		
Plant and machinery	18.42	14.96
Building	7.86	5.14
Others	8.23	12.41
Operation and maintenance charges	132.45	128.80
Design change and technological upgradation charges	95.48	94.36
Rent	154.65	120.42
Rates and taxes	38.28	21.82
Provision for operation, maintenance and warranty	528.72	366.72
Provision for performance guarantee	203.32	280.87
Liquidated damages	215.05	284.33
Quality assurance expenses	60.52	47.60
R & D, certification and product development	115.85	57.48
Insurance	68.51	66.06
Advertisement and sales promotion	76.81	71.68
Infrastructure development expenses	25.01	23.26
Freight outward and packing expenses	680.63	1,135.63
Sales commission	7.81	11.25
Travelling, conveyance and vehicle expenses	255.41	270.27
Communication expenses	86.15	93.38
Auditors' remuneration and expenses	19.70	20.65
Consultancy charges	339.54	253.52
Charity and donations	11.38	17.37
Other selling and administrative expenses	296.84	301.12
Exchange differences, net	(42.71)	58.08
Bad debts written off	8.25	3.79
Provision for doubtful debts and advances	47.34	21.02
Loss on assets sold / discarded, net	(8.80)	0.02
	3,799.63	4,267.54
SCHEDULE-N : EMPLOYEES' REMUNERATION AND BENEFITS		
Salaries, wages, allowances and bonus	1,906.41	1,946.39
Contribution to funds	166.66	159.25
Staff welfare expenses	72.34	60.11
	2,145.41	2,165.75
SCHEDULE-O : FINANCIAL CHARGES		
Interest		
Fixed loans	420.60	381.28
Debentures	31.96	9.76
Others	742.47	510.17
Bank charges	262.96	152.73
	1,457.99	1,053.94
SCHEDULE-P : EXCEPTIONAL ITEMS [See schedule Q, Note 4]		
Foreign exchange loss on the convertible bonds	162.34	131.35
Gain on restructuring and refinancing of financial facilities (net)	(122.27)	-
Blade restoration & retrofit and consequential generation/availability charges	-	411.10
Mark-to-market losses on foreign exchange forward / option contracts	-	353.84
Profit on sale of stake in subsidiary	(251.96)	-
	(211.89)	896.29

SCHEDULE Q: SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in rupees crore unless otherwise stated)

I SIGNIFICANT ACCOUNTING POLICIES

a) Basis of accounting

The consolidated financial statements comprise the financial statements of Suzlon Energy Limited ('SEL' or 'the Company') and its subsidiaries, associates and joint venture (together referred to as 'Suzlon' or 'the Group'). The consolidated financial statements are prepared under the historical cost convention, on accrual basis of accounting to comply in all material respects, with the mandatory accounting standards as notified by the Companies (Accounting Standards) Rules, 2006 as amended ('the Rules') and the relevant provisions of the Companies Act, 1956 ('the Act'). The accounting policies have been consistently applied by the Group; and the accounting policies not referred to otherwise, are in conformity with Indian Generally Accepted Accounting Principles ('Indian GAAP').

b) Principles of consolidation

The consolidated financial statements of the Group are prepared in accordance with Accounting Standard 21 – 'Consolidated Financial Statements', Accounting Standard 23 – 'Accounting for Investments in Associates in Consolidated Financial Statements' and Accounting Standard 27 – 'Financial Reporting of Interests in Joint Ventures' as notified by the Rules.

The consolidated financial statements are presented, to the extent possible, in the same format as that adopted by the Company for its independent financial statements.

Subsidiaries

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

The financial statements of the Company and its subsidiaries have been combined on a line-by-line basis by adding together the book values of like items of assets, liabilities, income and expenses, after eliminating intra group balances and intra group transactions. The unrealised profits or losses resulting from the intra group transactions and intra group balances have been eliminated.

The excess of the cost to the Company of its investment in the subsidiaries over the Company's portion of equity on the acquisition date is recognised in the financial statements as goodwill and is tested for impairment annually. The excess of Company's portion of equity of the Subsidiary over the cost of investment therein is treated as Capital Reserve. The Company's portion of the equity in the subsidiaries at the date of acquisition is determined after realigning the material accounting policies of the subsidiaries to that of the parent and the charge/(reversal) on account of realignment is adjusted to the accumulated reserves and surplus of the subsidiaries at the date of acquisition.

The consolidated financial statements are prepared using uniform accounting policies for like transactions and events in similar circumstances and necessary adjustments required for deviations, if any to the extent possible, are made in the consolidated financial statements and are presented in the same manner as the Company's standalone financial statements.

Share of minority interest in the net profit is adjusted against the income to arrive at the net income attributable to shareholders. Minority interest's share of net assets is presented separately in the balance sheet.

A change in the ownership interest of a subsidiary, without a loss of control is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it:

- a) derecognises the assets (including goodwill) and liabilities of the subsidiary;
- b) derecognises the carrying amount of any minority interest;
- c) derecognises the cumulative translation differences, recorded in foreign currency translation reserve;
- d) recognises the value of the consideration received;
- e) recognises the value of any investment retained;
- f) recognises any surplus or deficit in profit or losses;

Associates

The Group's investment in its associate is accounted for using the equity method. An associate is an entity in which the Group has significant influence.

Under the equity method, the investment in the associate is carried in the balance sheet at cost plus post acquisition changes in the Group's share of net assets of the associate. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment. The profit and loss account reflects the share of the results of operations of the associate. Unrealised gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in its associates. The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in the profit and loss account.

Joint Venture

The Group recognises its interest in the joint venture using the proportionate consolidation method as per Accounting Standard 27 – Financial Reporting of Interests in Joint Ventures as notified by the Rules. The Group combines its proportionate share of each of the assets, liabilities, income and expenses of the joint venture with similar items, line by line, in its consolidated financial statements

c) Use of estimates

The preparation of financial statements in conformity with Indian GAAP requires management to make estimates and assumptions that may affect the reported amounts of assets and liabilities and disclosures relating to contingent liabilities as at the date of the financial statements and the reported amounts of incomes and expenses during the reporting period. Although these estimates are based upon management's best knowledge of current events and actions, actual results could differ from these estimates.

d) Revenue recognition

Revenue is recognised to the extent it is probable that the economic benefits will flow to the Group and that the revenue can be reliably measured. Revenue comprises of sale of goods and services and is disclosed, net of discounts, excise duty, sales tax, service tax, VAT or other taxes, as applicable.

Sales

Revenue from sale of goods is recognised in the profit and loss account when the significant risks and rewards in respect of ownership of goods has been transferred to the buyer as per the terms of the respective sales order, and the income can be measured reliably and is expected to be received.

Fixed price contracts to deliver wind power systems (turnkey and projects involving installation and/or commissioning apart from supply) are recognised in revenue based on the stage of completion of the individual contract using the percentage-of-completion method, provided the order outcome as well as expected total costs can be reliably estimated. Where the profit from a contract cannot be estimated reliably, revenue is only recognised equalling the expenses incurred to the extent that it is probable that the expenses will be recovered.

Due from customers, if any are measured at the selling price of the work performed based on the stage of completion less interim billing and expected losses. The stage of completion is measured by the proportion that the contract expenses incurred to date bear to the estimated total contract expenses. The value of self-constructed components is recognised in 'Contracts in progress' upon dispatch of the complete set of components which are specifically identified for a customer and are within the scope of supply, as per the terms of the respective sale order for the wind power systems.. Where it is probable that total contract expenses will exceed total revenues from a contract, the expected loss is recognised immediately as an expense in the profit and loss account.

Where the selling price of a contract cannot be estimated reliably, the selling price is measured only on the expenses incurred to the extent that it is probable that these expenses will be recovered. Prepayments from customers are recognised as liabilities. A contract in progress for which the selling price of the work performed exceeds interim billings and expected losses is recognised as an asset. Contracts in progress for which interim billings and expected losses exceed the selling price are recognised as a liability. Expenses relating to sales work and the winning of contracts are recognised in the income statement as incurred.

Project execution income

Revenue from services relating to project execution is recognised on completion of the respective service, as per the terms of respective sales order.

Power generation income

Power generation income is recognised based on electrical units generated, net of wheeling and transmission loss, as applicable, as disclosed in the power generation reports issued by the concerned authorities.

Service and maintenance income

Revenue from annual service and maintenance contracts is recognised on a proportionate basis during the period in which the service is provided, net of taxes.

Interest income

Interest income is recognised on a time proportion basis taking into account the amount outstanding and the rate applicable. In case of interest charged to customers, interest is accounted for on availability of documentary evidence that the customer has accepted the liability.

Dividend income

Dividend income from investments is recognised when the right to receive payment is established.

e) Fixed assets and intangible assets

Fixed assets are stated at cost, less accumulated depreciation and impairment losses, if any. Cost includes all expenditure necessary to bring the asset to its working condition for its intended use. Own manufactured assets are capitalised inclusive of all direct costs and attributable overheads. Capital work-in-progress comprises of advances paid to acquire fixed assets and the cost of fixed assets that are not yet ready for their intended use as at the balance sheet date. In the case of new undertakings, pre-operative expenses are capitalized upon the commencement of commercial production. Assets held for disposal are stated at the lower of net book value and the estimated net realisable value.

In respect of accounting periods commencing on or after December 7, 2006, exchange differences arising on reporting of the long-term foreign currency monetary items at rates different from those that at which they were initially recorded during the period, or reported in the previous financial statements are added to or deducted from the cost of the asset and are depreciated over the balance life of the asset, if these monetary items pertain to the acquisition of a depreciable fixed asset.

Intangible assets are recorded at the consideration paid for their acquisition. Cost of an internally generated asset comprises all expenditure that can be directly attributed, or allocated on a reasonable and consistent basis, to create produce and make the asset ready for its intended use. Development cost incurred on an individual project is carried forward when its future recoverability can reasonably be regarded as assured. Any expenditure carried forward is amortised over the period of expected future sales from the related project, not exceeding five years. The carrying value of development costs is reviewed for impairment annually when the asset is not in use, and otherwise when events and changes in circumstances indicate that the carrying value may not be recoverable.

The carrying amount of the assets belonging to each cash generating unit (CGU) are reviewed at each balance sheet date to assess whether the same are recorded in excess of their recoverable amounts and where carrying amounts exceed the recoverable amount of the assets with CGU, assets are written down to their recoverable amount. The recoverable amount is the greater of the asset's net selling price and value in use. The impairment loss recognised in prior accounting period is reversed if there has been a change in estimates of recoverable amount.

f) Depreciation and amortisation

Depreciation is provided on the written down value method ('WDV') and is based on management's estimate of useful lives of the fixed assets or where applicable, at rates specified by respective statutes, whichever is higher. Intangible assets are amortised on a straight line basis over a period of five years.

Some of the subsidiaries of the Group provide depreciation on straight-line method ('SLM').

g) Inventories

Inventories of raw materials including stores; spares and consumables; packing materials; semi-finished goods; work-in-progress, contracts in progress and finished goods are valued at the lower of cost and estimated net realisable value. Cost is determined on weighted average basis.

The cost of work-in-progress, project work-in-progress, semi-finished goods and finished goods includes the cost of material, labour and manufacturing overheads.

Stock of land and land lease rights is valued at lower of cost and estimated net realisable value. Cost is determined on weighted average basis. Net realisable value is determined by management using technical estimates.

h) Investments

Investments that are readily realisable and intended to be held for not more than a year are classified as current investments. All other investments are classified as long term investments. Current investments are carried at the lower of cost and fair value, determined on an individual basis.

Long-term investments other than in associates are carried at cost. However, provision is made to recognise a decline, other than temporary, in the value of long term investments. Investments in associates are accounted for using the equity method.

i) Foreign currency transactions

Transactions in foreign currencies are recorded at the average exchange rate prevailing in the period during which the transactions occur.

Outstanding balances of, foreign currency monetary items are reported using the period end rates.

Pursuant to the notification of the Companies (Accounting Standards) Amendment Rules 2009 issued by Ministry of Corporate Affairs on March 31, 2009 amending Accounting Standard – 11 (AS - 11) 'The Effects of Changes in Foreign Exchange Rates (revised 2003), exchange differences in respect of accounting periods commencing on or after December 7, 2006, relating to long term monetary items are dealt with in the following manner:

- a) Exchange differences relating to long term foreign currency monetary items, arising during the year, in so far as they relate to the acquisition of a depreciable capital asset are added to / deducted from the cost of the asset and depreciated/recovered over the balance life of the asset.
- b) In other cases, such differences are accumulated in the "Foreign Currency Monetary Item Translation Difference Account" and amortised to the profit and loss account over the balance life of the long term monetary item but not beyond March 31, 2011.

All other exchange differences are recognised as income or expense in the profit and loss account.

Non-monetary items carried in terms of historical cost denominated in a foreign currency are reported using the exchange rate at the date of the transaction; and non-monetary items which are carried at fair value or other similar valuation denominated in a foreign currency are reported using the exchange rate that existed, when the values were determined.

Exchange differences arising as a result of the above are recognised as income or expense in the profit and loss account.

Derivatives

In case of forward contracts, the difference between the forward rate and the exchange rate, being the premium or discount, at the inception of a forward exchange contract is recognised as income/expense over the life of the contract. Exchange differences on such contracts are recognised in the profit and loss account in the reporting period in which the rates change. Any profit or loss arising on cancellation or renewal of forward exchange contract is recognised as income or as expense for the period.

As per the Institute of Chartered Accountants of India ('ICAI') announcement, accounting for derivative contracts, other than those covered under AS-11, are marked to market on a portfolio basis and the net loss after considering the offsetting effect on the underlying hedge items is charged to the profit and loss account. Net gains on marked to market basis are not recognised.

Foreign operations

The financial statements of integral foreign operations are translated as if the transactions of the foreign operations have been those of the Company itself.

In translating the financial statements of a non-integral foreign operation, the assets and liabilities, both monetary and non-monetary, are translated at the closing rate; income and expense items are translated at average exchange rates prevailing during the year and all resulting exchange differences are accumulated in a foreign currency translation reserve until the disposal of the net investment in the non-integral foreign operation.

On the disposal of a non-integral foreign operation, the cumulative amount of the exchange differences which have been deferred and which relate to that operation are recognised as income or as expenses in the same period in which the gain or loss on disposal is recognised.

When there is a change in the classification of a foreign operation, the translation procedures applicable to the revised classification are applied from the date of the change in classification.

j) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets are capitalised as part of the cost of such assets. A qualifying asset is one that necessarily takes substantial period of time to get ready for intended use. Costs incurred in raising funds are amortised equally over the period for which the funds are acquired. All other borrowing costs are charged to profit and loss account.

k) Retirement and other employee benefits

Employee benefits in the nature of defined contributions are charged to the profit and loss account of the year when the contributions to the respective funds are due. There are no other obligations other than the contribution payable to the respective statutory authorities.

Retirement benefits in the form of gratuity and pension are defined benefit obligations, and are provided for on the basis of an actuarial valuation, using projected unit credit method as at each balance sheet date.

Short-term compensated absences are provided based on estimates. Long term compensated absences are provided based for on the basis of an actuarial valuation, using projected unit credit method, as at each balance sheet date.

Actuarial gains/losses are taken to profit and loss account and are not deferred.

l) Provisions, contingent liabilities and contingent assets

A provision is recognised when the Group has a present obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to their present value and are determined based on the best estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current best estimates.

Contingent liabilities are disclosed by way of notes to accounts unless the possibility of an outflow is remote.

Contingent assets are not recognised or disclosed.

m) Taxes on income

Tax expense for a year comprises of current tax and deferred tax.

Current tax is measured at the amount expected to be paid to the tax authorities, after taking into consideration, the applicable deductions and exemptions admissible under the applicable tax laws.

Deferred tax reflects the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing difference of earlier years. Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date. Deferred tax assets and deferred tax liabilities across various companies of operation are not set off against each other as the Group does not have a legal right to do so. All deferred tax assets are recognised only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. If there is unabsorbed depreciation or carry forward of losses under tax laws, all deferred tax assets are recognised only to the extent that there is virtual certainty supported by convincing evidence that sufficient future taxable income will be available against which such deferred tax assets can be realised.

Deferred tax resulting from timing differences which originate during the tax holiday period but are expected to reverse after such tax holiday period is recognised in the year in which the timing differences originate using the tax rates and laws enacted or substantively enacted at the balance sheet date.

At each balance sheet date, the company reassesses unrecognised deferred tax assets. It recognises unrealised deferred tax assets to the extent it has become reasonably certain or virtually certain, as the case may be, that sufficient taxable income will be available against which the deferred tax can be realised.

The carrying amounts of deferred tax assets are reviewed at each balance sheet date. The company writes-down the carrying amount of a deferred tax asset to the extent that it is no longer reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available against which deferred tax asset can be realised. Any such write-down is reversed to the extent that it becomes reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available.

Minimum alternative tax (MAT) credit, by whatever name known is recognised as an asset only when and to the extent there is convincing evidence that the Group will pay income tax higher than that computed under MAT, during the period under which MAT is permitted to be set off under the applicable tax laws. In the year, in which the MAT credit becomes eligible to be recognised as an asset, the said asset is created by way of a credit to the profit and loss account and shown as MAT credit entitlement. The Group reviews the same at each balance sheet date and writes down the carrying amount of MAT credit entitlement to the extent there is no longer convincing evidence to the effect that the Group will pay income tax higher than MAT during the specified period.

n) Operating leases

Assets acquired on lease, where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Lease rentals are charged off to the profit and loss account as incurred.

o) Earnings per share

Basic earnings per share are calculated by dividing the net profit for the period attributable to equity shareholders (after deducting preference dividends and attributable taxes) by the weighted average number of equity shares outstanding during the period. The weighted average number of equity shares outstanding during the period are adjusted for any bonus shares issued during the year and also after the balance sheet date but before the date the financial statements are approved by the Board of Directors.

For the purpose of calculating diluted earnings per share, the net profit for the period attributable to equity shareholders and the weighted average number of shares outstanding during the period are adjusted for the effects of all dilutive potential equity shares.

The number of equity shares and potentially dilutive equity shares are adjusted for bonus shares as appropriate. The dilutive potential equity shares are adjusted for the proceeds receivable, had the shares been issued at fair value. Dilutive potential equity shares are deemed converted as of the beginning of the period, unless issued at a later date.

p) Employee Stock Options

Stock options granted to employees under the employees' stock option scheme are accounted as per the intrinsic value method permitted by the SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 and the "Guidance Note on Share Based Payments" issued by the ICAI. Accordingly, the excess of the market price of the shares as on the date of the grant of options over the exercise price is recognised as deferred employee compensation and is charged to profit and loss account on straight-line basis over the vesting period.

The number of options expected to vest is based on the best available estimate and are revised, if necessary, if subsequent information indicates that the number of stock options expected to vest differs from previous estimates.

q) Government grants

Government grants are recognised where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income over the period necessary to match the grant on a systematic basis to the costs that it is intended to compensate. Where the grant relates to an asset, it is set up as deferred income. Where the Group receives non-monetary grants, the asset and that grant are recorded at nominal amounts and are released to the profit and loss account over the expected useful life of the relevant asset by equal annual instalments.

r) Cash and cash equivalents

Cash and cash equivalents in the cash flow statement comprise cash at bank and in hand and short term investments with an original maturity of three months or less.

II NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. a. List of subsidiaries which are included in the consolidation and the Company's effective holdings therein are as under:

Name of the subsidiary	Country of incorporation	Effective ownership in subsidiaries as at March 31,	
		2010	2009
AE-Rotor Holding B.V.	The Netherlands	100.00%	100.00%
Cannon Ball Wind Energy Park-I, LLC	USA	100.00%	100.00%
Einundzwanzigste Vittorio Verwaltungs GmbH**	Germany	90.50%	-
Hansen Drives Limited*	India	-	61.28%
Hansen Drives Limited*	Hong Kong	-	61.28%
Hansen Drives Pte Limited*	Singapore	-	61.28%
Hansen Transmissions Inc*	USA	-	61.28%
Hansen Transmissions International NV*	Belgium	-	61.28%
Hansen Transmissions Ltd.*	United Kingdom	-	61.28%
Hansen Transmissions Mecanicas Ltda*	Brazil	-	61.22%
Hansen Transmissions Pty Ltd.*	Australia	-	61.28%
Hansen Transmissions Pty Ltd.*	South Africa	-	61.28%
Hansen Transmissions Tianjin Industrial Gearbox Co., Ltd.*	PR China	-	61.22%
Hansen Wind Energy Drives (China) Co Ltd.*	PR China	-	60.67%
Lommelpark NV*	Belgium	-	61.28%
Parque Eolico El Almendro S.L.	Spain	100.00%	-

Name of the subsidiary	Country of incorporation	Effective ownership in subsidiaries as at March 31,	
		2010	2009
PowerBlades GmbH**	Germany	46.16%	37.57%
PowerBlades SA**	Portugal	81.45%	66.29%
REpower Australia Pty Ltd.	Australia	90.50%	73.65%
REpower Benelux b.v.b.a.	Belgium	90.50%	73.65%
REpower Betriebs – und Beteiligungs GmbH	Germany	90.50%	73.65%
REpower Canada Inc	Canada	90.50%	73.65%
REpower Diekat S.A.**	Greece	54.30%	44.19%
REpower Espana S.L.	Spain	90.50%	73.65%
REpower Investitions - und Projektierungs GmbH & Co. KG	Germany	90.50%	73.65%
REpower Italia s.r.l	Italy	90.50%	73.65%
REpower North China Ltd.***	China	49.24%	-
REpower S.A.S.	France	90.50%	73.65%
REpower Systems AG	Germany	90.50%	73.65%
REpower UK Ltd.	United Kingdom	90.50%	73.65%
REpower USA Corp.	USA	90.50%	73.65%
REpower Wind Systems Trading (China) Ltd.	PR China	90.50%	73.65%
Rep Ventures - Portugal S.A.	Portugal	90.50%	-
RETC Renewable Energy Technology Centre	Germany	86.83%	86.83%
RPW Investments, SGPS, S.A.	Portugal	100.00%	-
SE Composites Limited	India	100.00%	100.00%
SE Drive Technik GmbH	Germany	100.00%	100.00%
SE Electricals Limited	India	100.00%	100.00%
SE Forge Limited	India	82.90%	82.90%
SE Solar Limited (Formerly SE Solar Private Limited)	India	100.00%	100.00%
Sunrise Wind Project Private Limited*	India	-	61.28%
Suzlon Blade Technology B.V.	The Netherlands	100.00%	100.00%
Suzlon Energia Eloica do Brasil Ltda	Brazil	100.00%	100.00%
Suzlon Energy (Tianjin) Limited	PR China	100.00%	100.00%
Suzlon Energy A/S	Denmark	100.00%	100.00%
Suzlon Energy Australia Pty. Ltd.	Australia	100.00%	100.00%
Suzlon Energy Australia RWFD Pty. Ltd.	Australia	100.00%	-
Suzlon Energy B.V.	The Netherlands	100.00%	100.00%
Suzlon Energy GmbH	Germany	100.00%	100.00%
Suzlon Energy Korea Co., Ltd.	Republic of South Korea	100.00%	100.00%
Suzlon Energy Limited	Mauritius	100.00%	100.00%
Suzlon Engitech Limited	India	100.00%	100.00%
Suzlon Generators Limited	India	75.00%	75.00%
Suzlon Gujarat Wind Park Limited	India	100.00%	100.00%
Suzlon Infrastructure Services Limited	India	100.00%	100.00%
SISL Green Infra Limited	India	100.00%	-
Suzlon North Asia Ltd	Hong Kong	100.00%	100.00%
Suzlon Power Infrastructure Limited	India	100.00%	100.00%
Suzlon Rotor Corporation	USA	100.00%	100.00%
Suzlon Structures Limited	India	75.00%	75.00%
Suzlon Towers and Structures Limited	India	100.00%	100.00%
Suzlon Wind Energy A/S	Denmark	100.00%	100.00%
Suzlon Wind Energy bH	Bosnia and Herzegovina	100.00%	-

Name of the subsidiary	Country of incorporation	Effective ownership in subsidiaries as at March 31,	
		2010	2009
Suzlon Wind Energy Bulgaria EOOD	Bulgaria	100.00%	-
Suzlon Wind Energy Corporation	USA	100.00%	100.00%
Suzlon Wind Energy Equipment Trading (Shanghai) Co. Ltd.	PR China	100.00%	100.00%
Suzlon Wind Energy Espana, S.L	Spain	100.00%	100.00%
Suzlon Wind Energy Italy s.r.l.	Italy	100.00%	100.00%
Suzlon Wind Energy Limited	United Kingdom	100.00%	100.00%
Suzlon Wind Energy Nicaragua Sociedad Anonima	Nicaragua	100.00%	100.00%
Suzlon Wind Energy Portugal Energia Elocia Unipessoal Lda	Portugal	100.00%	100.00%
Suzlon Wind Energy Romania SRL	Romania	100.00%	100.00%
Suzlon Wind Enerji Sanayi Ve Ticaret Limited Sirketi	Turkey	100.00%	100.00%
Suzlon Wind International Limited	India	100.00%	100.00%
Suzlon Windenergie GmbH	Germany	100.00%	100.00%
Suzlon Windpark Management GmbH	Germany	100.00%	100.00%
Tarilo Holding B.V.	The Netherlands	100.00%	100.00%
Valum Holding B.V.	The Netherlands	100.00%	-
WEL Windenergie Logistik GmbH	Germany	90.50%	73.65%
Windpark Blockland GmbH & Co KG	Germany	90.50%	-
Windpark Meckel/ Gilzem GmbH & Co KG	Germany	90.50%	-
Windpark Olsdorf Watt GmbH & Co. KG	Germany	100.00%	100.00%

* Hansen ceases to be subsidiary on November 24, 2009 [See Note 5]

** The Group holds 90.50% in REpower Systems AG ('REpower') and REpower holds more than 50% stake in these companies.

*** REpower North China Ltd ceased to be joint venture on March 30, 2010 and has been accounted for as a subsidiary thereafter [See Note 2]

b. List of subsidiaries which are not included in the consolidation based on materiality:

Name of the subsidiary	Country of incorporation	Effective ownership in subsidiaries as at March 31,	
		2010	2009
REpower Geothermie GmbH	Germany	90.50%	73.65%
REpower Windpark Betriebs GmbH	Germany	90.50%	73.65%
Sister – sistemas e Tecnologia de Energias renovaveis Lda	Portugal	67.88%	55.24%
Windpark Blockland GmbH & Co KG*	Germany	-	73.65%
Windpark Meckel/ Gilzem GmbH & Co* KG	Germany	-	73.65%

* consolidated during the year.

c. In respect of the following components of consolidated financial statements, the accounting policies followed by the subsidiary companies are different from that of the Company:

Components of consolidated financial statements	Particulars	Amount as at March 31, 2010	Proportion of the component
Depreciation	Some of the subsidiaries have provided depreciation on straight line method as against the written down value method followed by the Company	470.80	71.01
Accumulated depreciation	Some of the subsidiaries have provided depreciation on straight line method as against the written down value method followed by the Company	746.21	54.56
Employee compensation expenses for stock options	Some of the subsidiaries have accounted stock options granted to employees using the fair value method as against the intrinsic value method followed by the Company	26.26	77.68

2. Details of the Company's ownership interest in joint ventures, which have been included in the consolidation are as follows:-

Name of Company	%shares held	Country of incorporation	Contingent liabilities as at March 31, 2010	Capital commitments as at March 31, 2010
REpower Portugal - Sistemas Eolicos, S.A.	50.00 (50.00)	Portugal	Nil (Nil)	Nil (Nil)
REpower North (China) Ltd.*	- (50.01)	PR China	- (Nil)	- (Nil)

* REpower Systems AG acquired further 4.41% stake of REpower North China Ltd ('REpower China') during the year. Pursuant to this acquisition the same ceases to be joint venture of the Group. The transactions of REpower China till March 30, 2010 have been accounted using proportionate consolidation method as per Accounting Standard 27 – Financial Reporting of Interests in Joint Ventures as notified by the Rules and thereafter as subsidiary.

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3. Details of the Company's ownership interest in associate, which have been included in the consolidation are as follows :-

Name of Company	%shares held	Original cost of investment**	Goodwill/ (capital reserve)	Accumulated profit/(loss) as at March 31, 2010	Carrying amount of investments as at March 31, 2010
Hansen Transmissions International NV*	26.06	969.29	486.07	16.12	985.41

* Refer Note 5

** Includes proportionate share of post acquisition profits of Rs 156.10 crore pertaining to 26.06% investment in Hansen. This amount was earlier included in the profits of the Group through consolidation as subsidiary till November 2009.

4. Exceptional items

The details of exceptional items aggregating to gain of Rs 211.89 crore (Loss of Rs 896.29 crore) are as below:

- Loss on account of amortization of foreign exchange losses on all convertible bonds aggregating Rs 162.34 crore (Rs 131.35 crore) which includes Rs 120.06 crore (Rs Nil) being losses on Phase I and Phase II bonds cancelled due to buy-back and exchange.
- Gain on restructuring and refinancing of financial facilities pertaining to net gains arising from the buy- back and exchange of Phase I and Phase II bonds after offsetting various costs incurred in connection with the buy-back and exchange including consent fees and expenses of merchant bankers, etc.
- Blade retrofit/replacement costs pertaining to blade restoration and retrofit costs, including consequential generation/availability guarantee costs.
- Mark-to-market losses are in respect of foreign exchange contracts taken for hedging purposes.
- Profit on sale of stake in Hansen Transmissions International NV aggregating Rs 251.96 crore (Rs Nil).

Exceptional items for the prior year comparatives include amounts in respect of items which have been classified as exceptional in current year.

5. On November 24, 2009, AE-Rotor Holding B.V. ('AERH'), a wholly owned subsidiary of the Company has sold 35.22% of equity stake in Hansen Transmissions International NV ('Hansen'). Following this disposal, the Group has a voting and economic interest in Hansen of 26.06% as a result of which Hansen ceased to be subsidiary of the Company. Hence, the consolidated financial figures for the year ended March 31, 2010 inter alia include the financial figures of Hansen till November 30, 2009 as subsidiary and subsequently as an associate. The profit on sale of investment in Hansen has been shown under exceptional items

6. On July 24, 2009, the Company raised USD 108.04 Million (Rs 522.97 crore) through issuance of 14,600,000 Global Depository Receipts ('GDR') representing 58,400,000 equity shares of Rs 2 each at a price of Rs 89.55 per equity share of Rs 2 each. The issue price of each GDR is USD 7.40 and the GDRs are listed on the Luxembourg Stock Exchange and were admitted for trading on London Stock Exchange. The holders of GDR do not have voting rights with respect to the shares represented by the GDRs, but are entitled to dividends on those shares. The Company has incurred Rs 11.07 crore during the year on account of issue expenses towards the issue of Global Depository Receipts which have been adjusted against Securities Premium.

7. Foreign currency convertible bonds

(a) Initial terms of issue:

On June 11, 2007 the Company made an issue of zero coupon convertible bonds aggregating USD 300 million (Rs 1,223.70 crore) [Phase I bonds]. Further, on October 10, 2007, the Company has made an additional issue of zero coupon convertible bonds aggregating USD 200 million (Rs 786.20 crore) [Phase II bonds].

The key terms of these bonds were as follows:

Particulars	Phase I	Phase II
Issue size (USD million)	300 million	200 million
Face value per bond (in USD)	1,000	1,000
No. of equity shares / bond	113.50	107.30
Initial conversion price / share (Rs)	359.68	371.55
Fixed exchange rate (Rs / USD)	40.83	39.87
Redemption amount as a % of principal amount (in %)	145.23	144.88
Maturity date	June 12, 2012	October 11, 2012

(b) Restructuring of Phase I and Phase II bonds:

During the year, the Company has restructured Phase I and Phase II Zero Coupon Convertible Bonds with an approval of the Reserve Bank of India ('RBI') and the bondholders were offered the following options as part of the restructuring;

Buyback of bonds @ 54.55% of the face value of US \$ 1000 per bond.

Issue of new bonds in place of old bonds at a fixed ratio of 3:5 (60 cents to dollar) bearing a coupon of 7.5 per cent per annum, payable semi-annually. Unless previously redeemed, converted or purchased and cancelled, the Company will redeem each Phase I New Bond at 150.24 per cent of its principal amount and each Phase II New Bond at 157.72 per cent of its principal amount on the relevant Maturity Date. The conversion price is set at Rs 76.68 per share. These bonds do not have any financial covenants and are of the same maturity as the old bonds.

Consent fee of USD15 Million to be paid across both the series, for those bondholders who consent to the relaxation of covenants.

As a result of the restructuring, the outstanding position of the foreign currency convertible bonds is as follows;

Particulars	Phase I Bonds (USD)	Phase II Bonds (USD)	Total (USD)
Old bonds exchanged [A]	59,332,000	34,672,000	94,004,000
New Bonds issued in the ratio of 3:5 [B]	35,592,000*	20,796,000	56,388,000*
Bonds bought back for cash [C]	29,366,000	43,960,000	73,326,000
Cash paid for buyback [D]	16,019,702	23,980,180	39,999,882
Old bonds outstanding [E]	211,302,000	121,368,000	332,670,000
Value of total bonds outstanding [F]=[B]+[E]	246,894,000	142,164,000	389,058,000
Value of old bonds [G]=[A]+[C]+[E]	300,000,000	200,000,000	500,000,000
Consent fee paid	11,846,947	1,869,863	13,716,810
Maturity date	June 12, 2012	October 11, 2012	
Redemption amount as a % of principal amount of New Bonds (%)	150.24	157.72	
Redemption amount as a % of principal amount of Old Bonds (%)	145.23	144.88	

* 19,000 bonds have been converted into equity shares during the year.

(c) Issue of New Bonds during the year:

On July 24, 2009, the Company made an issue of Zero Coupon Convertible Bonds due 2014 for a total amount of USD 93.87 million (approximately Rs 452.64 crore) at an issue price of 104.30% of the principal amount of USD 90.00 million comprising of 90,000 Zero Coupon Convertible Bonds due 2014 of USD 1,000 each ('Phase III Bonds'), which are:

- convertible by the holders at any time on or after September 2, 2009 but prior to close of business on July 18, 2014. Each bond will be converted into 533.2762 fully paid up equity shares with face value of Rs 2 per share at an initial conversion price of Rs 90.38 per equity share of Rs 2 each at a fixed exchange rate conversion of Rs 48.1975 = USD 1.
- redeemable in whole but not in part at the option of the Company if less than 10 percent of the aggregate principal amount of the Bonds originally issued is outstanding, subject to satisfaction of certain conditions.
- redeemable on maturity date at 134.198% of its principal amount, if not redeemed or converted earlier.

The Company has incurred Rs 5.31 crore during the year on account of issue expenses towards the issue of Phase III Bonds which have been adjusted against Securities Premium.

(d) Redemption Premium:

The Phase I, Phase II, Phase I New, Phase II New, and Phase III bonds are redeemable subject to satisfaction of certain conditions mentioned in the offering circular and have hence been designated as monetary liability.

The Company has not provided for the proportionate premium on these bonds aggregating Rs 377.22 crore (Rs 226.11 crore) as shown below:

Phase	March 31, 2010	March 31, 2009
Phase I	221.09	154.73
Phase II	109.98	71.38
Phase I (new)	18.53	Nil
Phase II (new)	10.98	Nil
Phase III	16.64	Nil
Total	377.22	226.11

In the opinion of the management, the likelihood of redemption of these bonds cannot presently be ascertained. Accordingly no provision for any liability has been made in the financial statements and hence the proportionate premium has been shown as a contingent liability. The Company has adequate securities premium to absorb the proportionate premium on redemption as at March 31, 2010.

(e) Developments post year-end:

The Company has convened meetings of each of the Bondholders on April 29, 2010 and following are some of the key developments:

The conversion provide of the Phase I bonds has been changed from Rs 359.68 per equity share to Rs 97.26 per equity share and for Phase II bonds from Rs 371.55 per equity share to Rs 97.26 per equity share, subject to adjustments in accordance with terms and conditions of the bonds.

The revised floor price in respect of Phase I and Phase II bonds is Rs 74.025 per equity share.

The fixed exchange rate is changed to 1USD=Rs 44.60 from 1USD=Rs 40.83 for Phase I bonds and 1USD=Rs 39.87 for Phase II bonds

8. Suzlon Energy Limited along with some of its Indian subsidiaries, collectively referred as "Suzlon Entities" have executed a debt Consolidation and Refinancing Arrangement (the 'Arrangement') on February 5, 2010 with a consortium comprising of various banks and financial institutions ('Consortium') lead by the State Bank of India as the Facility Agent and SBI Cap Trustee Company Limited as the Security Trustee.

The entities covered includes Suzlon Energy Limited, Suzlon Towers and Structures Limited ('STSL'), Suzlon Infrastructure Services Limited ('SISL'), Suzlon Structures Limited ('SSL'), Suzlon Power Infrastructure Limited ('SPIL'), Suzlon Generators Limited ('SGL'), Suzlon Gujarat Windpark Limited ('SGWL'), SE Electricals Limited ('SEEL'), Suzlon Wind International Limited ('SWIL'), SE Composites Limited ('SECL'), Suzlon Engitech Limited ('SENL') (hereinafter collectively referred to as the 'Suzlon Entities' or individually as the 'Borrower').

Per the Arrangement, the Consortium has combined the loan facilities sanctioned for the Suzlon Entities referred above, and a consolidated loan amount has been sanctioned, which will be allocated between the above Suzlon Entities based on business requirements. The Arrangement covers rupee term loans, fund based working capital facilities and non-fund based working capital facilities. The Arrangement also covers the earlier sanctioned loans/debentures, which have either been continued or converted into a new loan facility, as the case may be. The facilities sanctioned by the Consortium, the drawdown status of the various facilities as at March 31, 2010 and the repayment periods are summarised below:

Type of Facility	Amount Sanctioned for Suzlon Entities (As at March 31, 2010)	Amount of Drawdown/ utilisation (As at March 31, 2010)	Repayment period
Term Loans	3,213	2,942	24 quarterly repayments starting from October – December 2011
Term Loans (Acquisition Loans) The acquisition loan is refinanced with SBI facility of \$465 million (availed in SE Drive Technik GmbH \$ 464 million and RPW \$ 1 million)	2,088	2,088	To be repaid in 12 quarterly structured installments commencing at the end of the 1 st quarter after the moratorium commencing from 31 st December 2011 and ending 30 th September 2014
Working Capital Term Loan	837	467	Repayable within 24 months from the date of disbursement
Fund Based Working Capital	1,755	2,063	As and when due
Non-Fund Based Facilities	3,992	1,950	As and when due
Total	9,797	7,422	

Further the Group also completed the refinancing of outstanding acquisition loans of Rs 3,846 crore raised on Suzlon Energy Limited, Mauritius, SE Drive Technik GmbH, Germany, and AE Rotor Holdings BV, Netherlands which were raised for the purpose of acquisition of REpower and Hansen by partly raising fresh US\$ facilities of US\$ 465 million and partly through the sale proceeds of Hansen Stake.

Suzlon Entities have incurred an amount of approximately Rs 259.09 crore, towards consultancy and processing charges in regard to the Arrangement, the cost of which will be amortised over the tenure of respective facilities.

Details of security for the secured loans in consolidated financial statements are as follows:

(i) Term Loans from banks and financial institutions

Rs 2,377.86 crore (Rs Nil) secured by first charge on all present and future movable and immovable assets, (excluding certain identified assets) as well as current assets of the Suzlon Entities and also by pledge / negative lien of shares of certain subsidiaries of the company and personal guarantee of directors.

Rs 2,087.88 crore (Rs Nil) secured by pledge of shares of subsidiary/associate, and pari-passu charge on current and future movable and immovable assets of the Suzlon entities, and corporate guarantee of the Suzlon entities.

Rs 1.70 crore (Rs Nil) secured by way of first charge on WTG Assets and land and all receivables out of the income generated from WTG assets and personal guarantee of directors and corporate guarantee of the company.

Rs Nil (Rs 3,401.99 crore) secured against pledge/ negative lien on shares of certain subsidiaries and corporate guarantee of the Company.

Rs Nil (Rs 1,316.65 crore) secured by way of first rank mortgage and floating charge on assets.

Rs Nil (Rs 564.31 crore) secured by way of first charge on certain immovable and movable fixed assets and second charge on current assets.

Rs Nil (Rs 400.00 crore) secured by way of first charge on certain immovable and movable fixed assets, second charge on current assets, first mortgage and charge on fixed asset of subsidiary and pledge of share of subsidiary.

Rs 263.29 crore (Rs 94.36 crore) secured by way of charge on land and assignments of electricity proceeds.

Rs Nil (Rs 80.65 crore) secured by charge on moveable properties and receivables of the power generated from windmill.

Rs 18.13 crore (Rs 59.00 crore) secured by way of mortgage of plant and machinery and other fixed assets, hypothecation on current assets and corporate guarantee of the Company.

Rs 416.64 crore (Rs 26.17 crore) secured by way of first charge on all plant and machinery and other fixed assets and second charge on all current assets and corporate guarantee of a Group Company.

Rs Nil (Rs 17.75 crore) secured by hypothecation of plant and machinery and other fixed assets.

Rs Nil (Rs 11.17 crore) secured by way of first charge on certain immovable and movable fixed assets and second charge on current assets, personal guarantee of directors and corporate guarantee of the Company.

Rs Nil (Rs 5.08 crore) secured by way of first charge on windmills, land, personal guarantee of directors and corporate guarantee of the Company.

Rs 42.97 crore (Rs 4.86 crore) secured by way of first charge on specific plant and machinery, land, second charge on windmills and corporate guarantee of the Company.

Rs 35.18 crore (Rs Nil) secured against first charge on land, building and equipments, inventory, receivables and other current assets and Corporate guarantee of the company.

(ii) Term loans from others

Rs 600.00 crore (Rs Nil) secured by first charge on all present and future movable and immovable assets, (excluding certain identified assets) as well as current assets of the Suzlon Entities and also by pledge / negative lien of shares of certain subsidiaries of the company and personal guarantee of directors.

Rs 9.41 crore (Rs 14.83 crore) secured by way of first charge on certain immovable and movable fixed assets, second charge on current assets and movable fixed assets.

Rs 2.13 crore (Rs 2.92 crore) secured by charge on certain windmills, receivables of the power generation from windmills and mortgage of land.

(iii) Working capital facilities from banks and financial institutions

Rs 2,085.08 crore (Rs Nil) secured by first charge on all present and future movable and immovable assets, (excluding certain identified assets) as well as current assets of the Suzlon Entities and also by pledge / negative lien of shares of certain subsidiaries of the company and personal guarantee of directors.

Rs 144.01 crore (Rs 3,898.82 crore) secured by hypothecation of inventories, book debts and other current assets, both present and future and first and second charge on certain immovable and movable fixed assets.

Rs 13.03 crore (Nil) secured against first charge on land, building and equipments, inventory, receivables and other current assets and Corporate guarantee of the company.

Rs Nil crore (Rs 49.04 crore) secured by hypothecation of inventories, book debts and other current assets, both present and future, second charge on certain immovable fixed assets and personal guarantee of the director.

Rs Nil crore (Rs 15.20 crore) secured by lien on inventories, book debts, all deposit accounts, certain fixed assets and corporate guarantee of the Company.

Rs 23.31 crore (Rs 13.20 crore) secured by hypothecation of all current assets, second charge on fixed assets and corporate guarantee of the Company.

(iv) Vehicle loan

Rs 2.74 crore (Rs 0.62 crore) secured against vehicle under hire purchase contract.

9. The Tamil Nadu State Electricity Board ('TNEB') through a circular has been charging Infrastructure Development Charges ('IDC') to Wind Energy Developers towards recovery of cost by TNEB towards infrastructure facilities provided to the wind energy generators to evacuate their power till the state grid. After the enactment of the Electricity Act, 2003 Indian Wind Energy Association ('InWEA') approached the Tamil Nadu Electricity Regulatory Commission ('State Commission') challenging the legality of the IDC levied by TNEB. The State Commission ruled in favour of the InWEA and by order dated September 9, 2008 ruled that TNEB has no jurisdiction to issue such a circular imposing IDC and that charging IDC is in contravention of section 32(3) of the Act especially when TNEB had not approached the State Commission for levy of IDC. TNEB appealed against this order of the State Commission to the Appellate Tribunal for Electricity ('Tribunal'). The Tribunal ruled in favour of TNEB vide its order dated January 8, 2010. The InWEA filed a Civil Appeal against the order of the Tribunal in the Supreme Court and the matter is pending the hearing of the Supreme Court. The Company has obtained a legal opinion which states that InWEA (and consequently the Company) has a strong case. The amount under dispute as at March 31, 2010 aggregates to Rs 59.65 crore.

10. Disclosures pursuant to Accounting Standard-7 (AS-7) 'Construction Contracts'

Particulars	April 1, 2009 to March 31, 2010	April 1, 2008 to March 31, 2009
Contract revenue recognised during the year	11,848.15	16,551.40
Particulars	As at March 31,	
	2010	2009
Aggregate amount of contract cost incurred and recognised profits (less recognised losses) for all contracts in progress up to the reporting date	6,796.66	12,691.80
Amount of customer advances outstanding for contracts in progress up to the reporting date	1,627.21	Nil
Retention amount due from customers for contract in progress up to the reporting date	8.33	712.79
Due from customers	2,968.19	3,345.71
Due to customers	483.85	13.52

11. Employee stock option scheme

The Company has provided various Employee Stock Option Schemes to its employees. During the year ended March 31, 2010 the following schemes were operation:

Particulars	ESOP 2005	ESOP 2006	ESOP 2007	ESOP Perpetual-I (Tranche I)	ESOP Perpetual-I (Tranche II)
Date of grant	June 16, 2005	November 23, 2007	May 21, 2009	October 5, 2009	January 30, 2010
Date of Board approval	March 25, 2005	January 29, 2007	April 15, 2008	June 16, 2008	June 16, 2008
Date of shareholder approval	June 16, 2005	March 10, 2007	May 22, 2008	August 13, 2009	August 13, 2009
Number of options granted	4,605,000	519,500	1,878,000	10,916,787	135,000
Method of settlement	Equity	Equity	Equity	Equity	Equity
Vesting period					
- Tranche 1	June 16, 2006	November 23, 2008	May 21, 2010	October 5, 2010	January 30, 2011
- Tranche 2	June 16, 2007	November 23, 2009	May 21, 2011	October 5, 2011	January 30, 2012
- Tranche 3	June 16, 2008	November 23, 2010	-	October 5, 2012	January 30, 2013
Vesting %					
Tranche 1	30%	50%	75%	50%	50%
Tranche 2	30%	25%	25%	25%	25%
Tranche 3	40%	25%	-	25%	25%
Exercise period	Till June 16, 2011	Till November 23, 2013	Till May 21, 2015	Till October 5, 2014	Till January 30, 2015

The movement in the stock options during the year ended March 31, 2010 was as per the table below:

Particulars	ESOP 2005	ESOP 2006	ESOP 2007	ESOP Perpetual-I (Tranche I)	ESOP Perpetual-I (Tranche II)
Opening balance of options outstanding	379,000	441,500	Nil	Nil	Nil
Granted during the year	Nil	Nil	1,878,000	10,916,787	135,000
Forfeited/ cancelled during the year	7,000	58,500	179,000	712,291	Nil
Exercised during the year	24,000	Nil	Nil	Nil	Nil
Expired during the year	Nil	Nil	Nil	Nil	Nil
Closing balance of options outstanding	348,000	383,000	1,699,000	10,204,496	135,000
Exercisable at the end of the year (Included in closing balance of option outstanding)	348,000	287,250	Nil	Nil	Nil

The movement in the stock options during the year ended March 31, 2009 was as per the table below:

Particulars	ESOP 2005	ESOP 2006
Opening balance of options outstanding	1,858,000	519,500
Granted during the year	Nil	Nil
Forfeited/cancelled during the year	118,000	78,000
Exercised during the year	1,361,000	Nil
Expired during the year	(Nil)	Nil
Closing balance of options outstanding	379,000	441,500
Exercisable at the end of the year (Included in closing balance of option outstanding)	379,000	192,000

The weighted average share price during the year ended March 31, 2010 was approximately Rs 87.83 (Rs 89.65) per share.

Fair value of the option

The Company applies intrinsic value based method of accounting for determining compensation cost for Scheme I, Scheme II, Scheme III and Scheme IV. Following are the details of the amount charged to profit and loss account, rate per option, and cost per option calculated based on 'Black-Scholes' Model:

Particulars	ESOP 2005 Scheme I	ESOP 2006 Scheme II	ESOP 2007 Scheme III	ESOP Perpetual-I (Tranche I) Scheme IV		ESOP Perpetual-I (Tranche II) Scheme V	
				Non-US	US	Non-US	US
Charge to profit and loss account	Nil (1.04)	0.28 (3.93)	0.28 (Nil)	6.98 (Nil)		0.01 (Nil)	
Rate per option (Rs)	51.00	182.60	2.20	22.25	4.75	15.45	Nil
'Black-Scholes' Model – Cost per option (Rs)	56.76 (63.34)	246.77 (272.37)	51.31 (Nil)	50.86 (Nil)	45.03 (Nil)	45.25 (Nil)	40.32 (Nil)

If the Cost per option was calculated based on the 'Black-Scholes' model, the loss after tax would have been higher by Rs 18.15 crore (Rs 1.55 crore).

Consequently the basic and diluted earnings/(loss) per share after factoring the above impact would be as follows:

Particulars	As at March 31,	
	2010	2009
Earnings per share		
- Basic	(6.51)	1.57
- Diluted	(6.51)	1.51

12. Other notes

- a) REpower Systems AG ('REpower'), a subsidiary of the Company had issued profit participation certificates of EURO 10 Million in May 2004. For profit participation certificates, a basic interest rate of 7.90% in addition to a variable interest rate dependent on net income is paid. The participation right has a maturity of seven years and the same falls due at the end of May 2011 and the same has been disclosed under unsecured loans.

- b) The profit and loss account of the Company includes a charge of Rs 91.13 crore (Rs 100.46 crore) on account of design change and technological upgradation charges and Rs 123.37 crore (Rs 113.26 crore) on account of operation and maintenance charges, part of which have got eliminated on consolidation. However, the costs incurred by the subsidiary for rendering the services/ affecting the sales have been booked under various expenditure heads based on their nature.
- c) Miscellaneous income includes income in the nature of government grant pertaining to Hansen aggregating Rs 18.31 crore (Rs 54.31 crore). The balance of deferred grants as of the date of sale of investment in Hansen has been adjusted against the sale consideration received. Other current liabilities include deferred grants of Rs Nil (Rs 47.43 crore).
- d) Net foreign exchange losses aggregating Rs 89.47 crore (losses Rs 528.80 crore) on long term foreign currency monetary items have been adjusted in the foreign currency monetary item translation difference account during the year. Further, foreign exchange losses aggregating Rs 233.76 crore (Rs 130.79 crore) have been amortised during the year.

13. Operating leases

Premises

Expenses under cancellable operating lease and rental contracts during the year is Rs 41.13 crore (Rs 33.85 crore).

Expenses under non-cancellable operating lease and rental contracts during the year is Rs 79.61 crore (Rs 84.25 crore).

Maximum financial obligations from long-term non-cancellable operating lease and rental contracts as per the respective agreement is as follows:

Obligation on non-cancellable operating leases	Year ended March 31,	
	2010	2009
Not later than one year	239.43	74.89
Later than one year and not later than five years	506.18	159.37
Later than five years	873.40	59.08

14. Post employment benefits

Net employees benefit expense recognised in the profit and loss account:

Particulars	Year ended March 31,	
	2010	2009
Current service cost	8.26	8.05
Interest cost on benefit obligation	3.26	3.28
Expected return on plan assets	(1.98)	(2.15)
Net actuarial loss recognised in the year	(0.56)	3.38
Past service cost	-	(0.07)
Net Benefit expense	8.98	12.49

Details of defined benefit obligation

Particulars	Year ended March 31,	
	2010	2009
Defined benefit obligation	17.20	70.77
Fair value of plan assets	12.44	49.36
Present value of unfunded obligations	4.76	21.41
Less: Unrecognised past service cost	Nil	Nil
Plan Liability	4.76	21.41

Changes in the present value of the defined benefit plan are as follows:

Particulars	Year ended March 31,	
	2010	2009
Opening defined benefit obligation	70.77	54.06
Interest cost	3.25	3.28
Current service cost	8.26	8.05
Benefits paid	(3.00)	(3.09)
Actuarial losses on obligation	6.39	5.36
Exchange rate variation	-	3.11
Reduction in obligation due to sale of investment in subsidiary*	(68.45)	-
Closed defined benefit obligation	17.22	70.77

* See Note 5.

Changes in the fair value of plan assets are as follows:

Particulars	Year ended March 31,	
	2010	2009
Opening fair value of plan assets	49.36	39.76
Expected return	2.00	2.15
Contributions by employer	8.01	9.87
Benefits paid	(2.77)	(3.07)
Actuarial gains / (losses)	0.30	(1.56)
Exchange rate variation	-	2.21
Reduction in fair value due to sale of investment in subsidiary*	(44.46)	-
Closing fair value of plan assets	12.44	49.36

* See Note 5.

Amounts for the current and previous periods are as follows:

Particulars	Year ended March 31,			
	2010	2009	2008	2007
Defined benefit obligation	17.22	70.77	54.06	53.92
Plan assets	12.44	49.36	39.76	33.77
Surplus / (deficit)	4.76	21.41	14.30	20.15
Experience adjustments on plan liabilities	(0.14)	Nil	Nil	Nil
Experience adjustments on plan assets	0.07	Nil	Nil	Nil

The company adopted the Accounting Standard 15 (revised), Employee Benefits from the year ended March 31, 2007, hence this information has been disclosed for the period four years.

The principal assumptions with respect to discount rate, expected return on plan assets, salary escalation rate and attrition rate used in determining the defined benefit plan obligations differs from subsidiary to subsidiary.

The estimates of future salary increases take into account the inflation, seniority, promotion and other relevant factors.

15. Provisions

In pursuance of Accounting Standard-29 (AS-29) "Provisions, Contingent Liabilities and Contingent Assets", the provisions required have been incorporated in the books of accounts in the following manner:

Particulars	Performance guarantee	Operation, maintenance and warranty	Provision for liquidated damages
Opening balance	158.38 (283.39)	663.60 (280.92)	61.15 (30.69)
Additions due to acquisition	- (-)	29.80 (127.28)	- (-)
Additions	203.52* (470.38)	606.45 (460.97)	216.52 (284.33)
Utilisation	265.60 (595.39)	452.47 (205.57)	213.30 (253.87)
Deduction due to disposal	- (-)	62.32 (-)	- (-)
Reversal	- (-)	- (-)	1.47 (-)
Closing balance	96.30 (158.38)	785.06 (663.60)	62.90 (61.15)

* includes Rs Nil (Rs 189.51 crore) classified as exceptional item.

The provision for performance guarantee (PG) represents the expected outflow of resources against claims for performance shortfall expected in future over the life of the guarantee assured. The period of PG varies for each customer according to the terms of the contract. The key assumptions in arriving at the PG provision are wind velocity, plant load factor, grid availability, load shedding, historical data, wind variation factor, machine availability etc.

The provision for operation, maintenance and warranty (O&M) represents the expected liability on account of field failure of parts of WTG and expected expenditure of servicing the WTGs and components thereof over the period of free O&M, which varies according to the terms of each sales order.

The closing balance of the provision for operation, maintenance and warranty in the balance sheet represents the amount required for operation, maintenance and warranty for the unexpired period on WTGs and components thereof, on the field under warranty. The break-up of charge to profit and loss account of "provision for operation, maintenance and warranty" is as under:

- a) Amount of provision required for the WTGs sold during the year Rs 606.45 crore (Rs 460.97 crore)
- b) Less: Utilization against opening provision, booked by the subsidiary under various expenditure heads by their nature amounting to Rs 77.73 crore (Rs 94.25 crore)
- c) Charge to profit and loss account Rs 528.72 crore (Rs 366.72 crore)

Provision for liquidated damages (LD) represents the expected claims which the Group may need to pay for non fulfilment of certain commitments as per the terms of the sales order. These are determined on a case to case basis considering the dynamics of each individual sales order and the factors relevant to that sale.

16. Break-up of the accumulated deferred tax asset/ (liability), net is given below:

Particulars	As at March 31	
	2010	2009
Deferred tax assets:		
Unabsorbed losses and depreciation	111.96	168.93
Employee benefits	0.39	12.05
Provision for guarantee and warranty	49.35	114.33
Provision for doubtful debts	0.62	7.89
Others	86.09	27.02
(a)	248.41	330.22
Deferred tax liabilities		
Difference in depreciation of fixed assets	129.89	375.73
Others	214.99	141.30
(b)	344.88	517.03
Deferred tax liabilities (net) [(c)-(b)]	(96.47)	(186.81)

The deferred tax assets on unabsorbed losses and depreciation pertain to the subsidiaries of Suzlon Energy Limited. The subsidiaries have sufficient orders on hand which would result into tax liabilities sufficient to realise the deferred tax assets.

17. Earnings / (loss) per Share ('EPS')

All amounts in Rupees crore except per share data

Particulars		As at March 31,	
		2010	2009
Basic			
Net Profit / (loss) after share of profit of associates and minority interest		(982.56)	236.48
Less: Preference dividend and tax thereon		0.20	Nil
Profit attributable to equity shareholders	A	(982.76)	236.48
Weighted average number of equity shares	B	1,538,477,796	1,497,932,537
Basic earnings/ (loss) per share of Rs 2 each	A/B	(6.39)	1.58
Diluted			
Net Profit / (loss) after share of profit of associates and minority interest	C	(982.56)	236.48
Less: Interest on foreign currency convertible bonds	D	17.54	0.00
Adjusted net profit(loss)/ after tax	E=C-D	(962.02)	236.48
Weighted average number of equity shares	F	1,538,477,796	1,497,932,537
Add: Equity shares for no consideration arising on grant of share options	G	1,066,418	28,507
Add: Potential equity shares that could arise on conversion of zero coupon convertible bonds	H	102,922,093	55,516,717
Weighted average number of equity shares for diluted EPS	I = (F+G+H)	1,642,466,307	1,553,477,761
Diluted earnings/ (loss) per share (Rs) of face value of Rs 2 each [see note below]*		(6.39)	1.52

*Since the earnings/(loss) per share computation based on diluted weighted average number of shares is anti-dilutive, the basic and diluted earnings/(loss) per share is the same.

18. Statement showing the use of proceeds from Global Depository Receipts (GDR) upto March 31, 2010

On July 24, 2009, the Company raised USD 108.04 Million (Rs 522.97 crore) through issuance of 14,600,000 Global Depository Receipts (GDRs) representing 58,400,000 equity shares of Rs 2 each at a price of Rs 89.55 per equity share of Rs 2 each. The details of utilization of GDR proceeds are given below:

Sr. No.	Particulars	As at March 31, 2010
I	Sources of funds	
	Proceeds from Issue	522.97
	Issue Expenses	(11.07)
	Net Proceeds	511.90
II	Utilisation of funds	
	Repayment of bank borrowings	382.00
	Working capital requirement and general corporate purposes	66.39
	Loans to subsidiaries for capital expenditure and working capital requirement	63.51
	Total	511.90
III	Unutilised funds	Nil

19. Managerial remuneration to Directors

Particulars	Year ended March 31,	
	2010	2009
Salaries	2.23	1.26
Contribution to superannuation fund and provident fund	0.15	0.21
Sitting Fees	0.07	0.07
Total	2.45	1.54

The directors are covered under the Company's scheme for gratuity along with the other employees of the Company. The proportionate amount of gratuity attributable to directors is not ascertainable, and therefore, not included above.

In view of the losses made during the year, the managerial remuneration paid is in excess of the limits specified in Section II of Part II of Schedule XIII to the Companies Act, 1956. The Company intends to pass special resolution approving the payment of managerial remuneration, and apply to the Central Government for necessary approval u/s 198 of the Companies Act, 1956.

20.**a. Contingent liabilities**

Particulars	As at March 31	
	2010	2009
Premium on redemption of zero coupon convertible bonds	377.22	226.11
Disputed Infrastructure Development Charges (See Note 9)	59.65	-
Claims against the Group not acknowledged -		
Excise, custom, service and vat	12.94	20.76
Income-tax	12.71	15.23
State levies	4.16	3.98
Labour related	0.02	0.16
Suppliers and service providers	71.85	27.01
Cumulative preference share dividend of subsidiary payable to minority	0.47	0.20
Others	4.51	2.42

b. Capital commitments

Particulars	As at March 31	
	2010	2009
Guarantees given in connection with acquisition of shares of REpower	Nil	1,385.42
Estimated amount of contracts remaining to be executed on capital accounts and not provided for, net of advances	114.67	1,069.59

21. Derivative instruments and unhedged foreign currency exposure

Particulars of derivatives	Purpose	
Forward contract outstanding as at balance sheet date:		
Buy EURO 740,141 (EURO 17,778,459)	Hedge of forex EURO liabilities	
Buy USD 28,029,780 (USD 96,334,246)	Hedge of forex USD liabilities	
Buy CAD Nil (CAD 4,733,000)	Hedge of forex CAD liabilities	
Sell USD 86,411,076 (USD 186,439,861)	Hedge of forex USD receivable	
Sell EURO Nil (EURO 55,236,982)	Hedge of forex EURO receivable	
Sell AUD 38,800,000 (AUD 61,500,000)	Hedge of forex AUD receivable	
Option contract outstanding as at balance sheet date:		
USD Nil (5.50 crore) zero cost 1:1.5 forward put options outstanding		
USD Nil (24.62 crore) long European knock in option outstanding		
USD 0.04 crores (Nil) put option outstanding		
Particulars of unhedged foreign currency exposure as at the balance sheet		
Particulars	As at March 31,	
	2010	2009
Current liabilities	3,423.72	1,755.14
Debtors	4,049.17	230.29
Loans received	2718.40	1,874.06
Bank balance in current accounts and term deposit accounts	79.98	108.37
Zero coupon convertible bonds	2,150.89	2,535.50

22. Related party disclosures

(A) Related parties with whom transactions have taken place during the year

a) Associate

Hansen Transmission International N V

b) Joint Venture

REpower Portugal - Sistemas Eolicos, S.A., Repower North (China) Ltd.

c) Entities where Key Management Personnel (KMP)/ Relatives of Key Management Personnel ('RKMP') has significant influence

Sarjan Realities Limited, Synefra Engineering & Construction Limited (Formerly Suzlon Infrastructure Limited), Shubh Realty (South) Private Limited, Tanti Holdings Private Limited (Formerly Tanti Holdings Limited), Suzlon Foundation, Girish R. Tanti (HUF), Sanman Holdings Private Limited, SE Energy Park Limited.

d) Key Management Personnel of Suzlon Energy Limited

Tulsi R. Tanti, Girish R. Tanti

e) **Relatives of Key Management Personnel of Suzlon Energy Limited**

Vinod R. Tanti, Jitendra R. Tanti

f) **Employee Funds**

SE Composites Limited	Superannuation Fund
SE Composites Limited	Employees Group Gratuity Scheme
SE Electricals Limited	Superannuation Fund
SE Electricals Limited	Employees Group Gratuity Scheme
Suzlon Energy Limited	Superannuation Fund
Suzlon Energy Limited	Employees Group Gratuity Scheme
Suzlon Generators Limited	Superannuation Fund
Suzlon Generators Limited	Employees Group Gratuity Scheme
Suzlon Gujarat Wind Park Limited	Superannuation Fund
Suzlon Gujarat Wind Park Limited	Employees Group Gratuity Scheme
Suzlon Infrastructure Services Limited	Superannuation Fund
Suzlon Infrastructure Services Limited	Employees Group Gratuity Scheme
Suzlon Power Infrastructure Limited	Superannuation Fund
Suzlon Power Infrastructure Limited	Employees Group Gratuity Scheme
Suzlon Structures Limited	Employees Group Gratuity Scheme
Suzlon Towers & Structure Limited	Superannuation Fund
Suzlon Towers & Structure Limited	Employees Group Gratuity Scheme
Suzlon Wind International Limited	Superannuation Fund
Suzlon Wind International Limited	Employees Group Gratuity Scheme

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(B) Transactions between the Group and related parties during the year and the status of outstanding balances as at March 31, 2010

Particulars	Associate	Joint Venture	Entities where KMP/ RKMP has significant influence	KMP	RKMP	Employee Funds
Transactions						
Purchase of fixed assets (including intangibles)	- (-)	- (-)	5.44 (173.13)	- (-)	- (-)	- (-)
Sale of fixed assets	- (-)	- (-)	1.02 (-)	- (-)	- (-)	- (-)
Sale of goods and services	- (-)	77.17 (190.35)	0.60 (0.43)	0.31 (0.06)	0.29 (0.06)	- (-)
Purchase of goods and services	- (-)	- (-)	56.99 (30.74)	- (-)	- (-)	- (-)
Loans given	- (-)	- (-)	12.64 (220.97)	- (-)	- (-)	- (-)
Loans taken	- (-)	- (-)	1175.00 (148.00)	- (-)	- (-)	- (-)
Share application money received	- (-)	- (-)	- (200.00)	- (-)	- (-)	- (-)
Share application money refunded	- (-)	- (-)	95.00 (105.00)	- (-)	- (-)	- (-)
Deposits given	- (-)	- (-)	1.20 (122.37)	- (0.02)	- (-)	- (-)
Interest income	- (-)	- (-)	7.61 (10.69)	- (-)	- (-)	- (-)
Interest expense	3.62 (-)	- (-)	56.29 (0.78)	- (-)	- (-)	- (-)
Rent income	- (-)	- (-)	- (0.07)	- (-)	- (-)	- (-)
Lease rent expense	- (-)	- (-)	18.81 (15.80)	- (0.02)	- (-)	- (-)
Donation given	- (-)	- (-)	2.86 (9.45)	- (-)	- (-)	- (-)
Managerial remuneration	- (-)	- (-)	- (-)	2.06 (1.48)	0.01 (-)	- (-)
Contribution to various funds	- (-)	- (-)	- (-)	- (-)	- (-)	2.66 (5.90)
Outstanding balances						
Advances from customers	- (-)	- (-)	- (-)	0.75 (0.75)	0.75 (0.75)	- (-)
Sundry debtors	- (-)	6.84 (169.45)	3.66 (0.06)	0.38 (0.02)	0.36 (0.03)	- (-)
Loans outstanding	- (-)	- (-)	2.04 (116.25)	- (-)	- (-)	- (-)
Deposits outstanding	- (-)	- (-)	121.41 (122.37)	- (0.02)	- (-)	- (-)
Advances to supplier and other assets	- (-)	- (-)	- (6.06)	- (0.87)	- (-)	- (-)
Sundry creditors	216.42	-	-	-	-	-

Particulars	Associate	Joint Venture	Entities where KMP/ RKMP has significant influence	KMP	RKMP	Employee Funds
			9.13			
	(-)	(-)	(49.69)	(-)	(-)	(-)
Share application money pending refund	-	-	-	-	-	-
	(-)	(-)	(95.00)	(-)	(-)	(-)
Unsecured loan outstanding (Including Interest)	-	-	1,181.99	-	-	-
	(-)	(-)	(-)	(-)	(-)	(-)

Note: Figures in brackets pertain to balances as on March 31, 2009

(C) Disclosure of significant transactions with related parties

Type of the transaction	Type of relationship	Name of the entity/ person	Year ended March 31	
			2010	2009
Purchase of fixed assets (including intangibles)	Entities where KMP/ RKMP has significant influence	Synefra Engineering & Construction Limited (Formerly Suzlon Infrastructure)	5.25	172.83
Sale of fixed assets	Entities where KMP/ RKMP has significant influence	Synefra Engineering & Construction Limited (Formerly Suzlon Infrastructure Limited)	1.02	-
Sale of goods	Joint Ventures	REpower Portugal - Sistemas Eolicos, S.A.	1.34	134.02
		REpower North (China) Ltd.	75.83	56.26
Purchase of goods and services	Entities where KMP/ RKMP has significant influence	Synefra Engineering & Construction Limited (Formerly Suzlon Infrastructure Limited)	52.01	17.02
Loans given	Entities where KMP/ RKMP has significant influence	Synefra Engineering & Construction Limited (Formerly Suzlon Infrastructure Limited)	-	50.00
		Sarjan Realities Limited	3.39	140.72
		Shubh Realty (South) Private Limited	9.25	30.25
Loans taken	Entities where KMP/ RKMP has significant influence	Tanti Holdings Private Limited (Formerly Tanti Holdings Limited)	-	148.00
		SE Energy Park Limited	565.00	-
		Sanman Holdings Private Limited	610.00	-

Type of the transaction	Type of relationship	Name of the entity/ person	Year ended March 31	
			2010	2009
Share application money received	Entities where KMP/ RKMP has significant influence	Tanti Holdings Private Limited (Formerly Tanti Holdings Limited)	-	200.00
Share application money refunded	Entities where KMP/ RKMP has significant influence	Tanti Holdings Private Limited (Formerly Tanti Holdings Limited)	95.00	105.00
Deposits given	Entities where KMP/ RKMP has significant influence	Synefra Engineering & Construction Limited (Formerly Suzlon Infrastructure Limited)	1.20	122.37
Interest income	Entities where KMP/ RKMP has significant influence	Synefra Engineering & Construction Limited (Formerly Suzlon Infrastructure Limited)	5.00	2.83
		Sarjan Realities Limited	2.40	7.18
Interest expense	Entities where KMP/ RKMP has significant influence	Tanti Holdings Private Limited (Formerly Tanti Holdings Limited)	1.08	0.78
		SE Energy Park Limited	33.21	-
		Sanman Holdings Private Limited	21.99	-
Rent income	Entities where KMP/ RKMP has significant influence	SE Steel Limited	-	0.07
Rent expense	Entities where KMP/ RKMP has significant influence	Synefra Engineering & Construction Limited (Formerly Suzlon Infrastructure Limited)	18.79	15.79
Donation given	Entities where KMP/ RKMP has significant influence	Suzlon Foundation	2.86	9.45
Managerial Remuneration	KMP KMP	Tulsi R. Tanti	1.46	0.83
		Girish R. Tanti	0.60	0.65
Contribution to various funds	Employee Funds	Suzlon Energy Limited Superannuation Fund	0.13	1.54
		Suzlon Energy Limited Employees Group Gratuity Scheme	2.00	2.52

23. Disclosure as required by Clause 32 of Listing Agreement with stock exchange

Type of relationship	Name	Amount outstanding as at March 31, 2010	Maximum Amount outstanding during the year
Companies in which directors are interested	Sarjan Realities Limited	-	116.25
	Synefra Engineering & Construction Limited (Formerly Suzlon Infrastructure Limited) – deposit	115.15	115.15
	Shubh Realty (South) Private Limited	2.00	5.55

Note: No loans have been granted by the Company to any person for the purpose of investing in the shares of Suzlon Energy Limited or any of its subsidiaries.

24. Details of the Company's share in joint ventures included in the consolidated financial statements are as follows (Before inter company eliminations):

Balance sheet	As at March 31, 2010	Profit and loss account	Year ended March 31, 2010
Share capital	31.39	Sales	459.01
Reserves and surplus	4.89	Other income	2.93
Secured loans	23.88	Total income	461.94
Total sources of funds	60.16	Cost of goods sold	376.80
Fixed assets	7.98	Operating and other expenses	47.26
Cash and bank balances	0.24	Employee's remuneration and benefits	6.91
Inventories	-	Financial charges	12.08
Sundry debtors	86.64	Depreciation/ amortisation	2.89
Loans and advances	11.00	Total expenditure	445.94
Total current assets	97.88	Profit before tax	16.00
Current liabilities	45.70	Tax	(1.57)
Net current assets	52.18	Profit after tax	17.57
Total application of funds	60.16		

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25. Segment reporting

The Company has disclosed business segment as the primary segment. Segments have been identified taking into account the nature of the products, the differing risks and returns, the organisation structure and internal reporting system.

The Group's operations predominantly relate sale of WTGs and allied activities including sale/sub-lease of land, infrastructure development income; sale of gear boxes; and sale of foundry and forging components. Others primarily include power generation operations.

Segment revenue, segment results, segment assets and segment liabilities include the respective amounts identifiable to each of the segments allocated on a reasonable basis.

Inter segment transfers have been carried out at mutually agreed prices.

The accounting principles consistently used in the preparation of the financial statements are also consistently applied to record income and expenditure in individual segments. These are as set out in the note on significant accounting policies.

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(A) Primary Business Segment

Rs in crore

Particulars	Year ended March 31, 2010						Year ended March 31, 2009					
	WTG	Gear Box	Foundry & Forging	Others	Elimination	Total	WTG	Gear Box	Foundry & Forging	Others	Elimination	Total
Total external sales	18,067.15	2,489.94	19.36	43.21	-	20,619.66	22,965.24	3,079.37	1.03	36.06	-	26,081.70
Add: Inter segment sales	6.22	166.18	84.75		(257.15)	-	4.18	914.27	16.15	-	(934.60)	-
Segment revenue	18,073.37	2,656.12	104.11	43.21	(257.15)	20,619.66	22,969.42	3,993.64	17.18	36.06	(934.60)	26,081.70
Segment results before exceptional items	479.44	64.85	(65.01)	17.81	45.95	543.04	1,924.60	568.66	(42.80)	21.11	(76.01)	2,395.56
Exceptional items	(211.89)					(211.89)	896.29					896.29
Segment results after exceptional items	691.33	64.85	(65.01)	17.81	45.95	754.93	1,028.31	568.66	(42.80)	21.11	(76.01)	1,499.27
Add/(Less) Items to reconcile with (loss)/profit as per profit and loss account												
Add: Other income						69.46						271.75
Less: Financial charges						(1,457.99)						(1,053.94)
Preliminary expenses written off						-						(0.09)
(Loss)/Profit before tax						(633.60)						716.99
Provision for current tax						183.23						211.11
MAT credit entitlement						(1.59)						(4.03)
Earlier year - current tax						0.01						(0.07)
Deferred tax						174.45						67.12
Fringe benefit tax						0.03						13.99
Total tax						356.13						288.12
(Loss)/Profit after tax						(989.73)						428.87
Add: Share in associate's profit after tax						16.12						2.32
Less: Share of profit of minority						(8.95)						(194.71)
Net (loss)/profit						(982.56)						236.48
Segment assets	23,223.45	-	992.31	244.91	-	24,460.67	25,510.72	6,995.19	1,012.99	241.62	-	33,760.52
Common assets						4,743.93						4,045.80
Enterprise assets						29,204.60						37,806.32
Segment liabilities	9,310.94	-	80.84	0.90	-	9,392.68	9,944.09	1,440.76	115.43	6.90	-	11,507.18
Common liabilities						13,210.65						17,767.40
Enterprise liabilities						22,603.33						29,274.58
Capital expenditure during the year	769.68	-	40.04	5.55		815.27	1,665.83	1,526.69	550.46	4.18		3,747.16
Segment depreciation	426.18	180.62	41.85	14.32	-	662.97	336.20	205.06	17.57	14.31	-	573.14
Non-cash expenses other than depreciation	-	-	-	-	-	-	0.09					0.09

B) Geographical Segment

Rs in crore

Particulars	Year ended March 31, 2010							Year ended March 31, 2009						
	India	Europe	USA	China	Australia and New Zealand	Others	Total	India	Europe	USA	China	Australia and New Zealand	Others	Total
Segment revenue	4,102.23	9,008.64	3,869.79	1,475.04	1,355.47	808.49	20,619.66	4,452.65	8,450.32	7,327.29	1,265.87	2,930.57	1,655.00	26,081.70
Segment assets	6,965.77	12,983.50	2,312.06	1,224.66	651.93	322.75	24,460.67	9,436.04	17,157.87	3,019.49	1,996.99	855.05	1,295.08	33,760.52
Capital expenditure incurred	307.99	393.69	9.40	72.51	22.40	9.28	815.27	1,631.35	1,841.50	28.35	167.30	65.85	1,281	3,747.16

Note: Since Hansen ceased to be a subsidiary as on November 24, 2009, assets, liabilities and capital expenditure relating to Hansen have not been considered for segment disclosures.

26. Prior year amounts have been reclassified wherever necessary to confirm with current year presentation. Figures in the brackets are in respect of the previous year.

Signatures to Schedules 'A' to 'Q'

As per our report of even date

For SNK & Co.
Firm registration number:
109176W
Chartered Accountants

For S.R. BATLIBOI & Co.
Firm registration number:
301003E
Chartered Accountants

For and on behalf of the Board of
Directors of Suzlon Energy Limited

per Jasmin B. Shah
Partner
Membership No. 46238

per Arvind Sethi
Partner
Membership No. 89802

Tulsi R. Tanti
Chairman and Managing Director

Ashok Jangid
Vice President
and Company Secretary

Girish R. Tanti
Director

Place : Mumbai
Date : May 29, 2010

Place: Mumbai
Date : May 29, 2010

Place: Mumbai
Date : May 29, 2010

SNK & Co.
Chartered Accountants
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S. R. BATLIBOI & Co.
Chartered Accountants
C-401, Fourth Floor
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Auditors' Report

To

The Members of Suzlon Energy Limited

1. We have audited the attached balance sheet of Suzlon Energy Limited ('the Company') as at March 31, 2010 and also the profit and loss account and the cash flow statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 (as amended) ('CARO') issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to above, we report that:
 - i. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - ii. In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
 - iii. The balance sheet, profit and loss account and cash flow statement dealt with by this report are in agreement with the books of account;
 - iv. In our opinion, the balance sheet, profit and loss account and cash flow statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956;
 - v. On the basis of the written representations received from the directors, as on March 31, 2010, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on March 31, 2010 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;

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- vi. Without qualifying our opinion, we draw attention to Schedule P, Note 8(d) regarding non-provision of proportionate premium on redemption of US\$ 479.05 Million (Rs. 2,150 crores as at March 31, 2010) Foreign Currency Convertible Bonds amounting to Rs. 377.22 crores which has been considered by the Company as a contingent liability. Since the ultimate outcome of the matter cannot be presently ascertained, no provision for the above liability that may result in future, has been made in the accompanying financial statements.
- vii. In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
- a) in the case of the balance sheet, of the state of affairs of the Company as at March 31, 2010;
- b) in the case of the profit and loss account, of the loss for the year ended on that date; and
- c) in the case of the cash flow statement, of the cash flows for the year ended on that date.

For SNK & Co.
Chartered Accountants
Firm registration number: 109176W

per Jasmin B. Shah
Partner
Membership No: 46238
Place: Mumbai
Date: May 29, 2010

For S. R. Batliboi & Co.
Chartered Accountants
Firm registration number: 301003E

per Arvind Sethi
Partner
Membership No: 89802
Place: Mumbai
Date: May 29, 2010

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Annexure referred to in paragraph 3 of our report of even date

Re: Suzlon Energy Limited

1. (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.

(b) Fixed assets have been physically verified by management during the year in accordance with a regular programme of verification which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. As informed, no material discrepancies were noticed on such verification.

(c) There was no substantial disposal of fixed assets during the year.
2. (a) The management has conducted physical verification of inventory at reasonable intervals during the year.

(b) The procedures of physical verification of inventory followed by management are reasonable and adequate in relation to the size of the Company and the nature of its business.

(c) The Company is maintaining proper records of inventory and no material discrepancies were noticed on physical verification.
3. (a) As informed, the Company has not granted any loans, secured or unsecured to companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956. Accordingly, the provisions of clause 4(iii) (a) to (d) of the CARO are not applicable.

(b) The Company has taken a loan from a Company covered in the register maintained under section 301 of the Companies Act, 1956. The maximum amount involved during the year and the year-end balance of the loan taken from such party was Rs. 613.63 crores.

(c) In our opinion and according to the information and explanations given to us, the rate of interest, and other terms and conditions for such loan are prima facie not prejudicial to the interest of the Company.

(d) The loan taken by the company is a long term loan. According to the information and explanations given to us, no repayment was due in respect of the principal portion till the balance sheet date. The payment of interest has been regular.
4. In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business, for the purchase of inventory and fixed assets and for the sale of goods. During the course of our audit, no major weakness has been noticed in the internal control system in respect of these areas. During the course of our audit, we have not observed any continuing failure to correct major weakness in internal control system of the company.

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5. (a) According to the information and explanations provided by management, we are of the opinion that the particulars of contracts or arrangements referred to in section 301 of the Act that need to be entered into the register maintained under section 301 have been so entered.

(b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of such contracts or arrangements exceeding value of Rupees five lakhs have been entered into during the financial year at prices which are reasonable having regard to the prevailing market prices at the relevant time.
6. The Company has not accepted any deposits from the public. Accordingly, the provisions of clause 4(vi) of the CARO are not applicable.
7. In our opinion, the Company has an internal audit system commensurate with the size and the nature of its business.
8. We have broadly reviewed the books of account maintained by the Company pursuant to the rules made by the Central Government for the maintenance of cost records under section 209(1)(d) of the Companies Act, 1956, and are of the opinion that prima facie, the prescribed accounts and records have been made and maintained in respect of generation of electricity from wind power. We have not, however, made a detailed examination of the records with a view to determining whether they are accurate or complete.
9. (a) Undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, income-tax, sales-tax, wealth-tax, service tax, customs duty, excise duty, cess and other material statutory dues have generally been regularly deposited with the appropriate authorities *though there has been a delay in some cases*. Further, since the Central Government has till date not prescribed the amount of cess payable under section 441 A of the Companies Act, 1956, we are not in a position to comment upon the regularity or otherwise of the company in depositing the same.

(b) According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, investor education and protection fund, employees' state insurance, income-tax, wealth-tax, service tax, sales-tax, customs duty, excise duty, cess and other undisputed statutory dues were outstanding, at the year end, for a period of more than six months from the date they became payable.

(c) According to the information and explanations given to us, there are no dues of income-tax, sales-tax, wealth-tax, service tax, customs duty, excise duty and cess which have not been deposited on account of any dispute.
10. The Company has no accumulated losses at the end of the financial year. *It has incurred cash losses in the current and immediately preceding financial year.*

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11. Based on our audit procedures and as per the information and explanations given by management, the Company has delayed repayment of dues to Financial Institutions, Banks and Debenture holders in respect of Letters of Credit/Buyers' Credit, Term Loan, Working Capital Demand Loan, Short Term Loan and Interest Liabilities. The following are the details of the delays:

Particulars	Amount (Rs. Crores)	Period of Delays
<i>Letters of Credit/Buyers' Credit</i>	<i>567.88</i>	<i>Up to 90 days</i>
<i>Term Loan</i>	<i>8.19</i>	<i>Up to 36 days</i>
<i>Working Capital Demand Loan</i>	<i>301.52</i>	<i>Up to 125 days</i>
<i>Short Term Loan</i>	<i>99.69</i>	<i>Up to 12 Days</i>
<i>Interest Liabilities</i>	<i>100.98</i>	<i>Up to 24 days</i>

As at year-end, these delays have been rectified and hence no delays exist as at March 31, 2010.

12. According to the information and explanations given to us and based on the documents and records produced to us, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities. Accordingly, the provisions of clause 4(xii) of the CARO are not applicable.
13. In our opinion, the Company is not a chit fund or a nidhi / mutual benefit fund/society. Accordingly, the provisions of clause 4(xiii) of the CARO are not applicable.
14. In our opinion, the Company does not deal or trade in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4(xiv) of the CARO are not applicable.
15. According to the information and explanations given to us, the Company has given guarantee for loans taken by others from banks or financial institutions, the terms and conditions whereof in our opinion are prima-facie not prejudicial to the interests of the Company.
16. In our opinion and according to the information and explanations given to us, on an overall basis, the term loans have been applied for the purposes for which they were obtained.
17. According to the information and explanations given to us and on an overall examination of the balance sheet of the Company, we report that no funds raised on short-term basis have been used for long-term investment.
18. The Company has not made any preferential allotment of shares to parties or companies covered in the register maintained under section 301 of the Companies Act, 1956. Accordingly, the provisions of clause 4(xviii) of the CARO are not applicable.
19. No debentures have been issued by the Company during the year. The debentures outstanding at the beginning of the year, have been converted into a Rupee Term Loan during the year. Further, the Company has unsecured Foreign Currency Convertible Bonds outstanding during the year on which no security or charge is required to be created.

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20. We have verified that the end use of money raised from issuance of Global Depository Receipts is as disclosed in the notes to the financial statements.
21. Based upon the audit procedures performed for the purpose of reporting the true and fair view of the financial statements and as per the information and explanations given by management, we report that no fraud on or by the Company has been noticed or reported during the course of our audit.

For SNK & Co.
Chartered Accountants
Firm registration number: 109176W

For S. R. Batliboi & Co.
Chartered Accountants
Firm registration number: 301003E

per Jasmin B. Shah
Partner
Membership No: 46238
Place: Mumbai
Date : May 29, 2010

per Arvind Sethi
Partner
Membership No: 89802
Place: Mumbai
Date: May 29, 2010

Suzlon Energy Limited
Balance sheet as at March 31, 2010

All amounts in rupees crore unless otherwise stated

Particulars	Schedule	As at March 31, 2010	As at March 31, 2009
SOURCES OF FUNDS			
Shareholders' funds			
Share capital	A	311.35	299.66
Employee stock options outstanding	B	15.68	8.25
Share application money pending allotment		0.04	-
Reserves and surplus	C	5,277.24	6,177.41
		5,604.31	6,485.32
Loan funds			
Secured loans	D	3,891.16	4,006.23
Unsecured loans	E	3,710.06	3,323.25
		7,601.22	7,329.48
		13,205.53	13,814.80
APPLICATION OF FUNDS			
Fixed assets (including intangible assets)			
Gross block	F	1,355.74	915.83
Less: Depreciation / amortisation		438.58	364.33
Net block		917.16	551.50
Capital work-in-progress		10.38	286.97
		927.54	838.47
Investments	G	7,592.60	7,127.80
Deferred tax assets, net		-	175.40
Foreign currency monetary item translation difference account [See Schedule P, Note 12(f)]		133.39	399.26
Current assets, loans and advances			
Inventories	H	797.80	1,383.62
Sundry debtors		2,986.81	4,745.14
Cash and bank balances		599.22	212.40
Loans and advances		4,054.40	2,698.75
		8,438.23	9,039.91
Less : Current liabilities and provisions			
Current liabilities	I	3,641.87	3,396.77
Provisions		244.36	369.27
		3,886.23	3,766.04
Net current assets		4,552.00	5,273.87
		13,205.53	13,814.80
Significant accounting policies and notes to accounts	P		

The schedules referred to above and the notes to accounts form an integral part of the balance sheet.

As per our report of even date

For and on behalf of the Board of Directors of
Suzlon Energy Limited

For SNK & Co.
Firm Registration number: 109176W
Chartered Accountants

For S.R. BATLIBOI & Co.
Firm Registration number: 301003E
Chartered Accountants

Tulsi R. Tanti
Chairman & Managing Director

per Jasmin B. Shah
Partner
Membership No. 46238

per Arvind Sethi
Partner
Membership No. 89802

Ashok Jangid
Vice President
and Company Secretary

Girish R. Tanti
Director

Place: Mumbai
Date : May 29, 2010

Place: Mumbai
Date : May 29, 2010

Place: Mumbai
Date: May 29, 2010

Suzlon Energy Limited
Profit and loss account for the year ended March 31, 2010

All amounts in rupees crore unless otherwise stated

Particulars	Schedule	Year ended March 31, 2010	Year ended March 31, 2009
INCOME			
Sales [See Schedule P, Note 3 and Note 4]		3,488.68	7,235.58
Other income	J	243.14	177.14
		3,731.82	7,412.72
EXPENDITURE			
Cost of goods sold	K	2,517.49	4,543.85
Operating and other expenses	L	974.82	1,703.71
Employees' remuneration and benefits	M	181.01	199.07
Financial charges	N	731.90	433.97
Depreciation / amortisation	F	126.27	99.16
		4,531.49	6,979.76
PROFIT / (LOSS) BEFORE TAX AND EXCEPTIONAL ITEMS		(799.67)	432.96
Less: Exceptional items	O	439.02	972.92
PROFIT / (LOSS) BEFORE TAX		(1,238.69)	(539.96)
Deferred tax		175.40	(81.76)
Fringe benefit tax		-	11.07
NET PROFIT / (LOSS)		(1,414.09)	(469.27)
Balance brought forward		1,800.09	2,268.44
PROFIT AVAILABLE FOR APPROPRIATIONS		386.00	1,799.17
APPROPRIATIONS			
Residual dividend of previous year		-	0.13
Tax on dividends		-	(1.05)
Surplus carried to balance sheet		386.00	1,800.09
Earnings/(Loss) per share (in Rs.) [See Schedule P, Note 7]			
Basic and Diluted [Nominal value of share Rs. 2/-]		(9.19)	(3.13)
Significant accounting policies and notes to accounts	P		

The schedules referred to above and the notes to accounts form an integral part of the profit and loss account.

As per our report of even date

**For and on behalf of the Board of Directors of
Suzlon Energy Limited**

For SNK & Co.
Firm Registration number: 109176W
Chartered Accountants

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Girish R. Tanti
Director

Place: Mumbai
Date : May 29, 2010

Place: Mumbai
Date : May 29, 2010

Place: Mumbai
Date: May 29, 2010

Suzlon Energy Limited
Cash flow statement for the year ended March 31, 2010
All amounts in rupees crore unless otherwise stated

Particulars	Year ended March 31, 2010	Year ended March 31, 2009
CASH FLOW FROM OPERATING ACTIVITIES		
Profit/(loss) before tax and exceptional items	(799.67)	432.96
Adjustments for:		
Depreciation / amortisation	126.27	99.16
(Profit) / loss on assets sold / discarded, net	1.41	(0.16)
(Profit) / loss on sale of investments, net	-	(9.30)
Interest income	(222.79)	(122.43)
Interest expenses	653.59	380.12
Dividend income	(0.11)	(11.29)
Premium on redemption of preference shares	-	(9.61)
Provision for operation, maintenance and warranty	99.58	143.05
Provision for performance guarantee	119.25	281.79
Provision for liquidated damages	54.48	155.65
Bad debts written off	0.91	2.07
Provision for doubtful debts and advances	1.24	7.72
Employee stock option scheme	7.55	4.97
Exchange differences, net	41.55	0.63
Wealth-tax	0.02	0.04
Operating profit before working capital changes	83.28	1,355.37
Movements in working capital		
(Increase) / decrease in sundry debtors	1,760.80	(1,443.93)
(Increase) / decrease in inventories	585.82	99.60
(Increase) / decrease in loans and advances	55.53	(220.25)
(Increase) / decrease in margin money deposit	11.55	(45.18)
Increase / (decrease) in current liabilities and provisions	(65.61)	449.30
Cash generated from operations	2,431.37	194.91
Direct taxes paid (net of refunds)	(7.75)	(64.41)
Net cash generated from operating activities before exceptional items	2,423.62	130.50
Exceptional items paid	-	(521.67)
Net cash (used in) / generated from operating activities	2,423.62	(391.17)
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(219.96)	(288.67)
Proceeds from sale of fixed assets	1.68	1.40
Investments in subsidiaries	(990.24)	(2,678.71)
Sale / Redemption of Investments in subsidiaries	-	389.53
Inter-corporate deposits repaid / (granted)	34.21	(35.78)
Loans granted to subsidiaries	(3,491.98)	(2,373.27)
Repayments received from subsidiaries	1,837.60	1,273.83
Interest received	220.76	123.13
Dividend received	11.40	5.36
Net cash used in investing activities	(2,596.53)	(3,583.18)
CASH FLOW FROM FINANCING ACTIVITIES		
Share application money received	0.04	95.00
Share application money refunded	(95.00)	-
Proceeds from Issuance of Global Depository Receipts	522.97	-
Proceeds from issuance of share capital including premium, under stock option scheme	0.12	6.94
Debtenture, zero coupon convertible bond and share issue expenses	(16.38)	(5.05)
Proceeds from issuance of debentures	-	300.00
Proceeds from long term borrowings	2,781.42	590.00
Proceeds from issuance of zero coupon convertible bonds	452.64	-
Payment towards buy-back of FCCB (shown under Exceptional Items)	(200.13)	-
Expenses incurred towards buy-back / extinguishment of FCCB (shown under Exceptional Items)	(104.88)	-
Repayment of long term borrowings	(99.36)	(41.96)
Proceeds from short term borrowings, net	(2,023.57)	2,861.02
Interest paid	(646.02)	(365.89)
Dividend paid	-	(149.83)
Tax on dividend paid	-	(24.39)
Net cash generated from financing activities	571.85	3,265.84

Suzlon Energy Limited
Cash flow statement for the year ended March 31, 2010
All amounts in rupees crore unless otherwise stated

Particulars	Year ended March 31, 2010	Year ended March 31, 2009
Effect of Exchange Difference on Cash and Cash Equivalents	(0.57)	0.23
NET INCREASE IN CASH AND CASH EQUIVALENTS	398.37	(708.28)
Cash and cash equivalents at the beginning of the year	70.95	779.23
Cash and cash equivalents at the end of the year	469.32	70.95
Particulars	As at March 31, 2,010.00	As at March 31, 2009
Components of cash and cash equivalents		
Cash and cheques on hand	10.04	42.43
- in current account	458.80	27.26
- in Margin Accounts	129.90	141.45
Less: Margin Money Deposit	(129.90)	(141.45)
With non-scheduled banks in current account	0.48	1.26
	469.32	70.95

Notes

- 1 The figures in brackets represent outflows.
- 2 Previous periods' figures have been regrouped / reclassified, wherever necessary, to confirm to current year presentation.

As per our report of even date

For and on behalf of the Board of Directors of
Suzlon Energy Limited

For SNK & Co.
Firm Registration number: 109176W
Chartered Accountants

For S.R. BATLIBOI & Co.
Firm Registration number: 301003E
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Tulsi R. Tanti
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Vice President
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Girish R. Tanti
Director

Place: Mumbai
Date : May 29, 2010

Place: Mumbai
Date : May 29, 2010

Place: Mumbai
Date: May 29, 2010

Suzlon Energy Limited
Schedules to the Balance sheet as at March 31, 2010

All amounts in rupees crore unless otherwise stated

Particulars	As at March 31, 2010	As at March 31, 2009
SCHEDULE-A : SHARE CAPITAL		
Authorised 2,225,000,000 (2,225,000,000) equity shares of Rs 2/- each	445.00	445.00
	445.00	445.00
Issued and subscribed		
Equity 1,556,731,743 (1,498,295,400) equity shares of Rs 2/- each fully paid-up	311.35	299.66
[Of the above equity shares, 1,259,276,500 (1,259,276,500) shares of Rs 2/- each were allotted as fully paid bonus shares by utilisation of Rs 174.04 crore (Rs 174.04 crore) from general reserve, Rs 1.03 crore (Rs 1.03 crore) from capital redemption reserve and Rs 76.80 crore (Rs 76.80 crore) from securities premium account]		
[Of the above equity shares 58,400,000 (Nil) equity shares of Rs.2 each were issued by way of Global Depository Receipts (GDR)] [See Schedule P, Note 12(a)]		
[Outstanding Employee stock options exercisable into 635,250 (571,000) equity shares of Rs 2/- each fully paid] [See Schedule P, Note 10]		
	311.35	299.66
SCHEDULE-B : EMPLOYEE STOCK OPTIONS OUTSTANDING		
Employee stock options outstanding	29.77	10.01
Less: Deferred employee compensation outstanding	14.09	1.76
	15.68	8.25
SCHEDULE-C : RESERVES AND SURPLUS		
Capital redemption reserve	15.00	15.00
Securities premium account		
As per last balance sheet	3,465.17	3,456.62
Add : Additions during the year	530.29	13.61
	3,995.46	3,470.23
Less : Expenses on issue of debentures	-	5.06
Expenses on issue of Global Depository Receipts [See Schedule P, Note 12(a)]	11.07	-
Expenses on issue of Foreign Currency Convertible Bonds [See Schedule P, Note 8(c)]	5.30	-
	3,979.09	3,465.17
General reserve		
As per last balance sheet	897.15	897.99
Less: Adjustment for foreign currency monetary item translation difference account	-	0.84
	897.15	897.15
Profit and loss account	386.00	1,800.09
	5,277.24	6,177.41

Suzlon Energy Limited
Schedules to the Balance sheet as at March 31, 2010

All amounts in rupees crore unless otherwise stated

Particulars	As at March 31, 2010	As at March 31, 2009
SCHEDULE - D : SECURED LOANS		
12.5%secured redeemable non-convertible debentures [See Schedule P, Note 12(b)]	-	300.00
Term loans		
From banks [Term loans secured by first charge on all present and future movable and immovable assets (excluding certain identified assets) as well as current assets of the Suzlon Entities (See Schedule P, Note 12(b)) and also by pledge / negative lien of shares of certain subsidiaries of the Company and personal guarantee of directors]	1,773.37	565.10
From other than banks [Term loans secured by first charge on all present and future movable and immovable assets (excluding certain identified assets) as well as current assets of the Suzlon Entities (See Schedule P, Note 12(b)) and also by pledge / negative lien of shares of certain subsidiaries of the Company and personal guarantee of directors]	600.00	-
Foreign currency term loans [Secured by a first charge on certain immovable and movable fixed assets and second charge on current assets and movable fixed assets]	9.41	14.84
	2,382.78	579.94
Working capital facilities from banks and financial institutions		
Rupee loans	1,261.63	2,055.67
Foreign currency loans [Working capital facilities secured by first charge on all present and future movable and immovable assets (excluding certain identified assets) as well as current assets of the Suzlon Entities (See Schedule P, Note 12(b)) and also by pledge / negative lien of shares of certain subsidiaries of the Company and personal guarantee of directors]	246.75	1,070.62
	1,508.38	3,126.29
	3,891.16	4,006.23
SCHEDULE- E : UNSECURED LOANS		
Long-term		
Foreign currency convertible bonds [See Schedule P, Note 8]	2,150.89	2,535.50
From other than banks [Due within one year Rs 2.05 crore (Rs 4.62 crore)]	1,184.03	6.93
	3,334.92	2,542.43
Short-term		
From banks	0.14	724.57
From other than banks	375.00	56.25
	375.14	780.82
	3,710.06	3,323.25

Suzlon Energy Limited

Schedules to the balance sheet as at March 31, 2010

SCHEDULE - F : FIXED ASSETS (INCLUDING INTANGIBLE ASSETS)

All amounts in rupees crore unless otherwise stated

ASSETS	Gross block		Depreciation / amortisation		Net block	
	As at April 1, 2009	Additions	Deductions / adjustments	As at March 31, 2010	As at March 31, 2010	As at March 31, 2009
Freehold land	99.77	2.17	-	-	101.94	99.77
Leasehold land	0.96	-	-	0.01	0.96	0.86
Buildings	236.75	186.96	1.64	20.11	426.07	82.88
Plant and machinery	349.78	25.13	12.13	37.46	362.78	343.19
Wind research & measuring equipments	20.04	1.87	5.13	2.42	16.78	157.72
Computers and office equipments	72.53	59.43	0.60	13.62	131.36	205.06
Furniture & fixtures	24.61	107.65	0.09	9.66	132.17	14.41
Vehicles	7.03	0.09	0.31	0.66	6.81	49.40
Intangible assets						22.38
Designs and drawings	86.61	107.51	37.98	40.81	156.14	4.89
SAP and other software	15.75	4.98	-	2.76	20.73	45.91
TOTAL	915.83	497.79	57.88	127.51	1,355.74	438.58
Capital work-in-progress						
TOTAL	915.83	497.79	57.88	127.51	1,355.74	438.58
Previous year	779.20	142.63	6.00	101.30	915.83	364.33
						551.50
						288.97
						838.27

Notes:

1. Depreciation charge for the current year amounting to Rs 127.51 crore (Rs 101.30 crore), is including Rs 1.24 crore (Rs 2.14 crore) which has been capitalized as part of self manufactured assets. The depreciation charged in the profit and loss account amounting to Rs 126.27 crore (Rs 99.16 crore) is net of the amount capitalised.
2. Capital work in progress includes advances for capital goods Rs 4.99 crore (Rs 4.50 crore).
3. Borrowing costs amounting to Rs 11.21 crore (Rs 14.39 crore) have been capitalised to qualifying assets.

Suzlon Energy Limited
Schedules to the Balance sheet as at March 31, 2010

All amounts in rupees crore unless otherwise stated

Particulars	As at March 31, 2010	As at March 31, 2009
SCHEDULE-G : INVESTMENTS		
LONG-TERM INVESTMENTS (At cost, fully paid)		
OTHER THAN TRADE - UNQUOTED		
(i) Government and other securities		
Security deposited with government authorities	0.01	0.01
	0.01	0.01
(ii) Other investments		
(a) Subsidiaries		
Domestic		
40,000,000 (40,000,000) equity shares of Rs 10 each of Suzlon Towers and Structures Limited	77.80	77.80
23,000,000 (23,000,000) equity shares of Rs 10 each of Suzlon Infrastructure Services Limited	118.26	118.26
14,524,600 (14,524,600) equity shares of Rs 10 each of Suzlon Structures Limited	17.80	17.80
26,226,800 (26,226,800) equity shares of Rs 10 each of Suzlon Generators Limited	26.23	26.23
900,000 (900,000) 10%cumulative redeemable preference shares of Rs 100 each of Suzlon Infrastructure Services Limited	9.00	9.00
750,000 (750,000) 8%cumulative redeemable preference shares of Rs 100 each of Suzlon Structures Limited	7.50	7.50
200,000,000 (200,000,000) equity shares of Rs 10 each of SE Forge Limited	200.00	200.00
500,000 (500,000) 13%cumulative redeemable preference shares of Rs 100 each of Suzlon Towers and Structures Limited	5.01	5.01
2,000,000 (2,000,000) equity shares of Rs 10 each of Suzlon Gujarat Wind Park Limited**	2.00	2.00
3,010,000 (3,010,000) equity shares of Rs 10 each of Suzlon Power Infrastructure Limited**	3.01	3.01
10,000,000 (10,000,000) equity shares of Rs 10 each of SE Electricals Limited	10.00	10.00
10,000,000 (10,000,000) equity shares of 10 each of Suzlon Wind International Limited	10.00	10.00
15,000,000 (15,000,000) equity shares of 10 each of SE Composites Limited	15.00	15.00
1,500,000 (1,500,000) equity shares of Rs 10 each of Suzlon Engitech Limited	1.50	1.50
5,000,000 (5,000,000) 1%cumulative redeemable preference shares of Rs 100 each of Suzlon Infrastructure Services Limited	50.00	50.00
19,329,550 (10,826,550) 9%cumulative redeemable preference shares of Rs 100 each of Suzlon Wind International Limited	193.30	108.27
8,590,000 (6,810,000) 9%cumulative redeemable preference shares of Rs 100 each of SE Electricals Limited	85.90	68.10
22,398,000 (10,310,000) 9%cumulative redeemable preference shares of Rs 100 each of SE Composites Limited	223.98	103.10
6,000,000 (6,000,000) 7%optionally convertible redeemable cumulative preference shares of Rs 100 each of Suzlon Infrastructure Services Limited	60.00	60.00
Total - domestic subsidiaries	1,116.29	892.58

Suzlon Energy Limited
Schedules to the Balance sheet as at March 31, 2010

All amounts in rupees crore unless otherwise stated

Particulars	As at March 31, 2010	As at March 31, 2009
Overseas		
244,000 (244,000) equity shares of Euro 10 each fully paid up of AE Rotor Holding B.V., The Netherlands	13.15	13.15
1,422,337 (1,422,137) equity shares of DKK 100 each fully paid up of Suzlon Energy A/S**, Denmark (DKK 98,400,350 (DKK 36,400,350) invested as additional paid in capital)	503.72	133.06
1,000 (1,000) equity shares of USD 1 each fully paid up of Suzlon Rotor Corporation, USA** (USD 27,999,000 (USD 27,999,000) invested as additional paid in capital)	116.47	116.47
Suzlon Energy (Tianjin) Limited, China	233.30	233.30
4,193,813,790 (4,006,107,727) equity shares of MUR 10 each of Suzlon Energy Limited, Mauritius	6,130.25	5,837.53
Suzlon Wind Energy Equipment Trading (Shanghai) Co. Limited, China	4.60	1.46
Total - overseas subsidiaries	7,001.49	6,334.97
Less: **Provision for diminution in value of long term investments [See Schedule P, Note 2(e)]	625.20	99.76
Total - overseas subsidiaries (net)	6,376.29	6,235.21
	7,492.58	7,127.79
(b) Other than subsidiaries		
2,550 (2,550) equity shares of Rs 10 each of Saraswat Co-operative Bank Limited*	0.00	0.00
30 (30) equity shares of Rs 10 of Godrej Millenium Condominium *	0.00	0.00
	0.00	0.00
Aggregate book value of unquoted investments	7,492.59	7,127.80
SHORT-TERM INVESTMENTS (At lower of Cost and Market Value)		
OTHER THAN TRADE - QUOTED		
(i) Investment in Mutual Funds		
SBI Magnum Insta Cash Fund -Daily Dividend Fund	100.01	-
Aggregate book value of quoted investments (Market value Rs 100.01 crore (Rs Nil))	100.01	-
Aggregate amount of investments	7,592.60	7,127.80
*amount below Rs 0.01 crore		
The following Investments were purchased and sold during the year 50,051,789 Units of Rs 10 each of LIC Mutual Fund - Floating Rate Fund	50.05	-

Suzlon Energy Limited
Schedules to the Balance sheet as at March 31, 2010

All amounts in rupees crore unless otherwise stated

Particulars	As at March 31, 2010	As at March 31, 2009
SCHEDULE-H : CURRENT ASSETS, LOANS AND ADVANCES		
Current assets		
Inventories		
Raw materials (including goods-in-transit Rs 92.15 crore (Rs 153.20 crore))	547.87	871.05
Semi finished goods and work-in-progress	203.30	459.14
Land and land lease rights	22.75	21.88
Stores and spares	23.88	31.55
	797.80	1,383.62
Sundry debtors		
(Unsecured)		
Outstanding for a period exceeding six months	1,633.14	1,881.25
considered good	18.43	21.80
considered doubtful	1,651.57	1,903.05
Others, considered good	1,353.67	2,863.89
	3,005.24	4,766.94
Less: Provision for doubtful debts	18.43	21.80
	2,986.81	4,745.14
Cash and bank balances		
Cash on hand	0.20	0.25
Cheques on hand	9.84	42.18
Balances with scheduled banks		
in current accounts	458.80	27.26
in Margin Accounts	129.90	141.45
	588.70	168.71
Balances with non scheduled banks in current accounts		
Bank of China RMB account - Beijing	0.06	0.49
(Maximum balance during the year Rs 0.49 crore (Rs 0.49 crore))		
Bank of China USD account - Beijing	0.02	0.12
(Maximum balance during the year Rs 0.12 crore (Rs 0.61 crore))		
Bank of China RMB account - Shanghai	0.09	0.11
(Maximum balance during the year Rs 0.11 crore (Rs 0.43 crore))		
Bank of China USD account - Shanghai	0.02	0.02
(Maximum balance during the year Rs 0.02 crore (Rs 1.44 crore))		
Millenium Bank - Portugal	0.29	0.52
(Maximum balance during the year Rs 40.67 crore (Rs 31.60 crore))		
	599.22	212.40
Loans and advances		
(Unsecured and considered good, except otherwise stated)		
Loans to subsidiaries		
in indian rupees	993.64	788.74
in foreign currency	2,113.67	867.05
	3,107.31	1,655.79
Deposits		
with customers as security deposit	13.56	19.55
with others	73.29	77.36
	86.85	96.91
Advance against taxes	83.30	75.57
[Net of provision for income tax and fringe benefit tax Rs 181.83 crore (Rs 311.42 crore)]		
MAT credit entitlement	139.00	139.00
Inter corporate deposits	2.04	36.25
Advances recoverable in cash or in kind or for value to be received		
Considered good	635.90	695.23
Considered doubtful	11.17	6.56
	647.07	701.79
Less: Provision for doubtful loans and advances	11.17	6.56
	635.90	695.23
	4,054.40	2,698.75
	8,438.23	9,039.91

Suzlon Energy Limited
Schedules to the Balance sheet as at March 31, 2010

All amounts in rupees crore unless otherwise stated

Particulars	As at March 31, 2010	As at March 31, 2009
SCHEDULE-I : CURRENT LIABILITIES AND PROVISIONS		
Current liabilities		
Sundry creditors		
Others [See Schedule P, Note 12(c)]	1,216.74	1,234.38
Micro, small and medium enterprises [See Schedule P, Note 16]	35.80	34.10
Subsidiaries	2,102.94	1,781.65
Unclaimed Dividend	0.19	0.06
Share application money pending refund	-	95.00
Other current liabilities	197.46	220.80
Interest accrued but not due	23.17	15.61
Advances from customers	65.57	15.17
	3,641.87	3,396.77
Provisions		
Wealth tax	0.03	0.04
Gratuity, superannuation and leave encashment	24.46	21.85
Performance guarantee, operation, maintenance and warranty, liquidated damages	219.87	347.38
	244.36	369.27
	3,886.23	3,766.04

Suzlon Energy Limited
Schedules to the profit and loss account for the year ended March 31, 2010

All amounts in rupees crore unless otherwise stated

Particulars	Year ended March 31, 2010	Year ended March 31, 2009
SCHEDULE-J : OTHER INCOME		
Interest income		
From banks [TDS Rs 0.98 crore (Rs 5.14 crore)]	11.01	19.32
From others [TDS Rs 2.45 crore (Rs 3.83 crore)]	211.77	103.11
Dividend income		
From long term Investments in subsidiaries	0.05	11.29
From other investments *	0.06	0.00
Royalty income	15.66	16.36
Profit on sale of investments	-	9.30
Premium on redemption of preference shares of subsidiary	-	9.61
Miscellaneous income	4.59	8.15
* Amount below Rs 0.01 crore		
	243.14	177.14
SCHEDULE-K : COST OF GOODS SOLD		
Consumption of raw materials (including project business)		
Opening stock	871.05	1,030.40
Add : Purchases	1,895.19	4,416.70
	2,766.24	5,447.10
Less : Closing stock	547.87	871.05
	(A) 2,218.37	4,576.05
Trading purchases	(B) 44.15	36.17
(Increase) / decrease in stocks		
Opening balance :		
Semi finished goods and work-in-progress	459.14	404.99
Land and land lease rights	21.88	7.66
	(C) 481.02	412.65
Closing balance :		
Semi finished goods and work-in-progress	203.30	459.14
Land and land lease rights	22.75	21.88
	(D) 226.05	481.02
(Increase) / decrease in stock	(E) = (C) - (D) 254.97	(68.37)
	(A) + (B) + (E) 2,517.49	4,543.85

Suzlon Energy Limited
Schedules to the profit and loss account for the year ended March 31, 2010

All amounts in rupees crore unless otherwise stated

Particulars	Year ended March 31, 2010	Year ended March 31, 2009
SCHEDULE-L : OPERATING AND OTHER EXPENSES		
Stores and spares consumed	21.64	38.84
Power and fuel	3.93	4.46
Factory expenses	19.58	24.84
Repairs and maintenance:		
Plant and machinery	1.15	1.01
Building	1.63	2.33
Others	4.41	7.92
Operation and maintenance charges	123.37	113.26
Design change and technological upgradation charges	91.13	100.46
Operating lease charges [See Schedule P, Note 9(b)]	2.45	2.38
Rent [See Schedule P, Note 9(a)]	19.89	24.81
Rates and taxes	15.50	7.25
Provision for operation, maintenance and warranty	99.58	143.05
Provision for performance guarantee	119.25	281.79
Provision for liquidated damages	54.48	155.65
Quality assurance expenses	59.93	28.03
R & D, certification and product development	21.58	9.05
Insurance	5.61	5.89
Advertisement and sales promotion	33.29	24.56
Infrastructure development expenses	25.76	47.22
Freight outward and packing expenses	106.47	432.31
Sales commission	1.16	3.42
Travelling, conveyance and vehicle expenses	29.81	38.10
Communication expenses	10.25	11.56
Auditors' remuneration and expenses [See schedule P, Note 17(a)]	2.41	3.52
Consultancy charges	78.89	63.24
Charity and donations	3.26	5.54
Corporate social welfare expense	2.86	9.45
Other selling and administrative expenses	42.35	46.95
Exchange differences, net	(30.36)	57.19
Bad debts written off	0.91	2.07
Provision for doubtful debts and advances	1.24	7.72
(Profit) / loss on assets sold / discarded, net	1.41	(0.16)
	974.82	1,703.71
SCHEDULE-M : EMPLOYEES' REMUNERATION AND BENEFITS		
Salaries, wages, allowances and bonus	165.64	181.78
Contribution to provident fund	6.01	4.64
Contribution to other funds [See Schedule P, Note 11]	1.72	6.39
Staff welfare expenses	7.64	6.26
	181.01	199.07
SCHEDULE-N : FINANCIAL CHARGES		
Interest		
Fixed loans	67.57	3.27
Debentures	31.96	9.76
Others	554.06	367.09
Bank charges	78.31	53.85
	731.90	433.97
SCHEDULE-O : EXCEPTIONAL ITEMS [See schedule P, Note 2]		
Foreign exchange loss on the convertible bonds	162.34	131.35
Gain on restructuring and refinancing of financial facilities (net)	(248.76)	-
Blade restoration & retrofit and consequential generation/availability charges	-	411.10
Mark-to-market losses on foreign exchange forward / option contracts	-	330.71
Provision towards Diminution in Investments	525.44	99.76
	439.02	972.92

SCHEDULE P: SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS

(All amounts in Rupees crore unless otherwise stated)

Nature of operations

Suzlon Energy Limited ('SEL' or 'Suzlon' or the 'Company') is engaged in the manufacture of wind turbine generators ('WTGs') of various capacities and its components.

1. Significant accounting policies

a) Basis of accounting

The financial statements are prepared under the historical cost convention, on accrual basis of accounting to comply in all material respects, with the mandatory accounting standards as notified by the Companies (Accounting Standards) Rules, 2006 as amended ('the Rules') and the relevant provisions of the Companies Act, 1956 ('the Act'). The accounting policies have been consistently applied by the Company; and the accounting policies not referred to otherwise, are in conformity with Indian Generally Accepted Accounting Principles ('Indian GAAP').

b) Use of estimates

The preparation of financial statements in conformity with Indian GAAP requires management to make estimates and assumptions that may affect the reported amounts of assets and liabilities and disclosures relating to contingent liabilities as at the date of the financial statements and the reported amounts of incomes and expenses during the reporting period. Although these estimates are based upon management's best knowledge of current events and actions, actual results could differ from these estimates.

c) Revenue recognition

Revenue comprises sale of WTGs and wind power systems; interest; dividend and royalty. Revenue is recognised to the extent it is probable that the economic benefits will flow to the Company and that the revenue can be reliably measured. Revenue is disclosed, net of discounts, excise duty, sales tax, service tax, VAT or other taxes, as applicable.

Sales

Sale of individual WTGs and wind power systems ("supply only projects") are recognised in the profit and loss account provided that the significant risks and rewards in respect of ownership of goods has been transferred to the buyer as per the terms of the respective sales order, and provided that the income can be measured reliably and is expected to be received.

Fixed price contracts to deliver wind power systems (turnkey contracts and projects involving installation and/or commissioning apart from supply) are recognised in revenue based on the stage of completion of the individual contract using the percentage of completion method, provided the order outcome as well as expected total costs can be reliably estimated. Where the profit from a contract cannot be estimated reliably, revenue is only recognised equalling the expenses incurred to the extent that it is probable that the expenses will be recovered.

Due from customers, if any are measured the selling price of the work performed, based on the stage of completion less the cost of the work already billed to the customer and expected losses. The stage of completion is measured by the proportion that the contract expenses incurred to date bear to the estimated total contract expenses. The value of self-constructed components is recognised in 'Contracts in progress' upon dispatch of the complete set of components which are specifically identified for a customer and are within the scope of supply, as per the terms of the respective sale order for the wind power systems. Where it is probable that total contract expenses will exceed total revenues from a contract, the expected loss is recognised immediately as an expense in the profit and loss account.

Where the selling price of a contract cannot be estimated reliably, the selling price is measured only on the expenses incurred to the extent that it is probable that these expenses will be recovered. Prepayments from customers are recognised as liabilities. A contract in progress for which the selling price of the work performed exceeds interim billings and expected losses is recognised as an asset. Contracts in progress for which interim billings and expected losses exceed the selling price is recognised as a liability. Expenses relating to sales work and the winning of contracts are recognised in the profit and loss account as incurred.

Interest income

Interest income is recognised on a time proportion basis taking into account the amount outstanding and the rate applicable. In case of interest charged to customers, interest is accounted for on availability of documentary evidence that the customer has accepted the liability.

Dividend income

Dividend income from investments is recognised when the right to receive payment is established. Dividend from subsidiary companies declared after the year end till the adoption of accounts by Board of Directors, is accounted during the year as required by Schedule VI to the Act.

Royalty income

Royalty income is recognised on accrual basis in accordance with the terms of the relevant agreements.

d) Fixed assets and intangible assets

Fixed assets are stated at cost, less accumulated depreciation and impairment losses, if any. Cost includes all expenditure necessary to bring the asset to its working condition for its intended use. Own manufactured assets are capitalised inclusive of all direct costs and attributable overheads. Capital work-in-progress comprises of advances paid to acquire fixed assets and the cost of fixed assets that are not yet ready for their intended use as at the balance sheet date. In the case of new undertaking, preoperative expenses are capitalised upon the commencement of commercial production. Assets held for disposal are stated at the lower of net book value and the estimated net realisable value.

In respect of accounting periods commencing on or after December 7, 2006, exchange differences arising on reporting of the long-term foreign currency monetary items at rates different from those that at which they were initially recorded during the period, or reported in the previous financial statements are added to or deducted from the cost of the asset and are depreciated over the balance life of the asset, if these monetary items pertain to the acquisition of a depreciable fixed asset.

Intangible assets are recorded at the consideration paid for their acquisition. Cost of an internally generated asset comprises all expenditure that can be directly attributed, or allocated on a reasonable and consistent basis, to create, produce and make the asset ready for its intended use.

The carrying amounts of the assets belonging to each cash generating unit ('CGU') are reviewed at each balance sheet date to assess whether they are recorded in excess of their recoverable amounts and where carrying amounts exceed the recoverable amount of the asset's CGU, assets are written down to their recoverable amount. Recoverable amount is the greater of the asset's net selling price and value in use. The impairment loss recognised in prior accounting periods is reversed if there has been a change in estimates of recoverable amount.

e) Depreciation and amortisation

Depreciation is provided on the written down value method ('WDV') unless otherwise stated, pro-rata to the period of use of assets and is based on management's estimate of useful lives of the fixed assets or intangible assets or at rates specified in schedule XIV to the Act, whichever is higher:

The following are the rates of depreciation/ amortisation applied:

Depreciation

Type of asset	Rate (%)
Office building	5.00
Factory building	10.00
Moulds	13.91 or useful life based on usage
Plant and machinery	
- Single Shift	13.91
- Double Shift	20.87
- Triple Shift	27.82
Patterns	30.00 or useful life based on usage
Plugs for moulds	50.00 or useful life based on usage
Wind research and measuring Equipment	50.00
Computers	40.00
Office equipment	13.91
Furniture and fixtures	18.10
Motor car and others	25.89
Trailers	30.00

Amortisation

Type of asset	Basis
Leasehold land	Period of lease
Design and drawings	Straight line basis over a period of five years
SAP Software	Straight line basis over a period of five years

f) Inventories

Inventories of raw materials including stores, spares and consumables; packing materials; work-in-progress; contracts in progress; semi-finished goods and finished goods are valued at the lower of cost and estimated net realisable value. Cost is determined on weighted average basis.

The cost of work-in-progress, semi-finished goods and finished goods includes the cost of material, labour and manufacturing overheads.

Stock of land and land lease rights is valued at lower of cost and estimated net realisable value. Cost is determined on weighted average basis. Net realisable value is determined by management using technical estimates.

g) Investments

Investments that are readily realisable and intended to be held for not more than a year are classified as current investments. All other investments are classified as long term investments. Current investments are carried at lower of cost and fair value, determined on an individual basis. Long-term investments are carried at cost. However, provision is made to recognise a decline, other than temporary, in the value of long-term investments.

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h) Foreign currency transactions

Transactions in foreign currencies are recorded at the average exchange rate prevailing in the period during which the transactions occur.

Outstanding balances of foreign currency monetary items are reported using the period end rates. Pursuant to the notification of the Companies (Accounting Standards) Amendment Rules 2009 issued by Ministry of Corporate Affairs on March 31, 2009 amending Accounting Standard – 11 (AS - 11) 'The Effects of Changes in Foreign Exchange Rates (revised 2003), exchange differences in respect of accounting periods commencing on or after December 7, 2006, relating to long term monetary items are dealt with in the following manner:

- a) Exchange differences relating to long term foreign currency monetary items, arising during the year, in so far as they relate to the acquisition of a depreciable capital asset are added to/ deducted from the cost of the asset and depreciated/ recovered over the balance life of the asset.
- b) In other cases, such differences are accumulated in the "Foreign Currency Monetary Item Translation Difference Account" and amortised to the profit and loss account over the balance life of the long term monetary item but not beyond March 31, 2011.

All other exchange differences are recognised as income or expense in the profit and loss account.

Non-monetary items carried in terms of historical cost denominated in a foreign currency are reported using the exchange rate at the date of the transaction; and non-monetary items which are carried at fair value or other similar valuation denominated in a foreign currency are reported using the exchange rate that existed, when the values were determined.

Exchange differences arising as a result of the above are recognised as income or expense in the profit and loss account.

Foreign currency transactions entered into by branches, which are integral foreign operations are accounted in the same manner as foreign currency transactions described above. Branch monetary assets and liabilities are restated at the year end rates.

Derivatives

In case of forward contracts, the difference between the forward rate and the exchange rate, being the premium or discount, at the inception of a forward exchange contract is recognised as income/expense over the life of the contract. Exchange differences on such contracts are recognised in the profit and loss account in the reporting period in which the rates change. Any profit or loss arising on cancellation or renewal of forward exchange contract is recognised as income or as expense for the period.

As per the Institute of Chartered Accountants of India ('ICAI') announcement, derivative contracts, other than those covered under AS-11, are marked to market on a portfolio basis and the net loss after considering the offsetting effect on the underlying hedge items is charged to the profit and loss account. Net gains on marked to market basis are not recognised.

i) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets are capitalised as part of the cost of such assets. A qualifying asset is one that necessarily takes substantial period of time to get ready for intended use. Costs incurred in raising funds are amortised equally over the period for which the funds are acquired. All other borrowing costs are charged to profit and loss account.

j) Retirement and other employee benefits

Defined contributions to provident fund and employee state insurance are charged to the profit and loss account of the year when the contributions to the respective funds are due. There are no other obligations other than the contribution payable to the respective statutory authorities.

Defined contributions to superannuation fund are charged to the profit and loss account on accrual basis.

Retirement benefits in the form of gratuity are considered as defined benefit obligations, and are provided for on the basis of an actuarial valuation, using projected unit credit method, as at each balance sheet date.

Short-term compensated absences are provided based on estimates. Long term compensated absences are provided for on the basis of an actuarial valuation, using projected unit credit method, as at each balance sheet date.

Actuarial gains/losses are taken to profit and loss account and are not deferred.

k) Provisions, contingent liabilities and contingent assets

A provision is recognised when the Company has a present obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to their present value and are determined based on best estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current best estimates.

Contingent liabilities are disclosed by way of notes to accounts unless the possibility of an outflow is remote. Contingent assets are not recognised or disclosed.

l) Taxes on Income

Tax expense for a year comprises of current tax and deferred tax. Current tax is measured at the amount expected to be paid to the tax authorities, after taking into consideration, the applicable deductions and exemptions admissible under the provisions of the Income Tax Act, 1961.

Deferred tax reflects the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years. Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date. Deferred tax assets are recognised only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. If there is unabsorbed depreciation or carry forward of losses under tax laws, all deferred tax assets are recognised only to the extent that there is virtual certainty supported by convincing evidence that sufficient future taxable income will be available against which such deferred tax assets can be realised.

Deferred tax resulting from timing differences which originate during the tax holiday period but are expected to reverse after such tax holiday period is recognised in the year in which the timing differences originate using the tax rates and laws enacted or substantively enacted at the balance sheet date.

At each balance sheet date, the company reassesses unrecognised deferred tax assets. It recognises unrealised deferred tax assets to the extent it has become reasonably certain or virtually certain, as the case may be, that sufficient taxable income will be available against which the deferred tax can be realised. Further, the carrying amounts of deferred tax assets are reviewed at each balance sheet date. The company writes-down the carrying amount of a deferred tax asset to the extent that it is no longer reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available against which deferred tax asset can be realised. Any such write-down is reversed to the extent that it becomes reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available

Minimum alternative tax ('MAT') credit is recognised as an asset only when and to the extent there is convincing evidence that the Company will pay income tax higher than that computed under MAT, during the period that MAT is permitted to be set off under the Income Tax Act, 1961 (specified period). In the year, in which the MAT credit becomes eligible to be recognised as an asset in accordance with the recommendations contained in the Guidance Note issued by the Institute of Chartered Accountants of India (ICAI), the said asset is created by way of a credit to the profit and loss account and shown as MAT credit entitlement. The Company reviews the same at each balance sheet date and writes down the carrying amount of MAT credit entitlement to the extent there is no longer convincing evidence to the effect that the Company will pay income tax higher than MAT during the specified period.

m) Operating leases

Assets acquired on lease where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating lease. Lease rentals are charged off to the profit and loss account as incurred.

n) Earnings/(loss) per share

Basic earnings/(loss) per share are calculated by dividing the net profit / (loss) for the period attributable to equity shareholders (after deducting preference dividends and attributable taxes) by the weighted average number of equity shares outstanding during the period. The weighted average number of equity shares outstanding during the period are adjusted for any bonus shares issued during the year and also after the balance sheet date but before the date the financial statements are approved by the board of directors.

For the purpose of calculating diluted earnings/(loss) per share, the net profit/(loss) for the period attributable to equity shareholders and the weighted average number of shares outstanding during the period are adjusted for the effects of all dilutive potential equity shares.

The number of equity shares and potentially dilutive equity shares are adjusted for bonus shares as appropriate. The dilutive potential equity shares are adjusted for the proceeds receivable, had the shares been issued at fair value. Dilutive potential equity shares are deemed converted as of the beginning of the period, unless issued at a later date.

o) Employee stock options

Stock options granted to employees under the employees' stock option scheme are accounted as per the intrinsic value method permitted by the SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 and the 'Guidance Note on Share Based Payments' issued by the ICAI. Accordingly, the excess of market price of the shares as on the date of grant of options over the exercise price is recognised as deferred employee compensation and is charged to profit and loss account on straight-line basis over the vesting period.

The number of options expected to vest is based on the best available estimate and are revised, if necessary, if subsequent information indicates that the number of stock options expected to vest differs from previous estimates.

p) Cash and Cash Equivalents

Cash and cash equivalents in the cash flow statement comprise cash at bank and in hand and short-term investments with an original maturity of three months or less.

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2. Exceptional Items

The details of exceptional items aggregating to Rs 439.02 crore (Rs 972.92 crore) are as below:

- a) Loss on account of amortization of foreign exchange losses on all convertible bonds aggregating Rs 162.34 crore (Rs 131.35 crore) which includes Rs 120.06 crore (Rs Nil) being losses on Phase I bonds and Phase II bonds cancelled due to buy back and exchange.
- b) Gain on restructuring and refinancing of financial facilities aggregating Rs 248.76 crore (Rs Nil) pertaining primarily to net gains arising from the buy-back and exchange of Phase I and Phase II bonds after offsetting various costs incurred in connection with the buy-back and exchange including consent fees, expenses of merchant bankers, etc.
- c) Blade restoration and retrofit costs Rs Nil (Rs 411.10 crore), including consequential generation/ availability guarantee costs.
- d) Mark-to-market losses aggregating Rs Nil (Rs 330.71 crore) in respect of foreign exchange contracts taken for hedging purposes.
- e) Diminution, other than temporary, of the value of investments in certain subsidiaries aggregating Rs 525.44 crore (Rs 99.76 crore).

Exceptional items for the prior year comparatives include amounts in respect of items which have been classified as exceptional in current year.

3. Sales

Particulars	Year ended	
	March 31, 2010	March 31, 2009
Sale of wind turbines (a)	3,267.98	7,009.92
Excisable sales (b)	18.03	20.50
Less: Excise duty (c)	<u>1.38</u>	<u>2.53</u>
Net excisable sales (d)=(b)-(c)	16.65	17.97
Operation and maintenance(e)	11.99	2.37
Others(f)	192.06	205.32
Total [a+d+e+f]	3,488.68	7,235.58
<u>Break-up of Sale of wind turbines is as follows:</u>		
Revenue using percentage of completion method (See Schedule P, Note 4)	184.03	382.37
Revenue using dispatch method	3,083.95	6,627.55
Total	3,267.98	7,009.92

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4. Disclosures pursuant to Accounting Standard-7 (AS-7) 'Construction Contracts'

Particulars	Year ended	
	March 31, 2010	March 31, 2009
Contract revenue recognised during the period	184.03	382.37
Aggregate amount of contract cost incurred and recognised profits (less recognised losses) for all contracts in progress up to the reporting date	-	125.35
Amount of customer advances outstanding for contracts in progress up to the reporting date	-	-
Retention amount due from customers for contract in progress up to the reporting date	-	71.73
Due from customers	-	-
Due to customers	-	-

5. Provisions

In pursuance of Accounting Standard-29 (AS-29) 'Provisions, contingent liabilities and contingent assets', the provisions required have been incorporated in the books of account in the following manner:

Particulars	Performance guarantee	Operation, maintenance and warranty	Provision for liquidated damages
Opening balance	160.89 (310.29)	158.98 (122.25)	27.51 (19.03)
Additions during the year	119.25 *(471.30)	99.58 (143.05)	54.48 (155.65)
Utilisation	195.10 (620.70)	159.01 (106.32)	46.71 (147.17)
Closing balance	85.04 (160.89)	99.55 (158.98)	35.28 (27.51)

* includes Rs 189.51 crore classified as exceptional item during the year ended March 31,2009.

The provision for performance guarantee ('PG') represents the expected outflow of resources against claims for performance shortfall expected in future over the life of the guarantee assured. The period of performance guarantee varies for each customer according to the terms of contract. The key assumptions in arriving at the performance guarantee provisions are wind velocity, plant load factor, grid availability, load shedding, historical data, wind variation factor etc.

The provision for operation, maintenance and warranty ('O&M') represents the expected liability on account of field failure of parts of WTG and expected expenditure of servicing the WTGs over the period of free operation, maintenance and warranty, which varies according to the terms of each sales order.

Provision for liquidated damages ('LD') represents the expected claims which the Company may need to pay for non fulfilment of certain commitments as per the terms of the sales order. These are determined on a case to case basis considering the dynamics of each sales order and the factors relevant to that sale.

6. Deferred tax assets, net

Particulars	As at March 31, 2009	During the year 2009-10	As at March 31, 2010
Deferred tax assets:			
Provision for PG, LD, O&M	65.66	(65.66)	-
Provision for doubtful debts	6.51	(6.51)	-
Unabsorbed losses and depreciation	97.79	(97.79)	-
Share issue expenses	1.07	(1.07)	-
Depreciation on fixed assets	4.37	(4.37)	-
Total deferred tax assets	175.40	(175.40)	-

7. Earnings/(loss) per share ('EPS')

All amounts in Rs crore except per share data

Particulars	As at March 31,	
	2010	2009
Basic		
Net profit/(loss) after tax A	(1,414.09)	(469.27)
Weighted average number of equity shares B	1,538,477,796	1,497,932,537
Basic earnings/(loss) per share of Rs 2 each A/B	(9.19)	(3.13)
Diluted		
Net profit/(loss) after tax C	(1,414.09)	(469.27)
Less: Interest on foreign currency convertible bonds (net of tax) D	17.54	Nil
Adjusted net loss after tax E=C-D	(1,396.55)	(469.27)
Weighted average number of equity shares F	1,538,477,796	1,497,932,537
Add: Equity shares for no consideration arising on grant of share options G	1,066,418	28,507
Add: Potential weighted average equity shares that could arise on conversion of foreign currency convertible bonds H	102,922,093	55,516,717
Weighted average number of equity shares for diluted EPS I = (F+G+H)	1,642,466,307	1,553,477,761
Diluted earnings/(loss) per share (Rs) of face value of Rs 2 each [see note below]*	(9.19)	(3.13)

* Since the earnings/(loss) per share computation based on diluted weighted average number of shares is anti-dilutive, the basic and diluted earnings/(loss) per share is the same.

8. Foreign currency convertible bonds

a) Initial terms of issue

On June 11, 2007 the Company made an issue of zero coupon convertible bonds aggregating USD 300 million (Rs 1,223.70 crore) [Phase I bonds]. Further, on October 10, 2007, the Company has made an additional issue of zero coupon convertible bonds aggregating USD 200 million (Rs 786.20 crore) [Phase II bonds].

The key terms of these bonds were as follows:

Particulars	Phase I	Phase II
Issue size (USD)	300 million	200 million
Face value per bond (in USD)	1,000	1,000
No. of equity shares per bond	113.50	107.30
Initial conversion price per share(Rs)	359.68	371.55
Fixed exchange rate (Rs/ USD)	40.83	39.87
Redemption amount as a %of principal amount (%)	145.23	144.88
Maturity date	June 12, 2012	October 11, 2012

b) Restructuring of Phase I and Phase II bonds

During the year, the Company has restructured Phase I and Phase II Zero Coupon Convertible Bonds with an approval of the Reserve Bank of India ('RBI') and the bondholders were offered the following options as part of the restructuring;

Buyback of bonds @54.55%of the face value of US \$ 1000 per bond.

Issue of new bonds in place of old bonds at a fixed ratio of 3:5 (60 cents to dollar) bearing a coupon of 7.5 per cent per annum, payable semi-annually. Unless previously redeemed, converted or purchased and cancelled, the Company will redeem each Phase I New Bond at 150.24 per cent of its principal amount and each Phase II New Bond at 157.72 per cent of its principal amount on the relevant Maturity Date. The conversion price is set at Rs 76.68 per share. These bonds do not have any financial covenants and are of the same maturity as the old bonds.

Consent fee of USD15 Million to be paid across both the series, for those bondholders who consent to the relaxation of covenants.

As a result of the restructuring, the outstanding position of the foreign currency convertible bonds is as follows;

Particulars	Phase I Bonds (Amount in USD)	Phase II Bonds (Amount in USD)	Total (Amount in USD)
Old bonds exchanged [A]	59,332,000	34,672,000	94,004,000
New Bonds issued in the ratio of 3:5 [B]	*35,592,000	20,796,000	*56,388,000
Bonds bought back for cash [C]	29,366,000	43,960,000	73,326,000
Cash paid for buyback [D]	16,019,702	23,980,180	39,999,882
Old bonds outstanding [E]	211,302,000	121,368,000	332,670,000
Value of total bonds outstanding [F]=[B]+[E]	246,894,000	142,164,000	389,058,000
Value of old bonds [G]=[A]+[C]+[E]	300,000,000	200,000,000	500,000,000
Consent fee paid	11,846,947	1,869,863	13,716,810
Maturity date	June 12, 2012	October 11, 2012	
Redemption amount as a %of principal amount of New Bonds (%)	150.24	157.72	
Redemption amount as a %of principal amount of Old Bonds carried forward(%)	145.23	144.88	

* 19,000 bonds have been converted into equity shares during the year.

c) Issue of New Bonds during the year

On July 24, 2009, the Company made an issue of Zero Coupon Convertible Bonds due 2014 for a total amount of USD 93.87 million (approximately Rs 452.64 crore) at an issue price of 104.30%of the principal amount of USD 90.00 million comprising of 90,000 Zero Coupon Convertible Bonds due 2014 of USD 1,000 each ('Phase III Bonds'), the key term of which are as follows:

- a) convertible by the holders at any time on or after September 2, 2009 but prior to close of business on July 18, 2014. Each bond will be converted into 533.2762 fully paid up equity shares with face value of Rs 2 per share at an initial conversion price of Rs 90.38 per equity share of Rs 2 each at a fixed exchange rate conversion of Rs 48.1975= USD 1.
- b) redeemable in whole but not in part at the option of the Company if less than 10 percent of the aggregate principal amount of the Bonds originally issued is outstanding, subject to satisfaction of certain conditions.
- c) redeemable on maturity date at 134.198% of its principal amount, if not redeemed or converted earlier.

The Company has incurred Rs 5.30 crore during the year on account of issue expenses towards the issue of Phase III Bonds which have been adjusted against Securities Premium.

d) Redemption Premium:

The Phase I, Phase II, Phase I New, Phase II New, and Phase III bonds are redeemable subject to satisfaction of certain conditions mentioned in the offering circular and have hence been designated as monetary liability.

The Company has not provided for the proportionate premium on these bonds aggregating Rs 377.22 crore (Rs 226.11 crore) as shown below:

Phase	March 31, 2010	March 31, 2009
Phase I	221.09	154.73
Phase II	109.98	71.38
Phase I (new)	18.53	-
Phase II (new)	10.98	-
Phase III	16.64	-
Total	377.22	226.11

In the opinion of the management, the likelihood of redemption of these bonds cannot presently be ascertained. Accordingly no provision for any liability has been made in the financial statements and hence the proportionate premium has been shown as a contingent liability. The Company has adequate securities premium to absorb the proportionate premium on redemption as at March 31, 2010.

e) Developments post year end

The Company has convened meetings of each of the Bondholders on April 29, 2010 and following are some of the key developments:

The conversion price of the Phase I bonds has been changed from Rs 359.68 per equity share to Rs 97.26 per equity share and for Phase II bonds from Rs 371.55 per equity share to Rs 97.26 per equity share, subject to adjustments in accordance with terms and conditions of the bonds.

The revised floor price in respect of Phase I and Phase II bonds is Rs 74.025 per equity share.

The fixed exchange rate is changed to 1USD=Rs 44.60 from 1USD=Rs 40.83 for Phase I bonds and 1USD=Rs 39.87 for Phase II bonds.

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9. Operating leases

a) Premises

The Company has taken certain premises under cancellable operating leases. The total rental expense under cancellable operating leases during the period was Rs 11.74 crore (Rs 10.37 crore). The Company has also taken furnished/ unfurnished offices and certain other premises under non-cancellable operating lease agreement ranging for a period of one to nine years. The lease rental charge during the year is Rs 8.15 crore (Rs 14.44 crore) and maximum obligations on long-term non-cancellable operating lease payable as per the rentals stated in respective agreement are as follows:

Obligation on non-cancellable operating leases	Year ended March 31,	
	2010	2009
Not later than one year	8.52	8.80
Later than one year and not later than five years	5.77	13.75
Later than five years	0.19	0.26

b) WTG's

The Company has taken WTGs on non-cancellable operating lease, chargeable on per unit basis of net electricity generated and delivered. The lease amount would be determined in the future on the number of units generated. Lease rental expense for the period is Rs 2.45 crore (Rs 2.38 crore).

Sublease rental income recognised in the statement of profit and loss account for the period is Rs 2.45 crore (Rs 2.38 crore).

10. Employee Stock Option Scheme

The Company has provided various Employee Stock Option Schemes to its employees. During the year ended March 31, 2010 the following schemes were operation:

Particulars	ESOP 2005 Scheme I	ESOP 2006 Scheme II	ESOP 2007 Scheme III	ESOP Perpetual-I (Tranche I) Scheme IV	ESOP Perpetual-I (Tranche II) Scheme IV
Grant date	June 16, 2005	Nov. 23, 2007	May 21, 2009	Oct. 5, 2009	Jan. 30, 2010
Board approval date	Mar. 25, 2005	Jan. 29, 2007	April 15, 2008	June 16, 2008	Jun 16, 2008
Shareholder approval	June 16, 2005	Mar. 10, 2007	May 22, 2008	Aug. 13, 2009	Aug. 13, 2009
Options granted (Nos)	4,605,000	519,500	1,878,000	10,916,787	135,000
Exercise Price (Rs)	51	192.20	90.50	70.00	61.80/77.25
Method of settlement	Equity	Equity	Equity	Equity	Equity
<u>Vesting period</u>					
Tranche 1	June 16, 2006	Nov. 23, 2008	May 21, 2010	Oct. 5, 2010	Jan. 30, 2011
Tranche 2	June 16, 2007	Nov. 23, 2009	May 21, 2011	Oct. 5, 2011	Jan. 30, 2012
Tranche 3	June 16, 2008	Nov. 23, 2010	-	Oct. 5, 2012	Jan. 30, 2013
<u>Vesting %</u>					
Tranche 1	30%	50%	75%	50%	50%
Tranche 2	30%	25%	25%	25%	25%
Tranche 3	40%	25%	-	25%	25%
Exercise period (end date)	Till Jun 16, 2011	Till Nov. 23, 2013	Till May 21, 2015	Till Oct. 5, 2014	Till Jan. 30, 2015

The movement in the stock options during the year ended March 31, 2010 was as per the table below:

Particulars	ESOP 2005	ESOP 2006	ESOP 2007	ESOP Perpetual-I	
	Scheme I	Scheme II	Scheme III	(Tranche I) Scheme IV	(Tranche II) Scheme IV
Opening balance	379,000	441,500	-	-	-
Granted during the year	-	-	1,878,000	10,916,787	135,000
Forfeited/ cancelled during the year	7,000	58,500	179,000	712,291	-
Exercised during the year	24,000	-	-	-	-
Expired during the year	-	-	-	-	-
Closing balance	348,000	383,000	1,699,000	10,204,496	135,000
Exercisable at the end of the year (Included in closing balance of option outstanding)	348,000	287,250	-	-	-

The movement in the stock options during the year ended March 31, 2009 was as per the table below:

Particulars	ESOP 2005	ESOP 2006
Opening balance of options outstanding	1,858,000	519,500
Granted during the year	-	-
Forfeited/ cancelled during the year	118,000	78,000
Exercised during the year	1,361,000	-
Expired during the year	-	-
Closing balance of options outstanding	379,000	441,500
Exercisable at the end of the year (Included in closing balance of option outstanding)	379,000	192,000

The weighted average share price during the year ended March 31, 2010 was approximately Rs 87.83 (Rs 89.65) per share.

Fair value of options

The Company applies intrinsic value based method of accounting for determining compensation cost for Scheme I, Scheme II, Scheme III and Scheme IV. Following are the details of the amounts charged to the profit and loss account, rate per option, and cost per option calculated based on 'Black-Scholes' Model.

Particulars	ESOP 2005	ESOP 2006	ESOP 2007	ESOP Perpetual-I (Tranche I) Scheme IV		ESOP Perpetual-I (Tranche II) Scheme V	
	Scheme I	Scheme II	Scheme III	Non-US	US	Non-US	US
Charge to profit and loss account	Nil (1.04)	0.28 (3.93)	0.28 (Nil)	6.98 (Nil)		0.01 (Nil)	
Rate per option (Rs)	51.00	182.60	2.20	22.25	4.75	15.45	Nil
'Black-Scholes' Model – Cost per option (Rs)	56.76 (63.34)	246.77 (272.37)	51.31 (Nil)	50.86 (Nil)	45.03 (Nil)	45.25 (Nil)	40.32 (Nil)

If the Cost per option was calculated based on the 'Black-Scholes' model, the loss after tax would have been higher by Rs 18.15 crore (Rs 1.55 crore).

Consequently the basic and diluted earnings/ (loss) per share after factoring the above impact would be as follows:

Particulars	Year ended as at March 31,	
	2010	2009
Earnings/ (loss) per share		
- Basic	(9.31)	(3.14)
- Diluted	(9.31)	(3.14)

11. Post employment benefits

The Company has a defined benefit gratuity plan. Every employee who has completed five or more years of service is eligible for gratuity. Gratuity is computed based on 15 days salary based on last drawn salary for each completed year of service. The scheme is funded with an insurance company in the form of a qualifying insurance policy.

Changes in the present value of the defined benefit obligation are as follows:

Particulars	Year ended March 31,	
	2010	2009
Opening defined benefit obligation	9.15	4.49
Interest cost	0.71	0.37
Current service cost	2.53	1.75
Benefits paid	(0.38)	(0.19)
Actuarial (gains)/losses on obligation	(1.33)	2.73
Closing defined benefit obligation	10.68	9.15

Changes in the fair value of plan assets are as follows:

Particulars	Year ended March 31,	
	2010	2009
Opening fair value of plan assets	7.12	4.81
Expected return	0.67	0.50
Contributions by employer*	2.01	2.36
Benefits paid	(0.38)	(0.19)
Actuarial gains / (losses)	0.05	(0.36)
Closing fair value of plan assets	9.47	7.12

* The contribution made by the employer during the year was Rs 2.01 crore (Rs 2.48 crore) of which Rs 2.01 crore (Rs 2.36 crore) was paid towards approved fund and Nil (Rs 0.12 crore) was towards OYRGTA premium. The Company expects to contribute Rs 2.01 crore (Rs 2.36 crore) to its defined benefit gratuity plan in 2010-11. The actual return on plan assets during the year was Rs 0.61 crore (Rs 0.28 crore).

The major categories of plan assets as a percentage of the fair value of total plan assets are as follows:

Particulars	As at March 31,	
	2010	2009
Investments in approved fund	100%	100%

Details of defined benefit obligation

Particulars	Year ended March 31,	
	2010	2009
Defined benefit obligation (A)	10.68	9.15
Fair value of plan assets (B)	9.47	7.12
Present value of unfunded obligations (C=A-B)	1.21	2.03
Less: Unrecognised past service cost (D)	-	-
Plan liability/ (asset) (E=C-D)	1.21	2.03

Net employees benefit expense recognised in the profit and loss account

Particulars	Year ended March 31,	
	2010	2009
Current service cost	2.53	1.75
Interest cost on benefit obligation	0.71	0.37
Expected return on plan assets	(0.67)	(0.50)
Net actuarial (gain) / loss recognised in the year	(1.38)	3.09
Past service cost	Nil	Nil
Net benefit expense	1.18	4.71

Amounts for the current and previous periods are as follows:

Particulars	Year ended March 31,			
	2010	2009	2008	2007
Defined benefit obligation	10.68	9.15	4.49	2.66
Plan assets	9.47	7.12	4.81	1.92
Surplus/ (deficit)	(1.21)	(2.03)	0.32	(0.74)
Experience adjustments on plan liabilities	0.95	(1.61)	-	-
Experience adjustments on plan assets	0.05	(0.35)	-	-

The above disclosure has been given from the date of adoption of AS-15(revised).

The principal assumptions used in determining defined benefit obligation are shown below:

Particulars	Year ended March 31	
	2010	2009
Discount rate	8.20%	7.90%
Expected rate of return on plan assets	8.50%	8.50%
Salary escalation rate	8.00%	8.00%
Attrition rate	10%at younger ages and reducing to 1%at older age according to graduated scale	10%at younger ages and reducing to 1%at older age according to graduated scale

The estimated future salary increase considered in actuarial valuation, takes into account the effect of inflation, seniority, promotion and other relevant factors such as supply and demand in the employment market. The overall expected rate of return on plan assets is determined based on the market prices prevailing as on balance sheet date, applicable to the period over which the obligation is to be settled.

12. Other Notes

a) Global Depository Receipts ('GDRs') issued during the year

On July 24, 2009, the Company raised USD 108.04 Million (Rs 522.97 crore) through issuance of 14,600,000 GDR's representing 58,400,000 equity shares of Rs 2 each at a price of Rs 89.55 per equity share of Rs 2 each. The issue price of each GDR is USD 7.40 and the GDRs are listed on the Luxembourg Stock Exchange and were admitted for trading on London Stock Exchange. The holders of GDR do not have voting rights with respect to the shares represented by the GDRs, but are entitled to dividends on those shares. The Company has incurred Rs 11.07 crore during the year on account of issue expenses towards the issue of Global Depository Receipts which have been adjusted against Securities Premium.

b) Debt Consolidation and Refinancing Arrangement

Suzlon Energy Limited along with some of its Indian subsidiaries, collectively referred as "Suzlon Entities" have executed a Debt Consolidation and Refinancing Arrangement (the 'Arrangement') on February 5, 2010 with a consortium comprising of various banks and financial institutions ("Consortium") lead by the State Bank of India as the Facility Agent and SBI Cap Trustee Company Limited as the Security Trustee.

As per the Arrangement, the Consortium has sanctioned a consolidated loan amount and based on business requirements, SEL has drawn down various facilities of rupee term loans, fund based working capital facilities and non-fund based working capital facilities. The Arrangement also covers the earlier sanctioned loans/debentures, which have either been continued or converted into a new loan facility, as the case may be.

The Company has incurred an amount of approximately Rs 119.55 crore, as consultancy and processing charges in regard to the Arrangement, the cost of which will be amortised over the tenure of respective facilities.

- c) Creditors include acceptances of Rs 454.58 crore (Rs 406.37 crore).
- d) Expenditure amounting to Rs 1.42 crore (Rs 3.61 crore) and Rs 1.56 crore (Rs 6.22 crore) pertaining to employee remuneration and benefits; and operating and other expenditure respectively, being expenditure incurred in connection with the construction of certain self manufactured assets have been deducted from the respective expenditure heads and have been capitalised under appropriate asset heads.
- e) The Company incurs expenditure on development of infrastructure facilities for power evacuation arrangements as per authorization of the state electricity boards (SEB)/nodal agencies. In certain cases the expenditure is reimbursed, on agreed terms, by the SEB/nodal agencies and in certain other cases the Company recovers it from the customers. Where the expenditure is reimbursed by the SEB/nodal agency, the cost incurred is reduced by the reimbursements received and the net amount is charged to profit and loss account. Where an arrangement is entered into with customers for power evacuation charges, the proportionate direct cost computed on per mega watt basis is netted off from the amount charged to customers and the net deficit/(surplus) is charged / credited to profit and loss account. The deficit/surplus from infrastructure development across all SEBs / nodal agencies is shown under "infrastructure development expenses" or "other income" as the case may be. Indirect expenses not directly relatable to power evacuation are charged to the respective account heads in profit and loss account.
- f) Net foreign exchange gains aggregating Rs 62.88 crore (losses Rs 531.28 crore) on long term foreign currency monetary items have been adjusted in the foreign currency monetary item translation difference account during the year. Further, foreign exchange losses aggregating Rs 202.99 crore (Rs 132.02 crore) have been amortised during the year.

13. Managerial remuneration to directors

Particulars	Year ended March, 31	
	2010	2009
(i) Salaries	1.91	0.96
(ii) Contribution to superannuation and provident fund	0.15	0.21
(iii) Sitting fees	0.07	0.06
Total	2.13	1.23

The directors are covered under the Company's scheme for gratuity along with the other employees of the Company. The proportionate amount of gratuity attributable to directors is not ascertainable, and therefore, not included above.

In view of the losses made during the year, the managerial remuneration paid is in excess of the limits specified in Section II of Part II of Schedule XIII to the Companies Act, 1956. The Company is in the process of making an application to the Central Government for necessary approval u/s 198 of the Companies Act, 1956 after obtaining re-approval of the shareholders.

14. a. Contingent liabilities

Particulars	As at March 31,	
	2010	2009
Guarantees given on behalf of subsidiaries in respect of loans granted to them by banks/ financial institutions	2,371.67	7,117.45
Premium on redemption of convertible bonds	377.22	226.11
Claims against the Company not acknowledged as debts*	42.24	27.26
Income tax matters pending in appeal	12.71	15.23
Others	2.79	1.44

*Claims against the company not acknowledged as debts include claims raised on the company by vendors of goods, which have not been accepted by the company as liabilities.

The Company is a co-guarantor towards loan granted to its subsidiaries.

b. Capital commitments

Particulars	As at March 31,	
	2010	2009
Estimated amount of contracts remaining to be executed on capital account and not provided for net of advances	143.26	59.36

15. a. Derivative instruments and unhedged foreign currency exposure

Particulars of derivatives	Purpose
Forward contract outstanding as at balance sheet date:	
Buy Euro Nil (Euro 17,432,339)	Hedge of forex EURO liabilities
Buy USD Nil (USD 7,285,000)	Hedge of forex USD liabilities
Sell USD 38,600,000 (USD 136,439,861)	Hedge of forex USD receivable
Sell Euro Nil (Euro 37,500,000)	Hedge of forex EURO receivable
Sell AUD Nil (AUD 44,500,000)	Hedge of forex AUD receivable
Option Contract outstanding as at balance sheet date:	
USD Nil (5.50 crore) zero cost 1:1.5 forward put options outstanding	

b. Particulars of unhedged foreign currency exposure as at the Balance Sheet date:

Particulars	As at March 31,	
	2010	2009
Current liabilities	2,672.97	2,624.81
Foreign currency convertible bonds	2,150.89	2,535.50
Loans payable	258.20	1,315.59
Debtors	1,908.67	3,462.59
Loans receivable	2,113.67	867.03
Bank balance in current and term deposit accounts	3.27	1.74
Investments in overseas subsidiaries	7,001.49	6,334.97

16. Disclosure of Micro, Small and Medium Enterprises

Sr. No.	Particulars	Year ended March 31,	
		2010	2009
(i)	Principal amount remaining unpaid to any supplier as at the end of the year	35.80	34.10
	Interest due on the above amount	0.27	0.90
(ii)	Amount of interest paid in terms of section 16 of the Micro, Small and Medium Enterprises Act, 2006	-	-
	Amounts of payment made to the suppliers beyond the appointed day during the year	35.80	37.18
(iii)	Amount of interest due and payable for the period of delay in making payment but without adding the interest specified under this Act	-	-
(iv)	Amount of interest accrued and remaining unpaid at the end of the year	-*	-*
(v)	Amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprise	2.79	1.44

* Interest payable as per section 16 of the Micro, Small and Medium Enterprises Act, 2006 is Rs 2.79 crore (Rs 1.44 crore) and same is not accrued in the books of accounts as the amount is not contractually payable.

17. Additional information pursuant to the provisions of paragraphs 3, 4B, 4C, 4D of part II of schedule VI of the Companies act, 1956.

a. Auditors remuneration and expenses

Particulars	Year ended March 31,	
	2010	2009
Statutory audit fees	2.13	2.16
Tax audit fees	0.06	0.06
Taxation matters	-	-
Certification and advisory services*	0.44	1.10
Reimbursement of out of pocket expenses	0.16	0.20
Total	2.79	3.52

* Includes 0.38 crore (Nil) paid for agreed upon procedures with regard to foreign currency convertible bond issue and issue of equity shares of the company through global depository receipts, and adjusted from securities premium account.

b. Licensed and installed capacities and production

Licensed capacity - The products manufactured and sold by the Company i.e., WTG's and components have not been included in the list of mandatory items, which require a license under the New Industrial Policy in terms of Notification no. S.O.477 (E) dated 25th July, 1991; and hence, licensing requirements are not applicable to the products manufactured by the Company.

Installed capacity – The installed capacities are not precisely ascertainable, given the nature of operations, changes in product mix and utilisation of manufacturing facilities and hence, have not been disclosed.

Production- Details of production made during the year is as follows:

Particulars	Units produced	
	(in Nos.)	(in MW's)
Wind Turbine Generators		
upto 1 MW	100 (93)	60.00 (55.80)
Above 1 MW and upto 2 MW	326 (502)	460.00 (718.00)
Above 2 MW	212 (585)	445.20 (1228.50)
Total	638 (1,180)	965.20 (2002.30)

c. Details of opening stock, turnover and closing stock

Particulars	Year ended March 31, 2010			Year ended March 31, 2009		
	Nos.	MW	Amount	Nos.	MW	Amount
Opening stock						
Wind Turbine Generators						
Upto 1 MW	-	-	-	-	-	-
Above 1 MW and upto 2 MW	-	-	-	-	-	-
Above 2 MW	-	-	-	-	-	-
Land/lease rights	-	-	21.88	-	-	7.66
	-	-	21.88	-	-	7.66
Turnover						
Wind Turbine Generators						
Upto 1 MW	100	60.00	258.40	93	55.80	249.96
Above 1 MW and upto 2 MW	326	460.00	1,574.95	502	718.00	2,728.05
Above 2 MW*	227	476.70	1,434.63	585	1,228.50	4,031.91
Land/lease rights			12.35	-	-	9.45
Wind Turbine Generator parts and others			208.35	-	-	216.21
	653	996.70	3,488.68	1,180	2,002.30	7,235.58
Closing stock						
Wind Turbine Generators						
Upto 1 MW	-	-	-	-	-	-
Above 1 MW and upto 2 MW	-	-	-	-	-	-
Above 2 MW	-	-	-	-	-	-
Land/lease rights	-	-	22.75	-	-	21.88
	-	-	22.75	-	-	21.88

* During the current year 15 WTGs of 2.10 MW were purchased from one of the wholly owned subsidiaries of the Company for sale under percentage of completion method.

d. Raw materials consumed

Particulars	Year ended March 31,			
	2010		2009	
	Quantity	Amount	Quantity	Amount
Gear Box (Nos)	575	476.23	1,235	1,116.03
Others (see note below)	Various	1,742.14	Various	3,460.02
		2,218.37		4,576.05

Note: It is not practicable to furnish quantitative information in view of large number of items which differ in size and nature, each being less than 10% in value of the total raw materials consumed.

e. Imported and indigenous consumption

(i) Raw materials

Particulars	Year ended March 31,			
	2010		2009	
	Amount	%	Amount	%
Imported	1,375.15	61.99	3,001.43	65.59
Indigenous	843.22	38.01	1,574.62	34.41
	2,218.37	100.00	4,576.05	100.00

(ii) Stores and spares

Particulars	Year ended March 31,			
	2010		2009	
	Amount	%	Amount	%
Imported	2.62	12.12	3.47	8.93
Indigenous	19.02	87.88	35.37	91.07
	21.64	100.00	38.84	100.00

f. Value of imports on CIF basis

Particulars	Year ended March 31,	
	2010	2009
Raw materials	1,032.62	2,710.02
Stores and spares	0.49	2.88
Capital goods	96.81	76.54
	1,129.92	2,789.44

g. Expenditure in foreign currency (on accrual basis)

Particulars	Year ended March 31,	
	2010	2009
(i) Consultancy	10.14	7.13
(ii) R & D, certification and product development and quality assurance	73.57	29.17
(iii) Interest	60.82	76.88
(iv) Design change and technological upgradation charges	81.07	63.11
(v) Performance guarantee expenses	74.92	292.10
(vi) Blade retrofit expenses	-	246.95
(vii) Liquidated damages	39.58	141.68
(viii) Operations & maintenance	121.77	75.38
(ix) Consent fee paid to Foreign Currency Convertible Bond holders	68.36	-
(x) Expenses incurred towards issue and restructuring of convertible bonds and issue of Global Depository Receipts	32.98	-
(xi) Others	23.14	32.29

h. Earnings in foreign currency (on accrual basis)

Particulars	Year ended March 31,	
	2010	2009
F.O.B. value of exports	990.33	4,037.92
Interest on loans	97.94	47.99
Royalty	15.66	16.35
Profit on sale of investments	-	9.30

18. Statement showing the use of proceeds from Global Depository Receipt (GDR) up to March 31, 2010

On July 24, 2009, the Company raised USD 108.04 Million (Rs 522.97 crore) through issuance of 14,600,000 Global Depository Receipts (GDRs) representing 58,400,000 equity shares of Rs 2 each at a price of Rs 89.55 per equity share of Rs 2 each. The details of utilization of GDR proceeds are given below:

Sr. No.	Particulars	As at March 31, 2010
I	Sources of funds	
	Proceeds from Issue	522.97
	Issue expenses	(11.07)
	Net proceeds	511.90
II	Utilisation of funds	
	Repayment of bank borrowings	382.00
	Working capital requirement and general corporate purposes	66.39
	Loans to subsidiaries for capital expenditure and working capital requirement	63.51
	Total	511.90
III	Unutilised funds	-

19. Related party disclosures

As per Accounting Standard - 18 (AS 18) – 'Related Party Disclosures', as notified by the Rules, the disclosures of transactions with the related parties as defined in the accounting standard are given below:

a. List of related parties and nature of relationships where control exists

Name of the party	Nature of relationship
AE Rotor Holding B.V.	Subsidiary company
Cannon Ball Wind Energy Park-1, LLC	Subsidiary company
Einundzwanzigste Vittorio Verwaltungs GmbH	Subsidiary company
Parque Eolico El Almendro S.L.	Subsidiary company
PowerBlades GmbH	Subsidiary company
PowerBlades SA	Subsidiary company
Rep Ventures - Portugal S.A.	Subsidiary company
Repower Australia Pty Ltd.	Subsidiary company
REpower Benelux b.v.b.a.	Subsidiary company
REpower Betriebs – und Beteiligungs GmbH	Subsidiary company
REpower Canada Inc	Subsidiary company
REpower Diekat S.A.	Subsidiary company
REpower Espana S.L.	Subsidiary company
REpower Geothermie GmbH	Subsidiary company
REpower Investitions - und Projektierungs GmbH & Co. KG	Subsidiary company
REpower Italia s.r.l	Subsidiary company
REpower North (China) Ltd.	Subsidiary company

Name of the party	Nature of relationship
REpower S.A.S.	Subsidiary company
REpower Systems AG	Subsidiary company
REpower UK Ltd.	Subsidiary company
REpower USA Corp .	Subsidiary company
REpower Wind Systems Trading (China) Ltd.	Subsidiary company
REpower Windpark Betriebs GmbH	Subsidiary company
RETC Renewable Energy Technology Centre	Subsidiary company
RPW Investments SGPS, SA	Subsidiary company
SE Composites Limited	Subsidiary company
SE Drive Technik GmbH	Subsidiary company
SE Electricals Limited	Subsidiary company
SE Forge Limited	Subsidiary company
SE Solar Limited	Subsidiary company
SISL Green Infra Limited	Subsidiary company
Sister – sistemas e Tecnologia de Energias renovaveis Lda	Subsidiary company
Suzlon Blade Technology B.V.	Subsidiary company
Suzlon Energia Elocia do Brazil Ltda	Subsidiary company
Suzlon Energy (Tianjin) Limited	Subsidiary company
Suzlon Energy A/S	Subsidiary company
Suzlon Energy Australia Pty. Ltd.	Subsidiary company
Suzlon Energy Australia RWFD Pty Ltd	Subsidiary company
Suzlon Energy B.V.	Subsidiary company
Suzlon Energy GmbH	Subsidiary company
Suzlon Energy Korea Co., Ltd.	Subsidiary company
Suzlon Energy Limited, Mauritius	Subsidiary company
Suzlon Engitech Limited	Subsidiary company
Suzlon Generators Limited	Subsidiary company
Suzlon Gujarat Wind Park Limited	Subsidiary company
Suzlon Infrastructure Services Limited	Subsidiary company
Suzlon North Asia Ltd	Subsidiary company
Suzlon Power Infrastructure Limited	Subsidiary company
Suzlon Rotor Corporation	Subsidiary company
Suzlon Structures Limited	Subsidiary company
Suzlon Towers and Structures Limited	Subsidiary company
Suzlon Wind Energy A/S	Subsidiary company
Suzlon Wind Energy BH	Subsidiary company
Suzlon Wind Energy Bulgaria EOOD	Subsidiary company
Suzlon Wind Energy Corporation	Subsidiary company
Suzlon Wind Energy Equipment Trading (Shanghai) Co., Ltd.	Subsidiary company
Suzlon Wind Energy Espana, S.L	Subsidiary company
Suzlon Wind Energy Italy s.r.l.	Subsidiary company
Suzlon Wind Energy Limited	Subsidiary company
Suzlon Wind Energy Nicaragua Sociedad Anonima	Subsidiary company
Suzlon Wind Energy Portugal Energia Elocia Unipessoal Lda	Subsidiary company
Suzlon Wind Energy Romania SRL	Subsidiary company
Suzlon Wind Enerji Sanayi Ve Ticaret Limited Sirketi	Subsidiary company
Suzlon Wind International Limited	Subsidiary company
Suzlon Windenergie GmbH	Subsidiary company
Suzlon Windpark Management GmbH	Subsidiary company
Tarilo Holding B.V.	Subsidiary company
Valum Holding B.V.	Subsidiary company
WEL Windenergie Logistik GmbH	Subsidiary company
Windpark Blockland GmbH & Co KG	Subsidiary company
Windpark Meckel/ Glzem GmbH & Co KG	Subsidiary company
Windpark Olsdorf Watt GmbH & Co. KG	Subsidiary company
Hansen Drives Limited, Hongkong*	Subsidiary company
Hansen Drives Limited, India*	Subsidiary company
Hansen Drives Pte Ltd.*	Subsidiary company

Name of the party	Nature of relationship
Hansen Transmissions Inc*	Subsidiary company
Hansen Transmissions International NV*	Subsidiary company / Associate
Hansen Transmissions Ltd.*	Subsidiary company
Hansen Transmissions Mecanicas Ltda*	Subsidiary company
Hansen Transmissions Pty Ltd., Australia*	Subsidiary company
Hansen Transmissions Pty Ltd., South Africa*	Subsidiary company
Hansen Transmissions Tianjin Industrial Gearbox Co., Ltd.*	Subsidiary company
Hansen Wind Energy Drives (China) Co Ltd.*	Subsidiary company
Lommelpark NV*	Subsidiary company
Sunrise Wind Project Private Limited*	Subsidiary company
REpower Portugal - Sistemas Eolicos, S.A.	Joint Venture

* During the year ended March 31, 2010, AE Rotor Holding B.V. a wholly owned subsidiary of the Company sold 35.22% of equity stake in Hansen Transmissions International NV ("Hansen") on November 24, 2009. Consequently, the holding of the Company along with its wholly owned subsidiary, in Hansen has reduced to 26.06% and the status of Hansen has changed from a subsidiary to an associate. Accordingly for the purpose of the reporting related party disclosures, Hansen and its subsidiaries have been treated as subsidiaries till November 2009 and from December 2009 onwards only Hansen (excluding its subsidiaries) has been considered and disclosed as an "associate" for related party disclosures pursuant to provisions of Accounting Standard 18 – Related Party Disclosures.

b. Other related parties with whom transactions have taken place during the year

- i) Entities where key management personnel ('KMP')/relatives of key management personnel ('RKMP') have significant influence –

Sarjan Realities Limited, Synefra Engineering & Construction Limited (Formerly Suzlon Infrastructure Limited), Shubh Realty (South) Private Limited, Tanti Holdings Private Limited (Formerly Tanti Holdings Limited), Suzlon Foundation, Grish R. Tanti (HUF), Sanman Holdings Private Limited, SE Energy Park Limited,

- ii) Key management personnel of Suzlon Energy Limited

Tulsi R. Tanti, Grish R. Tanti

- iii) Relatives of key management personnel of Suzlon Energy Limited

Vinod R. Tanti, Jitendra R. Tanti

- iv) Employee funds

Suzlon Energy Limited – Superannuation Fund.
Suzlon Energy Limited – Employees Group Gratuity Scheme.

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c. Transactions between the Company and related parties and the status of outstanding balances as at March 31, 2010:

Particulars	Subsidiary	Associate	Entities where KMP / RKMP has significant influence	KMP	RKMP	Employee Funds
Transactions						
Purchase of fixed assets (including intangibles)	90.26 (62.06)	- (-)	3.88 (3.50)	- (-)	- (-)	- (-)
Sale of fixed assets	1.43 (-)	- (-)	- (-)	- (-)	- (-)	- (-)
Subscription to/ purchase of preference share	223.71 (404.47)	- (-)	- (-)	- (-)	- (-)	- (-)
Subscription to/ purchase of equity share	666.51 (2,274.24)	- (-)	- (-)	- (-)	- (-)	- (-)
Sale of investments	- (95.62)	- (-)	- (-)	- (-)	- (-)	- (-)
Loans/Deposits taken	- (-)	- (-)	1,175.00 (148.00)	- (-)	- (-)	- (-)
Share application money received	- (-)	- (-)	- (200.00)	- (-)	- (-)	- (-)
Deposits given	- (-)	- (-)	- (50.00)	- (-)	- (-)	- (-)
Loans given	3,334.41 (2,381.48)	- (-)	10.69 (124.68)	- (-)	- (-)	- (-)
Sale of goods (net of returns)	1,193.67 (4,311.62)	- (-)	- (-)	- (-)	- (-)	- (-)
Purchase of goods and services	646.64 (1,139.47)	- (-)	11.09 (16.69)	- (-)	- (-)	- (-)
Reimbursement of other expenses	17.41 (-)	- (-)	- (-)	- (-)	- (-)	- (-)
Reimbursement of expense payable**	412.50 (853.30) (-)	- (-) (-)	- (-) (-)	- (-) (-)	- (-) (-)	- (-) (-)
Corporate social welfare expense	- (-)	- (-)	2.86 (9.45)	- (-)	- (-)	- (-)
Interest expense	6.85 (-)	3.62 (-)	56.28 (0.78)	- (-)	- (-)	- (-)
Interest income	203.89 (93.77)	- (-)	6.16 (6.17)	- (-)	- (-)	- (-)
Dividend income	0.06 (11.29)	- (-)	- (-)	- (-)	- (-)	- (-)
Lease rent income	0.32 (4.82)	- (-)	- (0.07)	- (-)	- (-)	- (-)
Royalty income	15.66 (16.36)	- (-)	- (-)	- (-)	- (-)	- (-)
Rent expense	0.03	-	0.01	-	-	-

Particulars	Subsidiary	Associate	Entities where KMP / RKMP has significant influence	KMP	RKMP	Employee Funds
	(0.03)	(-)	(0.00*)	(-)	(-)	(-)
Premium on redemption of preference share	-	-	-	-	-	-
	(9.61)	(-)	(-)	(-)	(-)	(-)
Bank commissions reimbursed	-	-	-	-	-	-
	(0.82)	(-)	(-)	(-)	(-)	(-)
Guarantees given	2,138.31	-	-	-	-	-
	(1,109.20)	(-)	(-)	(-)	(-)	(-)
Managerial remuneration	-	-	-	2.06	-	-
	(-)	(-)	(-)	(1.17)	(-)	(-)
Contribution to various funds	-	-	-	-	-	2.13
	(-)	(-)	(-)	(-)	(-)	(4.06)

Outstanding Balances						
Investments	634.69	-	-	-	-	-
	(410.97)	(-)	(-)	(-)	(-)	(-)
Advance from customers	-	-	-	0.75	0.75	-
	(-)	(-)	(-)	(0.75)	(0.75)	(-)
Sundry debtors	2,144.80	-	-	-	-	-
	(3,525.80)	(-)	(-)	(-)	(-)	(-)
Loans outstanding (including interest)	3,107.31	-	2.04	-	-	-
	(1,655.79)	(-)	(36.25)	(-)	(-)	(-)
Deposits outstanding (including interest)	-	-	55.00	-	-	-
	(6.00)	(-)	(50.00)	(-)	(-)	(-)
Unsecured Loan (including interest)	-	-	1,181.99	-	-	-
	(-)	(-)	(-)	(-)	(-)	(-)
Advances to suppliers and other receivables	41.39	-	-	-	-	-
	(11.86)	(-)	(0.07)	(0.87)	(-)	(-)
Sundry creditors	2,104.09	216.42	0.87	-	-	-
	(1,781.65)	(-)	(8.13)	(-)	(-)	(-)
Corporate guarantees	2,371.67	-	-	-	-	-
	(7,117.45)	(-)	(-)	(-)	(-)	(-)
Share application money pending refund	-	-	-	-	-	-
	(-)	(-)	(95.00)	(-)	(-)	(-)
Dividend receivable	-	-	-	-	-	-
	(11.29)	(-)	(-)	(-)	(-)	(-)

* amount below Rs 0.01 crore

** Reimbursement of expenses relates to amount payable to subsidiaries on account of guarantee and warranty obligations arising out of WTG sale

Note: Certain subsidiaries and group companies have been allowed to make free of charge use of SAP software and office premises owned by the Company.

d. Disclosure of significant transactions with related parties:

Type of Transaction	Type of relationship	Name of the entity/ person	Year ended March 31,	
			2010	2009
Purchase of fixed assets (including intangibles)	Subsidiary	Suzlon Blade Technology B.V.	30.96	-
	Subsidiary	AE Rotor Holding B.V.	-	7.07

Type of Transaction	Type of relationship	Name of the entity/ person	Year ended March 31,	
			2010	2009
	Subsidiary	Suzlon Energy Gmbh	59.07	54.99
Sale of fixed assets	Subsidiary	SE Electricals Limited	0.18	-
	Subsidiary	SE Composites Limited	1.22	-
Subscription to / purchase of preference shares	Subsidiary	SE Electricals Limited	17.80	58.10
	Subsidiary	SE Composites Limited	120.88	103.10
	Subsidiary	Suzlon Infrastructure Services Limited	-	60.00
	Subsidiary	Suzlon Wind International Limited	85.03	68.27
	Subsidiary	SE Forge Limited	-	115.00
Subscription to / purchase of equity shares	Subsidiary	Suzlon Energy Limited, Mauritius	292.71	2,133.12
	Subsidiary	Suzlon Energy A/S	370.66	-
Sale of investments	Subsidiary	Tarilo Holding B.V.	-	95.62
Loan / deposits taken	Entities where KMP/ RKMP has significant influence	Tanti Holdings Private Limited (Formerly Tanti Holdings Limited)	-	148.00
	Entities where KMP/ RKMP has significant influence	SE Energy Park Limited	565.00	-
	Entities where KMP/ RKMP has significant influence	Sanman Holdings Private Limited	610.00	-
Share application money received	Entities where KMP/ RKMP has significant influence	Tanti Holdings Private Limited (Formerly Tanti Holdings Limited)	-	200.00
Deposit given	Entities where KMP/ RKMP has significant influence	Synefra Engineering & Construction Limited (Formerly Suzlon Infrastructure Limited)	-	50.00
Loans given	Subsidiary	Suzlon Infrastructure Services Limited	-	282.26
	Subsidiary	SE Composites Limited	411.09	171.47
	Subsidiary	AE Rotor Holding B.V.	1,390.93	971.33
	Subsidiary	Suzlon Wind International Limited	936.37	249.85
Sale of goods (net of returns)	Subsidiary	Suzlon Wind Energy Corporation	825.49	2,018.44
	Subsidiary	Suzlon Energy Australia Pty. Limited	136.04	941.07

Type of Transaction	Type of relationship	Name of the entity/ person	Year ended March 31,	
			2010	2009
	Subsidiary	Suzlon Energy A/S	-	703.48
Purchase of goods and services	Subsidiary	Suzlon Infrastructure Services Limited	130.34	211.85
	Subsidiary	Suzlon Generators Limited	55.96	180.90
	Subsidiary	Hansen Drives Limited, India	52.73	106.67
	Subsidiary	Suzlon Wind International Limited	82.20	4.66
	Subsidiary	SE Electricals Limited	85.14	11.69
	Subsidiary	Hansen Transmissions International NV	-	449.81
Reimbursement of expenses	Subsidiary	Suzlon Wind Energy Corporation	236.75	745.70
	Subsidiary	Suzlon Energy Australia Pty. Ltd.	113.46	52.27
Corporate Social Welfare expense	Entities where KMP/ RKMP has significant influence	Suzlon Foundation	2.86	9.45
Interest income	Subsidiary	AE Rotor Holding B.V.	97.32	47.09
	Subsidiary	Suzlon Structures Limited	5.96	14.16
	Subsidiary	SE Composites Limited	31.01	2.23
	Subsidiary	Suzlon Wind International Limited	27.33	2.72
Interest expense	Entities where KMP/ RKMP has significant influence	Tanti Holdings Private Limited (Formerly Tanti Holdings Limited)	1.08	0.78
	Entities where KMP/ RKMP has significant influence	SE Energy Park Limited	33.21	-
	Entities where KMP/ RKMP has significant influence	Sanman Holdings Private Limited	21.99	-
	Subsidiary	Hansen Transmission International NV	5.48	-
	Associate	Hansen Transmission International NV	3.62	-
Dividend income	Subsidiary	SE Composites Limited	0.03	3.87
	Subsidiary	Suzlon Wind International Limited	0.03	6.77
Royalty income	Subsidiary	Suzlon Energy (Tianjin) Limited	15.66	16.36
Premium on redemption of preference share	Subsidiary	SE Forge Limited	-	9.61
Lease rent income	Subsidiary	SE Electricals Limited	0.32	-

Type of Transaction	Type of relationship	Name of the entity/ person	Year ended March 31,	
			2010	2009
Rent expense	Entities where KMP/ RKMP has significant influence	Girish R. Tanti (HUF)	0.01	0.01
	Subsidiary	Suzlon Infrastructure Services Limited	0.03	0.03
Bank commissions reimbursement	Subsidiary	Suzlon Energy (Tianjin) Limited	-	0.77
Managerial remuneration	KMP	Tulsi R. Tanti	1.46	0.60
	KMP	Girish R. Tanti	0.60	0.57
Contribution to various funds	Employee Funds	Suzlon Energy Limited – Superannuation Fund	0.13	1.54
	Employee Funds	Suzlon Energy Limited-Employees Group Gratuity Scheme	2.00	2.52
Guarantees given on behalf of	Subsidiary	SE Drive Techniek GmbH	2,083.36	-
	Subsidiary	Suzlon Energy A/S	-	1,080.69
Reimbursement of other expenses	Subsidiary	Suzlon Wind International Limited	6.36	-
	Subsidiary	SE Composites Limited	3.34	-
Share application money refunded	Entities where KMP/ RKMP has significant influence	Tanti Holdings Private Limited (Formerly Tanti Holdings Limited)	95.00	-

20. Disclosures as required by Clause 32 of the Listing Agreement with Stock Exchanges

Type of relationship	Name	Amount outstanding as at March 31, 2010	Maximum Amount outstanding during the year
Subsidiaries	Suzlon Towers and Structures Limited	-	86.00
	Suzlon Power Infrastructure Limited	135.61	135.71
	Suzlon Infrastructure Services Limited	-	101.07
	Suzlon Gujarat Wind Park Limited	47.21	98.66
	Suzlon Structure Limited	0.36	105.14
	SE Forge Limited	-	3.46
	SE Composites Limited	379.54	439.21
	Suzlon Wind International Limited	291.77	498.93
	SE Electricals Limited	47.28	100.34
	Suzlon Rotor Corporation	5.84	5.84
	AE Rotor Holding B.V.	2,010.26	2,179.88
	Suzlon Energy A/S	-	25.48
	Sarjan Realities Limited	-	36.25
	Companies in which directors are interested	Synefra Engineering & Construction Limited (Formerly Suzlon Infrastructure Limited) – Deposit	50.00
Shubh Realty (South) Private Limited		2.00	5.55

Note:

- a. All the above balances of loans are excluding accrued interest aggregating Rs 192.23 crore (Rs 2.88 crore) and are payable on demand/as per agreement.

- b. No loans have been granted by the Company to any person for the purpose of investing in the shares of Suzlon Energy Limited or any of its subsidiaries.
- c. Loans and advances to companies under the same management, as per the provisions of Section 370 (1B) of the Companies Act, 1956.

Name	Amount outstanding as at March 31, 2010	Maximum Amount outstanding during the year
Sarjan Realities Limited	-	36.25
Synefra Engineering & Constructions Limited	50.00	50.00
Shubh Realty (South) Private Limited	2.00	5.55

21. Segment reporting

As permitted by paragraph 4 of Accounting Standard-17 (AS - 17), 'Segment Reporting', if a single financial report contains both consolidated financial statements and the separate financial statements of the parent, segment information need be presented only on the basis of the consolidated financial statements. Thus, disclosures required by AS 17 are given in consolidated financial statements.

22. Prior year amounts have been reclassified wherever necessary to conform with current year presentation. Figures in the brackets are in respect of the previous year.

Signatures to Schedules A to P

As per our report of even date

For SNK & Co.
Firm registration number:
109176W
Chartered Accountants

For S.R. BATLIBOI & Co.
Firm registration number:
301003E
Chartered Accountants

For and on behalf of the Board of
Directors of Suzlon Energy Limited

per Jasmin B. Shah
Partner
Membership No. 46238

per Arvind Sethi
Partner
Membership No. 89802

Tulsi R. Tanti
Chairman and Managing Director

Ashok Jangid
Vice President
and Company Secretary

Girish R. Tanti
Director

Place : Mumbai
Date : May 29, 2010

Place: Mumbai
Date : May 29, 2010

Place: Mumbai
Date : May 29, 2010

SUZLON ENERGY LIMITED

CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2009

SNK & Co.
Chartered Accountants
E-2-B, The Fifth Avenue
Dhole Patil Road
Near Regency Hotel
Pune 411 001

S. R. BATLIBOI & Co.
Chartered Accountants
C-401, Fourth Floor
Panchshil Techpark
Yerwada
Pune 411 006

Auditor's Report

The Board of Directors Suzlon Energy Limited

1. We SNK & Co. and S. R. Batliboi & Co. have audited the attached consolidated balance sheet of Suzlon Energy Limited ('SEL') and its subsidiaries as described in Schedule P, Note 1 and joint venture as described in Schedule P, Note 2 (together referred to as the 'Group') as at March 31, 2009, and also the consolidated profit and loss account and the consolidated cash flow statement for the year ended on that date annexed thereto ("consolidated financial statements"). These consolidated financial statements are the responsibility of SEL's management and have been prepared by management on the basis of separate financial statements and other financial information regarding components. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. We did not audit the financial statements of certain subsidiaries, whose audited financial statements, reflect Group's share of total assets of Rs. 998.13 Crores as at March 31, 2009, Group's share of total revenues of Rs. 1,650.11 Crores and Group's share of total cash flows of Rs. (8.54) Crores for the year then ended. These financial statements and other financial information have been audited solely by SNK & Co. on which, S. R. Batliboi & Co. has placed reliance for the purpose of this report.
4. We did not audit the financial statements of certain subsidiaries, whose audited financial statements, reflect Group's share of total assets of Rs. 957.45 Crores as at March 31, 2009, Group's share of total revenues of Rs. 5,539.83 Crores and Group's share of total cash flows of Rs. 163.09 Crores for the year then ended. These financial statements and other financial information have been audited solely by S. R. Batliboi & Co. on which, SNK & Co. has placed reliance for the purpose of this report.
5. We did not audit the financial statements of certain subsidiaries, whose audited financial statements, reflect Group's share of total assets of Rs. 40,159.69 Crores as at March 31, 2009, Group's share of the total revenue of Rs. 18,157.09 Crores and Group's share of total cash flows amounting to Rs. (3,543.73) Crores for the

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S. R. BATLIBOI & Co.
Chartered Accountants
C-401, Fourth Floor
Panchshil Techpark
Yerwada
Pune 411 006

year then ended. These financial statements and other financial information have been audited by other auditors whose reports have been furnished to us, and our opinion is based solely on the report of other auditors.

These financial statements include the audited financial statements of subsidiaries, having Group's share of total assets of Rs. 37,036.50 Crores as at March 31, 2009, Group's share of total revenues of Rs. 11,284.44 Crores and Group's share of total cash flows amounting to Rs. (4,226.46) Crores for the year then ended, which have been audited by member firms of Ernst & Young Global in the relevant countries and whose reports have been furnished to us, and our opinion is based solely on their reports.

6. We did not audit the financial statements of certain subsidiaries, whose financial statements, reflect Group's share of total assets of Rs. 1.00 Crores as at March 31, 2009, Group's share of total revenues of Rs. 0.41 Crores and Group's share of total cash flows amounting to Rs. 3.76 Crores for the year then ended. These financial statements and other financial information have been certified by management and our opinion is based solely on these management certified accounts.
7. We did not audit the financial statements of joint ventures, whose financial statements, reflect Group's share of total assets of Rs. 71.05 Crores as at March 31, 2009, Group's share of total revenues of Rs. 339.63 Crores and Group's share of total cash flows amounting to Rs. 62.67 Crores for the year then ended. These financial statements and other financial information have been certified by management, and our opinion is based solely on these management certified accounts.
8. Without qualifying our opinion, we draw attention to Schedule P, Note 9 regarding non-provision of proportionate premium on redemption of 'US\$ 500 Million Zero Coupon Convertible Bonds due 2012' amounting to Rs. 226.11 Crores which has been considered by the Group as a contingent liability.
9. We report that the consolidated financial statements have been prepared by SEL's management in accordance with the requirements of Accounting Standards (AS) 21, Consolidated financial statements, Accounting Standards (AS) 23, Accounting for Investments in Associates in Consolidated Financial Statements and Accounting Standard (AS) 27, Financial Reporting of Interests in Joint Ventures notified pursuant to the Companies (Accounting Standards) Rules, 2006.

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SNK & Co.
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E-2-B, The Fifth Avenue
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Chartered Accountants
C-401, Fourth Floor
Panchshil Techpark
Yerwada
Pune 411 006

10. Based on our audit and on consideration of reports of other auditors on separate financial statements and on the other financial information of the components, and to the best of our information and according to the explanations given to us, we are of the opinion that the attached consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:

- (a) in the case of the consolidated balance sheet, of the state of affairs of the Group as at March 31, 2009;
- (b) in the case of the consolidated profit and loss account, of the profit for the year ended on that date; and
- (c) in the case of the consolidated cash flow statement, of the cash flows for the year ended on that date.

SNK & Co
Chartered Accountants

S. R. Batliboi & Co
Chartered Accountants

per Jasmin B. Shah
Partner
Membership No 46238
Place: Mumbai
Date: June 27, 2009

per Arvind Sethi
Partner
Membership No 89802
Place: Mumbai
Date: June 27, 2009

Suzlon Energy Limited
Consolidated balance sheet as at March 31, 2009

All amounts in rupees crore unless otherwise stated

Particulars	Schedule	As at March 31,	
		2009	2008
SOURCES OF FUNDS			
Shareholders' funds			
Share capital	A	299.66	299.39
Employee stock options outstanding	B	10.44	10.22
Reserves and surplus	C	8,221.64	7,791.70
		8,531.74	8,101.31
Preference shares issued by subsidiary company		2.50	2.50
Share application money pending refund [See Schedule P, Note 11(d)]		95.00	-
Minority interest		2,313.45	1,024.38
Loan funds			
Secured loans	D	10,276.62	7,066.43
Unsecured loans	E	4,592.95	2,868.16
		14,869.57	9,934.59
Deferred tax liabilities		441.74	205.89
		26,254.00	19,268.67
APPLICATION OF FUNDS			
Fixed assets (including intangible assets)			
Gross block	F	15,102.40	5,599.84
Less: Accumulated depreciation / amortisation		1,821.00	1,031.84
Net block		13,281.40	4,568.00
Capital work-in-progress		1,984.02	1,119.67
		15,265.42	5,687.67
Investments	G	5.08	3,141.78
Deferred tax assets		254.93	184.09
Foreign currency monetary translation difference account [See Schedule P, Note 3]		398.01	-
Current assets, loans and advances			
Inventories	H	7,173.65	4,084.83
Sundry debtors		5,392.79	3,201.25
Cash and bank balances		3,069.84	6,960.20
Other current assets		3,345.71	1,489.35
Loans and advances		2,900.89	1,824.99
		21,882.88	17,560.62
Less : Current liabilities and provisions	I		
Current liabilities		10,594.73	6,483.01
Provisions		957.59	822.48
		11,552.32	7,305.49
Net current assets		10,330.56	10,255.13
Miscellaneous expenditure (To the extent not written off or adjusted)	J	-	-
		26,254.00	19,268.67
Significant accounting policies and notes to consolidated financial statements	P		

The schedules referred to above and the notes to accounts form an integral part of the consolidated balance sheet.

As per our report of even date

For and on behalf of the Board of Directors

For SNK & Co.
Chartered Accountants

For S.R. BATLIBOI & Co.
Chartered Accountants

Tulsi R. Tanti
Chairman & Managing Director

per Jasmin B. Shah
Partner
Membership No. 46238

per Arvind Sethi
Partner
Membership No. 89802

Hemal A. Kanuga
Company Secretary

Girish R. Tanti
Director

Place: Mumbai
Date : June 27, 2009

Place: Mumbai
Date : June 27, 2009

Place: Mumbai
Date : June 27, 2009

Suzlon Energy Limited
Consolidated profit and loss account for the year ended March 31, 2009

All amounts in rupees crore unless otherwise stated

Particulars	Schedule	April 01, 2008 to March 31, 2009	April 01, 2007 to March 31, 2008
INCOME			
Sales and service income		26,081.70	13,679.43
Other income	K	448.84	267.98
		26,530.54	13,947.41
EXPENDITURE			
Cost of goods sold	L	16,856.80	8,870.18
Operating and other expenses	M	4,267.54	1,680.73
Employees' remuneration and benefits	N	2,165.75	1,043.01
Financial charges	O	1,053.94	596.94
Depreciation / amortisation	F	573.14	289.36
Preliminary expenditure written off	J	0.09	1.54
		24,917.26	12,481.76
PROFIT BEFORE TAX AND EXCEPTIONAL ITEMS		1,613.28	1,465.65
Less: Exceptional items [See Schedule P, Note 5]		(896.29)	(285.21)
PROFIT BEFORE TAX		716.99	1,180.44
Current tax		211.11	246.62
MAT credit entitlement		(4.03)	(95.68)
Earlier year - current tax		(0.07)	0.23
Deferred tax		67.12	(2.28)
Fringe benefit tax		13.99	14.40
PROFIT AFTER TAX		428.87	1,017.15
Add : Share in associate's profit after tax		2.32	55.75
Less: Share of profit of minority		(194.71)	(42.80)
NET PROFIT		236.48	1,030.10
Balance brought forward		1,690.12	1,163.04
PROFIT AVAILABLE FOR APPROPRIATIONS		1,926.60	2,193.14
APPROPRIATIONS			
Proposed dividend on equity shares		-	149.69
Residual dividend of previous year		0.13	-
Dividend on preference shares		-	0.20
Tax on dividends		0.87	26.38
Transfer to general reserve		-	326.75
Surplus carried to balance sheet		1,925.60	1,690.12
Earnings per share (in Rs) [See Schedule P, Note 16]			
- Basic [Nominal value of share Rs 2]		1.58	7.07
- Diluted [Nominal value of share Rs 2]		1.52	6.89
Significant accounting policies and notes to consolidated financial statements	P		

The schedules referred to above and the notes to accounts form an integral part of the consolidated profit and loss account.

As per our report of even date

For and on behalf of the Board of Directors

For SNK & Co.
Chartered Accountants

For S.R. BATLIBOI & Co.
Chartered Accountants

Tulsi R. Tanti
Chairman & Managing Director

per Jasmin B. Shah
Partner
Membership No. 46238

per Arvind Sethi
Partner
Membership No. 89802

Hemal A. Kanuga
Company Secretary

Girish R. Tanti
Director

Place: Mumbai
Date : June 27, 2009

Place: Mumbai
Date : June 27, 2009

Place: Mumbai
Date : June 27, 2009

Suzlon Energy Limited
Consolidated cash flow statement for the year ended March 31, 2009

All amounts in rupees crore unless otherwise stated

Particulars	Year Ended March 31,	
	2009	2008
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before tax and exceptional items	1,613.28	1,465.65
Adjustments for:		
Depreciation/ amortisation	573.14	289.36
Loss on assets sold / discarded, net	0.02	3.57
Profit on sale of investments, net	(93.18)	(3.43)
Preliminary expenses incurred	(0.09)	(1.54)
Preliminary expenses written off	0.09	1.54
Interest income	(176.93)	(232.89)
Interest expenses	901.21	532.03
Dividend income*	0.00	0.00
Premium on redemption of preference shares of subsidiary	(1.64)	-
Provision for operation, maintenance and warranty	366.72	68.90
Provision for performance guarantee	280.87	156.26
Provision for liquidated damages	284.33	24.45
Bad debts written off	3.79	15.73
Provision for doubtful debts and advances	21.02	17.22
Adjustments for consolidation	(32.64)	374.76
Exchange differences, net	(0.60)	(14.99)
Employee stock option scheme	8.45	4.53
Wealth-tax	0.06	0.04
Operating profit before working capital changes	3,747.90	2,701.19
Movements in working capital		
(Increase) / decrease in sundry debtors and unbilled revenue	(2,657.20)	(2,147.88)
(Increase) / decrease in inventories	(1,849.08)	(948.53)
(Increase) / decrease in loans and advances	(435.19)	(874.17)
(Increase) / decrease in margin money deposits	(108.37)	(32.91)
Increase / (decrease) in current liabilities and provisions	856.73	2,783.85
Cash (used in) / generated from operations	(445.21)	1,481.55
Direct taxes paid (net of refunds)	(237.22)	(211.79)
Net cash (used in) / generated from operating activities before exceptional items	(682.43)	1,269.76
Exceptional items paid	(541.32)	(65.46)
Net cash (used in) / generated from operating activities	(1,223.75)	1,204.30
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(3,330.84)	(2,128.72)
Proceeds from sale of fixed assets	14.19	8.27
Paid for acquisition of subsidiaries	(4,177.57)	-
Purchase of investments	(400.10)	(3,070.46)
Sale / redemption of investments	400.35	-
Inter-corporate deposits repaid / (granted)	(115.78)	443.34
Interest received	286.31	110.87
Dividend received*	0.00	0.00
Premium on redemption of preference shares of subsidiary	1.64	-
Net cash flow used in investing activities	(7,321.80)	(4,636.70)

Suzlon Energy Limited

Schedules to the consolidated balance sheet as at March 31, 2009

All amounts in rupees crore unless otherwise stated

Particulars	As at March 31,	
	2009	2008
SCHEDULE-A : SHARE CAPITAL		
Authorised 2,225,000,000 (2,225,000,000) equity shares of Rs 2/- each	445.00	445.00
	445.00	445.00
Issued and subscribed		
Equity 1,498,295,400 (1,496,934,400) equity shares of Rs 2/- each fully paid-up [Of the above equity shares, 1,259,276,500 (1,259,276,500) shares of Rs 2/- each were allotted as fully paid bonus shares by utilisation of Rs 174.04 crore (Rs 174.04 crore) from general reserve, Rs 1.03 crore (Rs 1.03 crore) from capital redemption reserve and Rs 76.80 crore (Rs 76.80 crore) from securities premium account] [Outstanding Employee Stock Options exercisable into 571,000 (246,000) equity shares of Rs 2/- each fully paid] [See Schedule P, Note 10]	299.66	299.39
	299.66	299.39
SCHEDULE-B : EMPLOYEE STOCK OPTIONS OUTSTANDING		
Employee stock options outstanding	12.20	17.83
Less: Deferred employee compensation outstanding	1.76	7.61
	10.44	10.22
SCHEDULE-C : RESERVES AND SURPLUS		
Capital redemption reserve As per last balance sheet	15.00	15.00
Unrealised gain on dilution [See Schedule P, Note 6 and Note 7]	1,402.93	1,200.25
Securities premium account As per last balance sheet	3,456.62	1,322.69
Add : Additions during the year	13.61	2,183.12
	3,470.23	3,505.81
Less : Expenses on issue of equity shares to qualified institutional buyers	-	26.27
Expenses on issue of debentures [See schedule P, Note 11(a)]	5.05	-
Expenses on issue of zero coupon convertible bonds	-	22.92
	3,465.18	3,456.62
General reserve As per last balance sheet	952.82	626.35
Add : Transferred from profit and loss account	-	326.75
Add : Adjustment as per transitional provisions of AS - 11 (net of tax of Rs Nil) [See Schedule P, Note 3]	1.10	-
	953.92	953.10
Less: Adjustment for employee benefits provision	-	0.28
	953.92	952.82
Capital reserve on consolidation	0.03	0.03
Foreign currency translation reserve (Exchange differences during the year on net investment in non-integral operations) As per last balance sheet	476.86	(4.52)
Movement during the year	(17.88)	481.38
	458.98	476.86
Profit and loss account	1,925.60	1,690.12
	8,221.64	7,791.70

Suzion Energy Limited

Schedules to the consolidated balance sheet as at March 31, 2009
All amounts in rupees crore unless otherwise stated

Particulars	As at March 31,	
	2009	2008
SCHEDULE - D : SECURED LOANS [See Schedule P, Note 11(e)]		
12.5% secured redeemable non-convertible debentures [See Schedule P, Note 11(a)]	300.00	-
Term loans		
From banks and financial institutions	5,981.99	6,175.84
From others	17.75	18.75
	5,999.74	6,194.59
Working capital facilities from banks and financial institutions	3,976.26	871.82
Vehicle loans	0.62	0.02
	10,276.62	7,066.43
SCHEDULE - E : UNSECURED LOANS		
Long-term		
Zero coupon convertible bonds [See Schedule P, Note 9]	2,535.50	2,005.50
Capital from profit participation rights [See Schedule P, Note 11(b)]	67.52	-
From banks and financial institutions	14.05	24.43
From others	466.64	67.77
	3,083.71	2,097.70
Short-term		
From banks and financial institutions	1,443.05	768.61
From others	66.19	1.85
	1,509.24	770.46
	4,592.95	2,868.16

SCHEDULE - F : FIXED ASSETS (INCLUDING INTANGIBLE ASSETS)

Assets	Gross block						Depreciation / amortisation						Net block		
	As at April 1, 2008	Additions	Acquisition (See Note 3)	Translation adjustment	Deductions / adjustments	As at March 31, 2009	As at April 1, 2008	For the year	Acquisition (See Note 3)	Translation adjustment	Deductions / adjustments	As at March 31, 2009	As at March 31, 2009	As at March 31, 2008	
Goodwill on consolidation	1,392.31	5,792.95	-	184.16	192.40	7,177.02	-	-	-	-	-	-	7,177.02	1,392.31	
Freehold land	147.23	2.43	21.00	3.09	-	173.75	-	-	-	-	-	-	173.75	147.23	
Leasehold land	17.05	37.71	-	4.25	-	59.01	0.78	1.52	-	0.18	-	2.48	56.53	16.27	
Buildings	1,026.91	896.97	64.08	87.70	1.65	2,074.01	100.05	61.71	11.23	4.93	0.38	177.54	1,896.47	926.86	
Site development	-	100.00	-	-	-	100.00	-	2.12	-	-	-	2.12	97.88	-	
Plant and machinery	2,593.19	1,511.73	116.47	156.27	11.93	4,365.73	714.70	359.25	39.19	42.69	6.23	1,149.60	3,216.13	1,878.49	
Wind research and measuring equipments	24.76	1.09	-	0.21	-	26.06	14.35	4.22	-	-	-	18.57	7.49	10.41	
Computer and office equipments	244.52	97.61	26.15	12.70	6.19	374.79	129.09	49.33	1.36	7.00	4.14	182.64	192.15	115.43	
Furniture and fixtures	66.44	97.86	164.86	7.35	4.68	331.83	25.81	36.85	80.62	3.08	3.54	142.82	189.01	40.63	
Vehicles	16.22	11.06	-	0.67	1.34	26.61	7.24	3.78	-	0.25	0.98	10.29	16.32	8.98	
Intangible assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Designs and drawings	56.74	109.11	116.05	3.38	-	285.28	32.14	28.69	4.59	0.96	-	66.38	218.90	24.60	
SAP software	14.47	17.24	79.30	1.80	4.50	108.31	7.68	28.26	31.89	0.73	-	68.56	39.75	6.79	
	5,599.84	8,675.76	587.91	461.58	222.69	15,102.40	1,031.84	575.73	168.88	59.82	15.27	1,821.00	13,281.40	4,568.00	
Capital work-in-progress													1,984.02	1,119.67	
TOTAL	5,599.84	8,675.76	587.91	461.58	222.69	15,102.40	1,031.84	575.73	168.88	59.82	15.27	1,821.00	15,265.42	5,687.67	
Previous year	4,321.07	1,468.13	-	339.53	528.89	5,599.84	701.58	294.76	-	46.13	10.63	1,031.84	4,568.00		

Note:

1. Depreciation charge for the current year amounting to Rs 575.73 crore (Rs 294.76 crore) includes Rs 2.59 crore (Rs 5.40 crore) which has been capitalised as part of self manufactured assets. The depreciation charged in the profit and loss account amounting to Rs 573.14 crore (Rs 289.27 crore).
2. Capital work in progress includes advances for capital goods Rs 61.34 crore (Rs 171.88 crore).
3. Additions to gross block and depreciation charge for the current year includes balances taken over on account of REpower Systems AG, on June 06, 2008 which amounts to Rs 587.91 crore and Rs 168.88 crore respectively. [Also see Schedule P, Note 4]

Suzion Energy Limited

Schedules to the consolidated balance sheet as at March 31, 2009
All amounts in rupees crore unless otherwise stated

Particulars	As at March 31,	
	2009	2008
SCHEDULE-G : INVESTMENTS		
LONG-TERM INVESTMENTS		
In associates		
Cost of Investment	-	3,085.26
Add: Share of post acquisition profit	-	55.75
	-	3,141.01
Others (at cost, fully paid)		
Government and other securities (non trade)	0.02	0.04
Trade investments	0.00	0.00
Other non trade investments	5.06	0.73
	5.08	0.77
* amount below Rs 0.01 crore		
	5.08	3,141.78
SCHEDULE-H : CURRENT ASSETS, LOANS AND ADVANCES		
Current assets		
Inventories		
Raw materials	3,811.20	1,883.53
Semi finished goods, finished goods, work-in-progress and contracts in progress	3,159.78	2,095.32
Land and land lease rights	33.57	11.88
Stores and spares	169.10	94.10
	7,173.65	4,084.83
Sundry debtors (Unsecured)		
Outstanding for a period exceeding six months		
Considered good	852.51	415.93
Considered doubtful	40.28	22.39
	892.79	438.32
Others, considered good	4,540.28	2,785.32
	5,433.07	3,223.64
Less: Provision for doubtful debts	40.28	22.39
	5,392.79	3,201.25
Cash and bank balances		
Cash on hand	1.47	1.14
Cheques on hand	42.18	92.28
Balances with scheduled banks		
in current accounts	74.11	152.72
in margin accounts	194.98	125.60
in term deposit accounts	159.91	604.11
Balances with non scheduled banks		
in current accounts	730.11	991.15
in margin accounts	484.15	2,983.63
in term deposit accounts	1,382.93	2,009.57
	3,069.84	6,960.20
Other current assets (Unsecured and considered good)		
Due from customers	3,345.71	1,489.35
	3,345.71	1,489.35
Loans and advances (Unsecured and considered good, except otherwise stated)		
Deposits		
with customers as security deposit	19.55	30.83
with others	155.39	50.34
Advance against taxes, net	50.53	-
MAT credit entitlement	151.16	145.77
Inter corporate deposits	116.25	0.47
Advances recoverable in cash or in kind or for value to be received		
Considered good	2,408.01	1,597.58
Considered doubtful	6.56	2.21
	2,414.57	1,599.79
Less: Provision for doubtful loans and advances	6.56	2.21
	2,408.01	1,597.58
	2,900.89	1,824.99
	21,882.88	17,560.62

Suzlon Energy Limited
Schedules to the consolidated balance sheet as at March 31, 2009
All amounts in rupees crore unless otherwise stated

Particulars	As at March 31,	
	2009	2008
SCHEDULE-I : CURRENT LIABILITIES AND PROVISIONS		
Current liabilities		
Sundry creditors	5,996.17	3,043.52
Other current liabilities	1,827.89	1,187.22
Interest accrued but not due	43.88	29.00
Due to customers	13.52	793.71
Advances from customers	2,713.27	1,429.56
	10,594.73	6,483.01
Provisions		
Provision for taxes, net	-	11.04
Gratuity, superannuation and leave encashment	73.20	38.51
Performance guarantee, operation, maintenance and warranty, liquidated damages	883.13	595.00
Dividend	-	151.31
Tax on dividend	1.26	26.62
	957.59	822.48
	11,552.32	7,305.49
SCHEDULE - J : MISCELLANEOUS EXPENDITURE		
(To the extent not adjusted or written off)		
Preliminary expenses	-	-
Add : Addition during the year	0.09	1.54
Less : Written off during the year	0.09	1.54
	-	-

Suzlon Energy Limited

Schedules to the consolidated profit and loss account for the year ended March 31, 2009

All amounts in rupees crore unless otherwise stated

Particulars	April 01, 2008 to March 31, 2009	April 01, 2007 to March 31, 2008
SCHEDULE-K : OTHER INCOME		
Interest income		
From banks	147.23	186.63
From others	29.70	46.26
Dividend income*	0.00	0.00
Premium on redemption of preference shares of subsidiary	1.64	-
Profit on sale of investments, net [See Schedule P, Note 7]	93.18	3.43
Other operating income	177.09	31.66
* Amount below Rs 0.01 crore		
	448.84	267.98
SCHEDULE-L : COST OF GOODS SOLD		
Raw materials consumed, including project business		
Opening stock	1,883.53	1,693.31
Add : Purchases, including purchases for project business	19,847.98	9,702.16
	21,731.51	11,395.47
Less : Closing stock	3,811.20	1,883.53
	(A) 17,920.31	9,511.94
Trading purchases	(B) 22.64	26.20
(Increase)/ Decrease in stock		
Opening balance:		
Semi finished goods, finished goods, work-in-progress and contracts in progress	2,095.32	1,422.80
Land and land lease rights	11.88	16.44
	(C) 2,107.20	1,439.24
Closing balance:		
Semi finished goods, finished goods, work-in-progress and contracts in progress	3,159.78	2,095.32
Land and land lease rights	33.57	11.88
	(D) 3,193.35	2,107.20
(Increase)/Decrease in stock	(E) = (C)-(D) (1,086.15)	(667.96)
	(A)+(B)+(E)	8,870.18

Suzlon Energy Limited

Schedules to the consolidated profit and loss account for the year ended March 31, 2009

All amounts in rupees crore unless otherwise stated

Particulars	April 01, 2008 to March 31, 2009	April 01, 2007 to March 31, 2008
SCHEDULE-M : OPERATING AND OTHER EXPENSES		
Stores and spares	327.56	170.13
Power and fuel	92.27	46.37
Factory expenses	65.70	48.85
Repairs and maintenance:		
Plant and machinery	14.96	4.20
Building	5.14	4.03
Others	12.41	11.04
Operation and maintenance charges	128.80	12.87
Design change and technological upgradation charges	94.36	51.18
Rent	120.42	50.44
Rates and taxes	21.82	15.47
Provision for operation, maintenance and warranty	366.72	68.90
Provision for performance guarantee	280.87	156.26
Liquidated damages	284.33	24.45
Quality assurance expenses	47.60	7.58
R & D, certification and product development	57.48	10.42
Insurance	66.06	25.20
Advertisement and sales promotion	71.68	54.75
Infrastructure development expenses	23.26	2.20
Freight outward and packing expenses	1,135.63	466.32
Sales commission	11.25	12.19
Travelling, conveyance and vehicle expenses	270.27	155.04
Communication expenses	93.38	34.08
Auditors' remuneration and expenses	20.65	9.36
Consultancy charges	253.52	84.27
Charity and donations	17.37	9.16
Other selling and administrative expenses	301.12	163.83
Exchange differences, net	58.08	(54.38)
Bad debts written off	3.79	15.73
Provision for doubtful debts and advances	21.02	17.22
Loss on assets sold / discarded, net	0.02	3.57
	4,267.54	1,680.73
SCHEDULE-N : EMPLOYEES' REMUNERATION AND BENEFITS		
Salaries, wages, allowances and bonus	1,946.39	980.02
Contribution to provident and other funds	159.25	32.37
Staff welfare expenses	60.11	30.62
	2,165.75	1,043.01
SCHEDULE-O : FINANCIAL CHARGES		
Interest		
Fixed loans	381.28	381.71
Debentures	9.76	-
Others	510.17	150.32
Bank charges	152.73	64.91
	1,053.94	596.94

SCHEDULE P: SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in rupees crore unless otherwise stated)

I SIGNIFICANT ACCOUNTING POLICIES

a) Basis of accounting

The consolidated financial statements relate to Suzlon Energy Limited ('SEL' or 'the Company') and its subsidiaries, associates and joint venture (together referred to as 'Suzlon' or 'the Group'). The consolidated financial statements are prepared under the historical cost convention, on accrual basis of accounting to comply in all material respects, with the mandatory accounting standards as notified by the Companies (Accounting Standards) Rules, 2006 as amended ('the Rules') and the relevant provisions of the Companies Act, 1956 ('the Act'). The accounting policies have been consistently applied by the Group; and the accounting policies not referred to otherwise, are in conformity with Indian Generally Accepted Accounting Principles ('Indian GAAP').

b) Principles of consolidation

The consolidated financial statements of the Group are prepared in accordance with Accounting Standard 21 - 'Consolidated Financial Statements', Accounting Standard 23 - 'Accounting for Investments in Associates in Consolidated Financial Statements' and Accounting Standard 27 - 'Financial Reporting of Interests in Joint Ventures' as notified by the Rules.

Subsidiaries

The financial statements of the Company and its subsidiaries have been combined on a line-by-line basis by adding together the book values of like items of assets, liabilities, income and expenses, after eliminating intra group balances and intra group transactions. The unrealised profits or losses resulting from the intra group transactions and intra group balances have been eliminated.

The excess of the cost to the Company of its investment in the subsidiaries over the Company's portion of equity on the acquisition date is recognised in the financial statements as goodwill and is tested for impairment annually. The excess of Company's portion of equity of the Subsidiary over the cost of investment therein is treated as Capital Reserve. The Company's portion of the equity in the subsidiaries at the date of acquisition is determined after realigning the material accounting policies of the subsidiaries to that of the parent and the charge/(reversal) on account of realignment is adjusted to the accumulated reserves and surplus of the subsidiaries at the date of acquisition.

The consolidated financial statements are prepared using uniform accounting policies for like transactions and events in similar circumstances and necessary adjustments required for deviations, if any to the extent possible, are made in the consolidated financial statements and are presented in the same manner as the Company's standalone financial statements.

Share of minority interest in the net profit is adjusted against the income to arrive at the net income attributable to shareholders. Minority interest's share of net assets is presented separately in the balance sheet.

Associates

Investments in entities in which the Group has significant influence but not a controlling interest, are reported according to the equity method i.e. the investment is initially recorded at cost. Cost of investment in associates, over the net assets at the time of acquisition of the investment in the associates is recognised in the financial statements as Goodwill or Capital Reserve, as the case may be. Goodwill is tested for impairment annually. The carrying amount of the investment is adjusted thereafter for the post acquisition change in the Group's share of net assets of the associates. The consolidated profit and loss account includes the Group's share of the results of the operations of the associate.

Joint Venture

Interests in joint venture have been accounted by using the proportionate consolidation method as per Accounting Standard 27 - Financial Reporting of Interests in Joint Ventures as notified by the Rules.

The consolidated financial statements are presented, to the extent possible, in the same format as that adopted by the Company for its independent financial statements.

c) Use of estimates

The presentation of financial statements in conformity with the Indian GAAP requires the management to make estimates and assumptions that may affect the balances of assets and liabilities and disclosures relating to contingent liabilities as at the date of the financial statements and the reported amounts of incomes and expenses during the reporting period. Although these estimates are based upon management's best knowledge of current events and actions, actual results could differ from these estimates.

d) Revenue recognition

Revenue is recognised to the extent it is probable that the economic benefits will flow to the Group and that the revenue can be reliably measured. Revenue comprises of sale of goods and services and is disclosed, net of discounts, excise duty, sales tax, service tax, VAT or other taxes, as applicable.

Sales

Revenue from sale of goods is recognised in the profit and loss account when the significant risks and rewards in respect of ownership of goods has been transferred to the buyer as per the terms of the respective sales order, and the income can be measured reliably and is expected to be received.

Fixed price contracts to deliver wind power systems (turnkey and supply-and-installation projects) are recognised in revenue based on the stage of completion of the individual contract using the percentage-of completion method, provided the order outcome as well as expected total costs can be reliably estimated. Where the profit from a contract cannot be estimated reliably, revenue is only recognised equalling the expenses incurred to the extent that it is probable that the expenses will be recovered.

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Contracts in progress, if any are measured at the selling price of the work performed based on the stage of completion less interim billing and expected losses. The stage of completion is measured by the proportion that the contract expenses incurred to date bear to the estimated total contract expenses. The value of self-constructed components is recognised in 'Contracts in progress' upon dispatch of the complete set of components which are specifically identified for a customer and are within the scope of supply, as per the terms of the respective sale order for the wind power systems.. Where it is probable that total contract expenses will exceed total revenues from a contract, the expected loss is recognised immediately as an expense in the profit and loss account.

Where the selling price of a contract cannot be estimated reliably, the selling price is measured only on the expenses incurred to the extent that it is probable that these expenses will be recovered. Prepayments from customers are recognised as liabilities. A contract in progress for which the selling price of the work performed exceeds interim billings and expected losses is recognised as an asset. Contracts in progress for which interim billings and expected losses exceed the selling price are recognised as a liability. Expenses relating to sales work and the winning of contracts are recognised in the income statement as incurred.

Project execution income

Revenue from services relating to project execution is recognised on completion of the respective service, as per the terms of respective sales order.

Power generation income

Power generation income is recognised on the basis of electrical units generated, net of wheeling and transmission loss, as applicable, as shown in the power generation reports issued by the concerned authorities.

Service and maintenance income

Revenue from annual service and maintenance contracts is recognised on the proportionate basis for the period for which the service is provided, net of taxes.

Interest income

Interest income is recognised on a time proportion basis taking into account the amount outstanding and the rate applicable. In case of interest charged to customers, interest is accounted for on availability of documentary evidence that the customer has accepted the liability.

Dividend income

Dividend income from investments is recognised when the right to receive payment is established.

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e) Fixed assets and intangible assets

Fixed assets are stated at cost, less accumulated depreciation and impairment losses, if any. Cost includes all expenditure necessary to bring the asset to its working condition for its intended use. Own manufactured assets are capitalised inclusive of all direct costs and attributable overheads. Capital work-in-progress comprises of advances paid to acquire fixed assets and the cost of fixed assets that are not yet ready for their intended use as at the balance sheet date. In the case of new undertakings, pre-operative expenses are capitalized upon the commencement of commercial production. Assets held for disposal are stated at the lower of net book value and the estimated net realisable value.

Intangible assets are recorded at the consideration paid for their acquisition. Cost of an internally generated asset comprises all expenditure that can be directly attributed, or allocated on a reasonable and consistent basis, to create produce and make the asset ready for its intended use. Development cost incurred on an individual project is carried forward when its future recoverability can reasonably be regarded as assured. Any expenditure carried forward is amortised over the period of expected future sales from the related project, not exceeding five years. The carrying value of development costs is reviewed for impairment annually when the asset is not in use, and otherwise when events and changes in circumstances indicate that the carrying value may not be recoverable.

The carrying amount of the assets belonging to each cash generating unit (CGU) are reviewed at each balance sheet date to assess whether the same are recorded in excess of their recoverable amounts and where carrying amounts exceed the recoverable amount of the assets with CGU, assets are written down to their recoverable amount. The recoverable amount is the greater of the asset's net selling price and value in use. The impairment loss recognised in prior accounting period is reversed if there has been a change in estimates of recoverable amount.

f) Depreciation and amortisation

Depreciation is provided on the written down value method (WDV) and is based on management's estimate of useful lives of the fixed assets or where applicable, at rates specified by respective statutes, whichever is higher. Intangible assets are amortised on a straight line basis over a period of five years.

g) Inventories

Inventories of raw materials including stores; spares and consumables; packing materials; semi-finished goods; work-in-progress, contracts in progress and finished goods are valued at the lower of cost and estimated net realisable value. Cost is determined on weighted average basis.

The cost of work-in-progress, project work-in-progress, semi-finished goods and finished goods includes the cost of material, labour and manufacturing overheads.

Stock of land and land lease rights is valued at lower of cost and estimated net realisable value. Cost is determined on weighted average basis. Net realisable value is determined by management using technical estimates.

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h) Investments

Investments that are readily realisable and intended to be held for not more than a year are classified as current investments. All other investments are classified as long term investments.

Long-term investments are carried at cost. However, provision is made to recognise a decline, other than temporary, in the value of long term investments.

Current investments are carried at the lower of cost and fair value, determined on an individual basis.

i) Foreign currency transactions

Transactions in foreign currencies are recorded at the average exchange rate prevailing in the period during which the transactions occur.

Outstanding balances of, foreign currency monetary items are reported using the period end rates.

Pursuant to the notification of the Companies (Accounting Standards) Amendment Rules 2009 issued by Ministry of Corporate Affairs on March 31, 2009 amending Accounting Standard - 11 (AS - 11) 'The Effects of Changes in Foreign Exchange Rates (revised 2003), exchange differences relating to long term monetary items are dealt with in the following manner:

- a) Exchange differences relating to long term monetary items, arising during the year, in so far as they relate to the acquisition of a depreciable capital asset are added to / deducted from the cost of the asset and depreciated over the balance life of the asset.
- b) In other cases, such differences are accumulated in the "Foreign Currency Monetary Translation Difference Account" and amortised to the profit and loss account over the balance life of the long term monetary item but not beyond March 31, 2011.

All other exchange differences are recognised as income or expense in the profit and loss account.

Non-monetary items carried in terms of historical cost denominated in a foreign currency are reported using the exchange rate at the date of the transaction; and non-monetary items which are carried at fair value or other similar valuation denominated in a foreign currency are reported using the exchange rate that existed, when the values were determined.

Derivatives

In case of forward contracts, the difference between the forward rate and the exchange rate, being the premium or discount, at the inception of a forward exchange contract is recognised as income/expense over the life of the contract. Exchange differences on such contracts are recognised in the profit and loss account in the reporting period in which the rates change. Any profit or loss arising on cancellation or renewal of forward exchange contract is recognised as income or as expense for the period.

As per the Institute of Chartered Accountants of India ('ICAI') announcement, accounting for derivative contracts, other than those covered under AS-11, are marked to market on a portfolio basis and the net loss after considering the offsetting effect on the underlying hedge items is charged to the profit and loss account. Net gains on marked to market basis are not recognised.

Foreign operations

The financial statements of integral foreign operations are translated as if the transactions of the foreign operations have been those of the Company itself.

In translating the financial statements of a non-integral foreign operation, the assets and liabilities, both monetary and non-monetary, are translated at the closing rate; income and expense items are translated at average exchange rates prevailing during the year and all resulting exchange differences are accumulated in a foreign currency translation reserve until the disposal of the net investment in the non-integral foreign operation.

On the disposal of a non-integral foreign operation, the cumulative amount of the exchange differences which have been deferred and which relate to that operation are recognised as income or as expenses in the same period in which the gain or loss on disposal is recognised.

When there is a change in the classification of a foreign operation, the translation procedures applicable to the revised classification are applied from the date of the change in classification.

j) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets are capitalised as part of the cost of such assets. A qualifying asset is one that necessarily takes substantial period of time to get ready for intended use. All other borrowing costs are charged to profit and loss account.

k) Retirement and other employee benefits

Employee benefits in the nature of defined contributions are charged to the profit and loss account of the year when the contributions to the respective funds are due. There are no other obligations other than the contribution payable to the respective statutory authorities.

Retirement benefits in the form of gratuity and pension are defined benefit obligations, and are provided for on the basis of an actuarial valuation, using projected unit credit method as at each balance sheet date.

Short-term compensated absences are provided based on estimates. Long term compensated absences are provided based for on the basis of an actuarial valuation, using projected unit credit method, as at each balance sheet date.

Actuarial gains/losses are taken to profit and loss account and are not deferred.

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l) Provisions, contingent liabilities and contingent assets

A provision is recognised when the Group has a present obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to their present value and are determined based on the best estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current best estimates.

Contingent liabilities are disclosed by way of notes to accounts.

Contingent assets are not recognised or disclosed.

m) Taxes on income

Tax expense for a year comprises of current tax, deferred tax and fringe benefit tax.

Current tax and fringe benefit tax are measured at the amount expected to be paid to the tax authorities, after taking into consideration, the applicable deductions and exemptions admissible under the applicable tax laws.

Deferred tax reflects the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing difference of earlier years. Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date. Deferred tax assets and deferred tax liabilities across various companies of operation are not set off against each other as the Group does not have a legal right to do so. Deferred tax assets are recognised only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. If there is unabsorbed depreciation or carry forward of losses under tax laws, deferred tax assets are recognised only to the extent that there is virtual certainty supported by convincing evidence that sufficient future taxable income will be available against which such deferred tax assets can be realised.

Deferred tax resulting from timing differences which originate during the tax holiday period but are expected to reverse after such tax holiday period is recognised in the year in which the timing differences originate using the tax rates and laws enacted or substantively enacted at the balance sheet date.

Minimum alternative tax (MAT) credit, by whatever name known is recognised as an asset only when and to the extent there is convincing evidence that the Group will pay income tax higher than that computed under MAT, during the period under which MAT is permitted to be set off under the applicable tax laws. In the year, in which the MAT credit becomes eligible to be recognised as an asset, the said asset is created by way of a credit to the profit and loss account and shown as MAT credit entitlement. The Group reviews the same at each balance sheet date and writes down the carrying amount of MAT credit entitlement to the extent there is no longer convincing evidence to the effect that the Group will pay income tax higher than MAT during the specified period.

n) Operating leases

Assets acquired on lease, where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Lease rentals are charged off to the profit and loss account as incurred.

o) Earnings per share

Basic earnings per share are calculated by dividing the net profit for the period attributable to equity shareholders (after deducting preference dividends and attributable taxes) by the weighted average number of equity shares outstanding during the period. The weighted average number of equity shares outstanding during the period are adjusted for any bonus shares issued during the year and also after the balance sheet date but before the date the financial statements are approved by the Board of Directors.

For the purpose of calculating diluted earnings per share, the net profit for the period attributable to equity shareholders and the weighted average number of shares outstanding during the period are adjusted for the effects of all dilutive potential equity shares.

The number of equity shares and potentially dilutive equity shares are adjusted for bonus shares as appropriate. The dilutive potential equity shares are adjusted for the proceeds receivable, had the shares been issued at fair value. Dilutive potential equity shares are deemed converted as of the beginning of the period, unless issued at a later date.

p) Employee stock options

Stock options granted to employees under the employees' stock option scheme are accounted as per the intrinsic value method permitted by the SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 and the "Guidance Note on Share Based Payments" issued by the ICAI. Accordingly, the excess of the market price of the shares as on the date of the grant of options over the exercise price is recognised as deferred employee compensation and is charged to profit and loss account on straight-line basis over the vesting period.

The number of options expected to vest is based on the best available estimate and are revised, if necessary, if subsequent information indicates that the number of stock options expected to vest differs from previous estimates.

p) Government grants

Government grants are recognised where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income over the period necessary to match the grant on a systematic basis to the costs that it is intended to compensate. Where the grant relates to an asset, it is set up as deferred income. Where the Group receives non-monetary grants, the asset and that grant are recorded at nominal amounts and are released to the profit and loss account over the expected useful life of the relevant asset by equal annual instalments.

q) Cash and cash equivalents

Cash and cash equivalents in the cash flow statement comprise cash at bank and in hand and short term investments with an original maturity of three months or less.

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II NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. a. List of subsidiaries which are included in the consolidation and the Company's effective holdings therein are as under:

Name of the subsidiary	Country of incorporation	Effective ownership in subsidiaries as at March 31,	
		2009	2008
AE-Rotor Holding B.V.	The Netherlands	100.00%	100.00%
Cannon Ball Wind Energy Park-I, LLC	USA	100.00%	100.00%
Eve Holding NV**	Belgium	-	-
Hansen Drives Limited	India	61.28%	71.28%
Hansen Drives Limited	Hong Kong	61.28%	-
Hansen Drives Pte Limited	Singapore	61.28%	-
Hansen Transmissions Inc	USA	61.28%	71.28%
Hansen Transmissions International NV	Belgium	61.28%	71.28%
Hansen Transmissions Ltd.	United Kingdom	61.28%	71.28%
Hansen Transmissions Mecanicas Ltda	Brazil	61.22%	71.21%
Hansen Transmissions Pty Ltd.	Australia	61.28%	71.28%
Hansen Transmissions Pty Ltd.	South Africa	61.28%	71.28%
Hansen Transmissions Tianjin Industrial Gearbox Co., Ltd.	PR China	61.22%	71.21%
Hansen Wind Energy Drives (China) Co Ltd.	PR China	60.67%	-
Lommelpark NV	Belgium	61.28%	71.28%
PowerBlades GmbH****	Germany	37.57%	-*
PowerBlades SA	Portugal	66.29%	-*
REpower Australia Pty Ltd.	Australia	73.65%	-*
REpower Benelux b.v.b.a.	Belgium	73.65%	-*
REpower Betriebs - und Beteiligungs GmbH	Germany	73.65%	-*
REpower Canada Inc	Canada	73.65%	-*
REpower Diekat S.A.****	Greece	44.19%	-*
REpower Espana S.L.	Spain	73.65%	-*
REpower Investitions - und Projektierungs GmbH & Co. KG	Germany	73.65%	-*
REpower Italia s.r.l	Italy	73.65%	-*
REpower S.A.S.	France	73.65%	-*
REpower Systems AG	Germany	73.65%	-*
REpower UK Ltd.	United Kingdom	73.65%	-*
REpower USA Corp.	USA	73.65%	-*
REpower Wind Systems Trading (China) Ltd.	PR China	73.65%	-*
RETC Renewable Energy Technology Centre	Germany	86.83%	50.00%
SE Composites Limited	India	100.00%	100.00%
SE Drive Technik GmbH	Germany	100.00%	100.00%
SE Electricals Limited (Formerly Suzlon Electricals International Limited)	India	100.00%	100.00%
SE Forge Limited	India	82.90%	100.00%
SE Solar Private Limited	India	100.00%	-
Sunrise Wind Project Private Limited	India	61.28%	-
Suzlon Blade Technology B.V. (Formerly AE Rotor Techniek B.V.)	The Netherlands	100.00%	100.00%
Suzlon Energia Eolica do Brasil Ltda	Brazil	100.00%	100.00%
Suzlon Energy (Tianjin) Limited	PR China	100.00%	100.00%
Suzlon Energy A/S	Denmark	100.00%	100.00%
Suzlon Energy Australia Pty. Ltd.	Australia	100.00%	100.00%

Name of the subsidiary	Country of incorporation	Effective ownership in subsidiaries as at March 31,	
		2009	2008
Suzlon Energy B.V.	Netherlands	100.00%	100.00%
Suzlon Energy GmbH	Germany	100.00%	100.00%
Suzlon Energy Korea Co., Ltd.	Republic of South Korea	100.00%	100.00%
Suzlon Energy Limited	Mauritius	100.00%	100.00%
Suzlon Engitech Limited (Formerly Suzlon Engitech Private Limited)	India	100.00%	100.00%
Suzlon Generators Limited (Formerly Suzlon Generators Private Limited)	India	75.00%	75.00%
Suzlon Gujarat Wind Park Limited	India	100.00%	100.00%
Suzlon Infrastructure Services Limited	India	100.00%	100.00%
Suzlon North Asia Ltd	Hong Kong	100.00%	-
Suzlon Power Infrastructure Limited (Formerly Suzlon Power Infrastructure Private Limited)	India	100.00%	100.00%
Suzlon Rotor Corporation	USA	100.00%	100.00%
Suzlon Structures Limited (Formerly Suzlon Structures Private Limited)	India	75.00%	75.00%
Suzlon Towers and Structures Limited	India	100.00%	100.00%
Suzlon Wind Energy A/S	Denmark	100.00%	100.00%
Suzlon Wind Energy Corporation	USA	100.00%	100.00%
Suzlon Wind Energy Equipment Trading (Shanghai) Co. Ltd.	PR China	100.00%	-
Suzlon Wind Energy Espana, S.L	Spain	100.00%	100.00%
Suzlon Wind Energy Italy s.r.l. (Formerly Suzlon Energy Italy s.r.l.)	Italy	100.00%	100.00%
Suzlon Wind Energy Limited	United Kingdom	100.00%	100.00%
Suzlon Wind Energy Nicaragua Sociedad Anonima	Nicaragua	100.00%	-
Suzlon Wind Energy Portugal Energia Elocia Unipessoal Lda (Formerly Suzlon Energy Portugal Energia Elocia Unipessoal Lda)	Portugal	100.00%	100.00%
Suzlon Wind Energy Romania SRL	Romania	100.00%	-
Suzlon Wind Enerji Sanayi Ve Ticaret Limited Sirketi	Turkey	100.00%	-
Suzlon Wind International Limited	India	100.00%	100.00%
Suzlon Windenergie GmbH	Germany	100.00%	100.00%
Suzlon Windkraft GmbH***	Germany	-	100.00%
Suzlon Windpark Management GmbH	Germany	100.00%	100.00%
Tarilo Holding B.V.	Netherlands	100.00%	-
WEL Windenergie Logistik GmbH	Germany	73.65%	-*
Windpark Olsdorf Watt GmbH & Co. KG	Germany	100.00%	100.00%

* The Company through its subsidiaries held 35.83% in REpower Systems AG ('REpower') as on March 31, 2008 and hence investments in REpower has been accounted as an associate using equity method in the consolidated financial statements for the year ended March 31, 2008.

** The liquidation process of Eve Holding NV has been completed during the year.

*** Suzlon Windkraft GmbH has been merged with Suzlon Energy GmbH during the year.

*** * The Group holds 73.65% in REpower and REpower holds more than 50% stake in these companies

b. List of subsidiaries which are not included in the consolidation based on materiality:

Name of the subsidiary	Country of incorporation	Effective ownership in subsidiaries as at March 31,	
		2009	2008
REpower Geothermie GmbH	Germany	73.65%	-
REpower Windpark Betriebs GmbH	Germany	73.65%	-
Sister - sistemas e Tecnologia de Energias renovaveis Lda	Portugal	55.24%	-
Windpark Blockland GmbH & Co KG	Germany	73.65%	-
Windpark Meckel/Gilzem GmbH & Co KG	Germany	73.65%	-

c. In respect of the following components of consolidated financial statements, the accounting policies followed by the subsidiary companies are different from that of the Company:

Components of consolidated financial statements	Particulars	Amount as at March 31, 2009	Proportion of the component
Depreciation	Some of the subsidiaries have provided depreciation on straight line method as against the written down value method followed by the Company	421.29	73.51%
Accumulated depreciation	Some of the subsidiaries have provided depreciation on straight line method as against the written down value method followed by the Company	1,336.49	73.39%
Inventory	Some of the subsidiaries have determined cost of inventory by using the first-in first-out (FIFO) cost formula as against the weighted average cost formula followed by the Company	1,443.72	20.13%
Employee compensation expenses for stock options	Some of the subsidiaries have accounted stock options granted to employees using the fair value method as against the intrinsic value method followed by the Company	50.29	91.01%

2. Details of the Company's ownership interest in joint ventures, which have been included in the consolidation are as follows:-

Name of Company	% shares held	Country of incorporation	Contingent liabilities as at March 31, 2009	Capital commitments as at March 31, 2009
REpower Portugal - Sistemas Eolicos, S.A.	50.00	Portugal	Nil	Nil
REpower North (China) Ltd.	50.01	PR China	Nil	Nil

3. Change in accounting policy

In line with notification of the Companies (Accounting Standards) Amendment Rules 2006 issued by Ministry of Corporate Affairs on March 31, 2009 on March 31, 2009 amending Accounting Standard - 11 (AS - 11) 'The Effects of Changes in Foreign Exchange Rates (revised 2003), the Company has chosen to exercise the option under para 46 inserted in the standard by the notification. Accordingly, exchange differences on all long term monetary items, with retrospective effect from April 01, 2007, are:

- (a) To the extent such items are used for the acquisition of a depreciable capital asset, added to / deducted from the cost of the asset and depreciated over the balance life of the asset. As a result, an amount of Rs 8.19 crore [net of depreciation of Rs. 0.78 crore and tax of Rs. Nil] have been added to fixed assets, being the exchange difference on long term monetary items related to the acquisition of a depreciable capital asset.
- (b) In other cases, accumulated in the "Foreign currency monetary translation difference account" and amortised to the profit and loss account over the balance life of the long term monetary item but not beyond March 31, 2011.
- (c) As a result of point (a) and (b) above, Rs 1.10 crore [net of tax of Rs. Nil] was credited to general reserve which was recognised as loss in the profit and loss account till the previous financial year ended March 31, 2008.
- (d) Rs 130.79 crore amortisation cost charged to the profit and loss account during the year.
- (e) Rs 398.01 crore accumulated in the "Foreign currency monetary translation difference account", being the amount remaining to be amortised as at March 31, 2009.

As a result of the above change in the accounting policy, the net profit before tax for the year is higher by Rs 405.04 crore.

4. REpower Systems AG

The Company through its subsidiaries held 35.83% in REpower Systems AG ('REpower') as at March 31, 2008. On June 6, 2008, the Company, through its subsidiary further acquired approximately 30% of the equity capital of REpower Systems AG ('REpower') held by Areva. Consequently, REpower has become a subsidiary of the Company with effect from June 6, 2008. Accordingly, the consolidated financial statements for the year ended March 31, 2009 are to that extent not comparable with the consolidated financial statements of March 31, 2008. Further, pursuant to an agreement dated December 15, 2008 entered into with the Martifer Group, the Company agreed to acquire Martifer's holdings of 22.4% in REpower through a subsidiary by making payments in three tranches: Euro 65 Million in December 2008, Euro 30 Million in April 2009 and the final tranche of Euro 175 Million in May 2009. The first tranche of Euro 65 Million has been paid in December 2008, thereby increasing its effective holding in REpower to 73.65% as at March 31, 2009. Post year-end, the second and third tranches have been paid and consequently its effective holding in REpower is 90.72%.

In financial year 2007-2008, the financials of REpower have been consolidated using equity method of accounting with a three-month time lag to that of the Company and accordingly, the financial statements of REpower for the period June 1, 2007 to December 31, 2007 have been consolidated in the financial statements of the Company for the year ended March 31, 2008. Appropriate entries have been effected in the consolidated financial statements of the Company for the year ended March 31, 2009, wherein the aforesaid three-month time lag on consolidation of REpower financials as at March 31, 2008 has been adjusted.

5. Exceptional items

The details of exceptional items aggregating to 896.29 crore (Rs 285.21 crore) are as below

- a) Foreign exchange losses of Rs 131.35 crore (foreign exchange gain of Rs 4.40 crore) arising due to restatement of zero coupon convertible bonds of USD 500 million at year end exchange rates.
- b) Provision for blade retrofit/replacement costs aggregating Rs 221.59 crore (Rs 121.71 crore) and consequential generation/availability costs of Rs 189.51 crore (Rs 20.37 crore).
- c) Costs of site restoration aggregating Rs Nil (Rs 65.46 crore) and cost of consequential generation losses aggregating Rs Nil (Rs 59.07 crore) relating to disruption of operation of WTG's in Dhule and Sangli by local residents.
- d) Mark-to-market losses of 353.84 crore (Rs 23.00 crore) in respect of foreign exchange forward / option contracts, taken for hedging purposes.

Exceptional items for the prior year comparatives include amounts in respect of items which have been classified as exceptional in current year.

6. SE Forge Limited ('SEFL'), an erstwhile 100% subsidiary of the Company, allotted 41,254,125 equity shares to IDFC Private Equity Fund III, through a fresh 'issue of shares', raising Rs 394.46 crore (net of issue expenses). Following the fresh issue of shares by SEFL, the effective stake of the Company in SEFL has reduced to 82.90%. As a result of dilution of effective stake of the Company in SEFL, there is a resultant gain of Rs 295.13 crore which has been credited to "Unrealised gain on dilution" disclosed under "Reserves and Surplus" in the consolidated financial statements.
7. On January 26, 2009, AE-Rotor Holding B.V. ('AERH'), a wholly owned subsidiary of the Company has sold 67,010,421 shares (10% equity) in Hansen Transmissions International NV ('Hansen') to funds managed by Ecofin Limited ("Ecofin"), a London based specialized investment firm. Following this disposal, the Suzlon Group has a voting and economic interest in Hansen of 61.28%. As a result of sale, the goodwill of Rs 192.40 crore and unrealised gain on dilution of Rs 167.22 crore has been reduced proportionately and the profit on sale Rs 92.86 crore has been shown as "Profit on sale of investments" under "Other Income".

8. Disclosures pursuant to Accounting Standard-7 (AS-7) 'Construction Contracts'

Particulars	April 1, 2008 to March 31, 2009	April 1, 2007 to March 31, 2008
Contract revenue recognised during the year	16,551.40	5,734.63
Particulars	As at March 31,	
	2009	2008
Aggregate amount of contract cost incurred and recognised profits (less recognised losses) for all contracts in progress up to the reporting date	12,691.80	6,072.56
Amount of customer advances outstanding for contracts in progress up to the reporting date	Nil	1,607.27
Retention amount due from customers for contract in progress up to the reporting date	712.79	Nil
Due from customers	3,345.71	1,489.35
Due to customers	13.52	793.71

9. Zero coupon convertible bonds

On June 11, 2007 the Company made an issue of zero coupon convertible bonds aggregating USD 300 million (Rs 1,223.70 crore) comprising of 300,000 Zero Coupon Convertible Bonds due 2012 of USD 1,000 each ('Phase I Bonds'), which were:

- 1) convertible by the holders at any time on or after July 22, 2007 but prior to close of business on June 5, 2012, each bond to be converted into 113.50 fully paid up equity shares with face value of Rs 2 per share at an initial conversion price of Rs 359.68 per equity share of Rs 2 each at a fixed exchange rate conversion of Rs 40.83 = USD 1.
- 2) convertible in whole but not in part at the option of the Company at any time on or after June 11, 2009 subject to satisfaction of certain conditions.
- 3) redeemable in whole but not in part at the option of the Company at any time if less than 10 percent of the aggregate principal amount of the Phase I Bonds originally issued is outstanding, subject to satisfaction of certain conditions.
- 4) redeemable on maturity date at 145.23% of its principal amount if not redeemed or converted earlier.

Further, on October 10, 2007 the Company made an additional issue of zero coupon convertible bonds aggregating USD 200 Million (Rs 786.20 crore) comprising of 200,000 Zero Coupon Convertible Bonds due 2012 of USD 1,000 each ('Phase II Bonds'), which were:

- 1) convertible by the holders at any time on or after November 20, 2007 but prior to close of business on October 4, 2012, each bond to be converted into 107.30 fully paid up equity shares with face value of Rs 2 per share at an initial conversion price of Rs 371.55 per equity share of Rs 2 each at a fixed exchange rate conversion of Rs 39.87 = USD 1.
- 2) convertible in whole but not in part at the option of the Company at any time on or after October 10, 2009 subject to satisfaction of certain conditions.
- 3) redeemable in whole but not in part at the option of the Company if less than 10 percent of the aggregate principal amount of the Phase II Bonds originally issued is outstanding, subject to satisfaction of certain conditions.
- 4) redeemable on maturity date at 144.88% of its principal amount, if not redeemed or converted earlier.

Subsequent to the year-end, the Company proposed a restructuring of its Zero Coupon Convertible Bonds, with an approval of the Reserve Bank of India ('RBI') and the bondholders were offered the following options as part of the restructuring;

- Cash buyback of bonds @ 54.55% of the face value of US \$ 1000 per bond
- Issue of new bonds in place of old bonds at a fixed ratio of 3:5 (60 cents to dollar) bearing a coupon of 7.5 per cent per annum, payable semi-annually. Unless previously redeemed, converted or purchased and cancelled, the Company will redeem each June 2012 New Bond at 150.24 per cent of its principal amount and each October 2012 New Bond at 157.72 per cent of its principal amount on the relevant Maturity Date. The conversion price is set at Rs 76.68 per share. These bonds do not have any financial covenants and are of the same maturity as the old bonds.
- Consent fee of US\$15 Million to be paid across both the series, for those bondholders who consent to the relaxation of covenants

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As a result of the restructuring, the outstanding position of the zero coupon convertible bonds is as follows;

Particulars	Phase I Bonds (USD)	Phase II Bonds (USD)	Total (USD)
Old bonds exchanged [A]	59,332,000	34,672,000	94,004,000
New Bonds issued in the ratio of 3:5 [B]	35,592,000	20,796,000	56,388,000
Bonds bought back for cash[C]	29,366,000	43,960,000	73,326,000
Cash paid for buyback [D]	16,019,702	23,980,180	39,999,882
Old bonds o/s [E]	211,302,000	121,368,000	332,670,000
Value of total bonds outstanding [F]=B+E	246,894,000	142,164,000	389,058,000
Value of old bonds G=A+C+E	300,000,000	200,000,000	500,000,000
Consent Fee paid	11,846,947	1,869,863	13,716,810

The Phase I and Phase II bonds are redeemable subject to satisfaction of certain conditions mentioned in their respective offering circulars, and hence has been currently designated as a monetary liability. Further, the Company has not provided for the proportionate premium on redemption of the Phase I and Phase II Bonds for the period up to March 31, 2009 amounting to Rs 154.73 crore (approximately USD 30,513,445) and Rs 71.38 crore (approximately USD 14,075,009) respectively. In the opinion of the management, the likelihood of redemption cannot presently be ascertained. Accordingly, no provision for any liability has been made in the financial statements and hence, the proportionate premium on redemption has been disclosed as a contingent liability.

10. Employee stock option scheme

a) Suzlon Energy employee stock option plan 2005 (Scheme I)

The Company instituted the 2005 Plan for all eligible employees in pursuance of a special resolution approved by the shareholders at the extraordinary general meeting held on June 16, 2005 (grant date). Scheme I covers grant of options to specified permanent employees of the Company as well as its subsidiaries.

Pursuant to Scheme I, the Company has granted 4,605,000 options of Rs 2 each to eligible employees at an exercise price of Rs 51 per equity share of Rs 2 each, which is 50% of the issue price determined in the initial public offering (IPO) of the Company in accordance with SEBI guidelines i.e., Rs 102 per equity share of Rs 2 each. Under the terms of Scheme I, 30% of the options will vest in the employees at the end of the first year, 30% at the end of the second year and the balance of 40% at the end of third year from the grant date in the following manner:

Date of vesting	Proportion of vesting
June 16, 2006	30%
June 16, 2007	30%
June 16, 2008	40%

The employee stock options granted shall be capable of being exercised into equity shares within a period of five years from the date of first vesting i.e. till June 16, 2011. Once the options vest as per the schedule above, they would be exercisable by the option holder and the shares arising on exercise of such options shall not be subject to any lock-in period except for the lock-in, if any, in terms of the Insider Trading Code of the Company. Further, in the case of termination of employment, all non-vested options would stand cancelled. Options that have vested but have not been exercised can be exercised within the time prescribed as mentioned above, failing which they would stand cancelled.

During the year ended March 31, 2009, vesting rights were exercised by employees for 1,361,000 (1,180,500) shares of Rs 2 each under scheme I. Further, 118,000 (114,500) employee stock options of Rs 2 each under scheme I were cancelled during the year as certain employees resigned from the services of the Company. The movement in the stock options during the year ended March 31, 2009 was as per the table below:

Particulars	As at March 31,	
	2009	2008
Opening balance of options outstanding	1,858,000	3,153,000
Granted during the year	Nil	Nil
Forfeited/cancelled during the year	118,000	114,500
Exercised during the year	1,361,000	1,180,500
Expired during the year	Nil	Nil
Closing balance of options outstanding	379,000	1,858,000
Exercisable at the end of the year (Included in closing balance of option outstanding)	379,000	246,000

b) Suzlon Energy employee stock option plan 2006 (Scheme II)

The Company instituted Scheme II for all eligible employees with effect from November 23, 2007 (grant date) in pursuance of a special resolution approved by the shareholders at the extraordinary general meeting held on March 10, 2007. Scheme II covers grant of options to specified permanent employees of the Company as well as its subsidiaries.

Pursuant to Scheme II, the Company has granted 519,500 options of Rs 2 each to eligible employees at an exercise price of Rs 192.20 per equity share of Rs 2 each which is 51.28% of the weighted average price over a period of six months prior to date of grant, i.e., Rs 374.80 per equity share of Rs 2 each. Under the terms of Scheme II, 50% of the options will vest in the employees at the end of the first year, 25% at the end of the second year and the balance of 25% at the end of third year from the grant date in the following manner:

Date of vesting	Proportion of vesting
November 23, 2008	50%
November 23, 2009	25%
November 23, 2010	25%

The employee stock options granted shall be capable of being exercised into equity shares within a period of five years from the date of first vesting i.e. till November 23, 2013. Once the options vest as per the schedule above, they would be exercisable by the option holder and the shares arising on exercise of such options shall not be subject to any lock-in period except for the lock-in, if any, in terms of the Insider Trading Code of the Company. Further, in the case of termination of employment, all non-vested options would stand cancelled. Options that have vested but have not been exercised can be exercised within the time prescribed as mentioned above, failing which they would stand cancelled.

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During the year ended March 31, 2009, vesting rights were exercised by employees for Nil (Nil) shares of Rs 2 each. Further, 78,000 (Nil) employee stock options of Rs 2 each were cancelled during the year as certain employees resigned from the services of the Company. The movement in the stock options during the year ended March 31, 2009 was as per the table below:

Particulars	As at March 31,	
	2009	2008
Opening balance of options outstanding	519,500	Nil
Granted during the year	Nil	519,500
Forfeited/cancelled during the year	78,000	Nil
Exercised during the year	Nil	Nil
Expired during the year	Nil	Nil
Closing balance of options outstanding	441,500	519,500
Exercisable at the end of the year (Included in closing balance of option outstanding)	192,000	Nil

Fair value of the option

The Company applies the intrinsic value based method of accounting for determining compensation cost for Scheme I and Scheme II.

The Company has charged Rs 1.04 crore (Rs 2.14 crore) and Rs 3.93 crore (Rs 2.39 crore) at the rate of Rs 51 per option and Rs 182.60 per option respectively, being the difference between intrinsic value of options and exercise price under the Scheme I and Scheme II for the year ended March 31, 2009. Had the Company adopted the fair value method based on 'Black-Scholes' model for pricing and accounting the options, the cost would have been Rs 63.34 per option (Rs 68.39 per option) and Rs 272.37 per option (Rs 284.10 per option) for the Scheme I and Scheme II respectively, and accordingly, the net profit after tax would have been lower by Rs 1.55 crore (Rs 3.35 crore).

Consequently the basic and diluted earnings per share after factoring the above impact would be as follows:

Particulars	As at March 31,	
	2009	2008
Earnings per share		
- Basic	1.57	7.05
- Diluted	1.51	6.87

11. Other notes

- a) During the current year, the Company has issued 12.50% secured redeemable Non-Convertible Debentures ('NCDs') aggregating Rs 300.00 crore to Life Insurance Corporation of India ('LIC'). The Company has incurred expenses amounting to Rs 5.05 crore towards issue of NCDs. These NCDs are secured by pledge of shares of the Company held by promoters to the extent of 1.5 times the NCD amount and subservient charge on the Pondicherry factory. The company is required to maintain minimum security cover of 1.5 times at all times during the tenor of the debenture. The tenor of the debentures is seven years and they shall be redeemed in three equal annual instalments commencing from the end of the 5th year from the date of allotment.

- b) REpower Systems AG ('REpower), a subsidiary of the Company had issued profit participation certificates of EURO 10 Million in May 2004. For profit participation certificates, a basic interest rate of 7.90% in addition to a variable interest rate dependent on net income is paid. The participation right has a maturity of seven years and the same falls due at the end of May 2011 and the same has been disclosed under unsecured loans.
- c) Borrowing costs amounting to Rs 39.34 crore (Rs 4.94 crore) have been capitalised to qualifying assets.
- d) During the current year, the Board of Directors of the Company had approved a rights issue of equity shares of the Company to a maximum extent of Rs 1,800.00 crore. In anticipation of the right issue, the Company had received Rs 200.00 crore from a promoter group company as advance towards the share application money. The rights issue was suspended due to market conditions prevailing at that time; and Rs 105.00 crore out of Rs.200 crores was refunded to the promoter group company. Subsequently on March 27, 2009, the Company considering the market conditions and in turn its inability to come out with a right issue, has decided to refund the remaining advance amount outstanding towards share application money. Accordingly, the amount has been refunded post the balance sheet date.
- e) **Details of security for the secured loans in consolidated financial statements are as follows:**

(i) Term Loans from banks and financial institutions

- Rs 3,401.99 crore (Rs 4,660.89 crore) secured against pledge/ negative lien on shares of certain subsidiaries and corporate guarantee of the Company.
- Rs 1,316.65 crore (Rs 1,235.16 crore) secured by way of first rank mortgage and floating charge on assets.
- Rs 564.31 crore (Rs 7.00 crore) secured by way of first charge on certain immovable and movable fixed assets and second charge on current assets.
- Rs 400.00 crore (Rs Nil) secured by way of first charge on certain immovable and movable fixed assets, second charge on current assets, first mortgage and charge on fixed asset of subsidiary and pledge of share of subsidiary.
- Rs 94.36 crore (Rs Nil) secured by way of charge on land and assignments of electricity proceeds.
- Rs 80.65 crore (Rs 98.64 crore) secured by charge on moveable properties and receivables of the power generated from windmill.
- Rs 59.00 crore (Rs 61.91 crore) secured by way of mortgage of plant and machinery and other fixed assets, hypothecation on current assets and corporate guarantee of the Company.
- Rs 26.17 crore (Rs 31.34 crore) secured by way of first charge on all plant and machinery and other fixed assets and second charge on all current assets and corporate guarantee of the Company.
- Rs 17.75 crore (Rs 20.08 crore) secured by hypothecation of plant and machinery and other fixed assets.
- Rs 11.17 crore (Rs 18.53 crore) secured by way of first charge on certain immovable and movable fixed assets and second charge on current assets, personal guarantee of directors and corporate guarantee of the Company.
- Rs 5.08 crore (Rs 8.02 crore) secured by way of first charge on windmills, land, personal guarantee of directors and corporate guarantee of the Company.
- Rs 4.86 crore (Rs 7.75 crore) secured by way of first charge on specific plant and machinery, land, second charge on windmills and corporate guarantee of the Company.
- Rs Nil (Rs 26.52 crore) secured by way of first rank mortgage and floating charge on assets and corporate guarantee of the Company.

(ii) Term loans from others

- Rs 14.83 crore (Rs 15.07 crore) secured by way of first charge on certain immovable and movable fixed assets, second charge on current assets and movable fixed assets.
- Rs 2.92 crore (Rs 3.69 crore) secured by charge on certain windmills, receivables of the power generation from windmills and mortgage of land.

(iii) Working capital facilities from banks and financial institutions

- Rs 3,898.82 crore (Rs 815.91 crore) secured by hypothecation of inventories, book debts and other current assets, both present and future and first and second charge on certain immovable and movable fixed assets.
- Rs 49.04 crore (Rs 35.30 crore) secured by hypothecation of inventories, book debts and other current assets, both present and future, second charge on certain immovable fixed assets and personal guarantee of the director.
- Rs 15.20 crore (Rs 11.67 crore) secured by lien on inventories, book debts, all deposit accounts, certain fixed assets and corporate guarantee of the Company.
- Rs 13.20 crore (Rs 8.94 crore) secured by hypothecation of all current assets, second charge on fixed assets and corporate guarantee of the Company.

(iv) Vehicle loan

- Rs 0.62 crore (Rs 0.02 crore) secured against vehicle under hire purchase contract.
- f) The profit and loss account of the Company includes a charge of Rs 100.46 crore (Rs 54.10 crore) on account of design change and technological upgradation charges and Rs 113.26 crore (Rs 20.15 crore) on account of operation and maintenance charges, part of which have got eliminated on consolidation. However, the costs incurred by the subsidiary for rendering the services/ affecting the sales have been booked under various expenditure heads based on their nature.
- g) Miscellaneous income includes income in the nature of government grant aggregating Rs 54.31 crore (Rs 13.15 crore). Other current liabilities include deferred grants of Rs 47.43 crore (Rs 55.48 crore).
- h) The Group through one of its subsidiaries has agreed with one of its customers to extend deferred credit of Rs 1,044.63 crore. The amount would be received on achievement of performance milestone by the WTGs covered under this agreement or at the end of the agreed credit period, whichever is earlier. The subsidiary will have first charge on the WTGs covered under this agreement. Further, the outstanding amount would earn interest at an agreed rate.

12. Operating leases

Premises

The Group has taken certain premises on cancellable operating leases. The total rental expense under cancellable operating leases during the period was Rs 33.85 crore (Rs 22.07 crore).

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The Group has also taken furnished/unfurnished offices and certain other premises under non-cancellable operating lease agreements. The lease rental charge during the year is Rs 84.25 crore (Rs 41.55 crore) and maximum obligation on long-term non-cancellable operating lease payable as per the rentals stated in respective agreement is as follows:

Obligation on non-cancellable operating leases	Year ended March 31,	
	2009	2008
Not later than one year	74.89	48.90
Later than one year and not later than five years	159.37	75.85
Later than five years	59.08	5.27

13. Post employment benefits

Net employees benefit expense recognised in the profit and loss account:

Particulars	Year ended March 31,	
	2009	2008
Current service cost	8.05	6.95
Interest cost on benefit obligation	3.28	2.60
Expected return on plan assets	(2.15)	(1.71)
Net actuarial loss recognised in the year	3.38	0.85
Past service cost	(0.07)	Nil
Net Benefit expense	12.49	8.69

Details of defined benefit obligation

Particulars	Year ended March 31,	
	2009	2008
Defined benefit obligation	70.77	54.06
Fair value of plan assets	49.36	39.76
Present value of unfunded obligations	21.41	14.30
Less: Unrecognised past service cost	Nil	Nil
Plan Liability	21.41	14.30

Changes in the present value of the defined benefit plan are as follows:

Particulars	Year ended March 31,	
	2009	2008
Opening defined benefit obligation	54.06	53.92
Interest cost	3.28	2.60
Current service cost	8.05	6.95
Benefits paid	(3.09)	(3.15)
Actuarial (gains) / losses on obligation	5.36	(6.26)
Exchange rate variation	3.11	-
Closed defined benefit obligation	70.77	54.06

Changes in the fair value of plan assets are as follows:

Particulars	Year ended March 31,	
	2009	2008
Opening fair value of plan assets	39.76	33.77
Expected return	2.15	1.71
Contributions by employer	9.87	8.31
Benefits paid	(3.07)	(3.15)
Actuarial gains / (losses)	(1.56)	(0.88)
Exchange rate variation	2.21	-
Closing fair value of plan assets	49.36	39.76

Amounts for the current and previous periods are as follows:

Particulars	Year ended March 31,		
	2009	2008	2007
Defined benefit obligation	70.77	54.06	53.92
Plan assets	49.36	39.76	33.77
Surplus / (deficit)	21.41	14.30	20.15
Experience adjustments on plan liabilities	Nil	Nil	Nil
Experience adjustments on plan assets	Nil	Nil	Nil

The principal assumptions with respect to discount rate, expected return on plan assets, salary escalation rate and attrition rate used in determining the defined benefit plan obligations differs from subsidiary to subsidiary.

The estimates of future salary increases take into account the inflation, seniority, promotion and other relevant factors.

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14. Provisions

In pursuance of Accounting Standard-29 (AS-29) "Provisions, Contingent Liabilities and Contingent Assets", the provisions required have been incorporated in the books of accounts in the following manner:

Particulars	Performance guarantee	Operation, maintenance and warranty	Provision for liquidated damages
Opening balance	283.39	280.92	30.69
	(180.92)	(252.92)	(25.94)
Additions due to acquisition	-	127.28	-
	(-)	(-)	(-)
Additions	470.38*	460.97	284.33
	(235.70)	(164.67)	(43.20)
Utilisation	595.39	205.57	253.87
	(133.23)	(136.67)	(19.70)
Reversal	-	-	-
	(-)	(-)	(18.75)
Closing balance	158.38	663.60	61.15
	(283.39)	(280.92)	(30.69)

* includes Rs 189.51 crore (Rs 79.44 crore) classified as exceptional item.

The provision for performance guarantee (PG) represents the expected outflow of resources against claims for performance shortfall expected in future over the life of the guarantee assured. The period of PG varies for each customer according to the terms of the contract. The key assumptions in arriving at the PG provision are wind velocity, plant load factor, grid availability, load shedding, historical data, wind variation factor, machine availability etc.

The provision for operation, maintenance and warranty (O&M) represents the expected liability on account of field failure of parts of WTG and expected expenditure of servicing the WTGs and components thereof over the period of free O&M, which varies according to the terms of each sales order.

The closing balance of the provision for operation, maintenance and warranty in the balance sheet represents the amount required for operation, maintenance and warranty for the unexpired period on WTGs and components there of, on the field under warranty. The break up of charge to profit and loss account of "provision for operation, maintenance and warranty" is as under:

- Amount of provision required for the WTGs sold during the year Rs 460.97 crore (Rs 164.67 crore)
- Less: Utilization against opening provision, booked by the subsidiary under various expenditure heads by their nature amounting to Rs 94.25 crore (Rs 95.77 crore)
- Charge to profit and loss account Rs 366.72 crore (Rs 68.90 crore)

Provision for liquidated damages (LD) represents the expected claims which the Group may need to pay for non fulfilment of certain commitments as per the terms of the sales order. These are determined on a case to case basis considering the dynamics of each individual sales order and the factors relevant to that sale.

15. Break-up of the accumulated deferred tax asset/(liability), net is given below:

Particulars	As at March 31	
	2009	2008
Deferred tax assets:		
Unabsorbed losses and depreciation	168.93	123.93
Employee benefits	12.05	16.11
Provision for guarantee and warranty	114.33	86.76
Provision for doubtful debts	7.89	6.44
Others	27.02	16.30
(a)	330.22	249.54
Deferred tax liabilities		
Difference in depreciation of fixed assets	375.73	271.32
Others	141.30	0.02
(b)	517.03	271.34
Deferred tax liabilities (net) [(c)=(a)-(b)]	(186.81)	(21.80)

16. Earnings per Share ('EPS')

All amounts in Rupees crore except per share data

Particulars		As at March 31,	
		2009	2008
Basic			
Net Profit after share of profit of associates and minority interest		236.48	1,030.10
Less: Preference dividend and tax thereon		0.00	0.23
Profit attributable to equity shareholders	A	236.48	1,029.87
Weighted average number of equity shares	B	1,497,932,537	1,455,672,492
Basic EPS (Rs) of face value of Rs 2 each.	A/B	1.58	7.07
Diluted			
Weighted average number of equity shares	B	1,497,932,537	1,455,672,492
Add: Equity shares for no consideration arising on grant of share options	C	28,507	16,09,325
Add: Potential equity shares that could arise on conversion of zero coupon convertible bonds	D	55,516,717	37,593,265
Weighted average number of equity shares for diluted EPS	E = (B+C+D)	1,553,477,761	1,494,875,082
Diluted EPS (Rs) of face value of Rs 2 each	A/E	1.52	6.89

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17. Statement showing the use of proceeds from Qualified Institutional Placements up to March 31, 2009

On December 20, 2007, the Company has raised Rs 2,182.70 crore through allotment of 56,930,000 equity shares of Rs 2 each at a price of Rs 383.40 per equity share of Rs 2 each to selected Qualified Institutional Buyers pursuant to the Guidelines for Qualified Institutional Placements (QIP) under Chapter XIII-A of the SEBI (DIP) Guidelines, 2000. The details of utilisation of QIP proceeds are given below:

Sl. No.	Description	As at March 31, 2009
I	Sources of funds	
	Proceeds from Issue	2,182.70
	Issue Expenses	(26.27)
	Net Proceeds	2,156.43
II	Utilisation of funds	
	Repayment of Acquisition facility loans	1,350.40
	Working Capital requirement and General corporate purposes	341.12
	Investments in subsidiaries for Capital expenditure and Working capital requirement	464.91
	Total	2,156.43
III	Unutilised funds	Nil

18. Managerial remuneration to Directors

Particulars	Year ended March 31,	
	2009	2008
Salaries	1.26	1.30
Contribution to superannuation fund and provident fund	0.21	0.27
Sitting Fees	0.07	0.02
Total	1.54	1.59

The directors are covered under the Company's scheme for gratuity along with the other employees of the Company. The proportionate amount of gratuity is not included in the aforementioned disclosure, as the amount attributable to directors is not ascertainable.

In terms of the special resolution approved by the members of the Company, the Company has been authorised to pay remuneration to the managerial personnel within the limits as prescribed under Section II (B) of Part II of Schedule XIII of the Act in case of loss or inadequacy of profits. Accordingly the Company has paid remuneration as per these limits and the excess remuneration paid has been recovered from the directors post the year end.

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19.

a. Contingent liabilities

Particulars	As at March 31	
	2009	2008
Premium on redemption of zero coupon convertible bonds	226.11	101.08
Claims against the Group not acknowledged -		
Excise, custom, service and vat	20.76	2.96
Income-tax	15.23	19.23
State levies	3.98	-
Labour related	0.16	0.15
Suppliers and service providers	27.01	-
cumulative preference share dividend of subsidiary payable to minority	0.20	-

b. Capital commitments

Particulars	As at March 31	
	2009	2008
Guarantees given in connection with acquisition of shares of REpower	1,385.42	4,693.62
Estimated amount of contracts remaining to be executed on capital accounts and not provided for, net of advances	1,069.59	1,899.92

20. Derivative instruments and unhedged foreign currency exposure

Particulars of derivatives	Purpose	
Forward contract outstanding as at balance sheet date:		
Buy EURO 17,778,459 (EURO 150,522,982)	Hedge of forex EURO liabilities	
Buy USD 96,334,246 (USD 309,759,304)	Hedge of forex USD liabilities	
Buy CAD 4,733,000 (CAD Nil)	Hedge of forex CAD liabilities	
Sell USD 186,439,861 (USD 286,961,890)	Hedge of forex USD receivable	
Sell EURO 55,236,982 (EURO 118,198,046)	Hedge of forex EURO receivable	
Sell AUD 61,500,000 (AUD 325,00,000)	Hedge of forex AUD receivable	
Option contract outstanding as at balance sheet date:		
USD 5.50 crore (USD 13.50 crore) zero cost 1:1.5 forward put options outstanding		
USD 24.62 crore (USD Nil) long European knock in option outstanding		
EURO Nil (EURO 17.75 crore) zero cost barrier call options outstanding		
EURO Nil (EURO 11.50 crore) zero cost put spread options outstanding		
Particulars of unhedged foreign currency exposure as at the balance sheet		
Particulars	As at March 31,	
	2009	2008
Current liabilities	1,755.14	431.96
Debtors	230.29	104.45
Loans received	1,874.06	596.56
Bank balance in current accounts and term deposit accounts	108.37	353.57
Zero coupon convertible bonds	2,535.50	2,005.50

21. Related party disclosures

(A) Related parties with whom transactions have taken place during the year

a) Joint Ventures

REpower Portugal - Sistemas Eolicos, S.A., REpower North (China) Ltd.

b) Entities where Key Management Personnel (KMP)/ Relatives of Key Management Personnel ('RKMP') has significant influence

Sarjan Realities Limited, Suzlon Infrastructure Limited, Senergy Global Limited, Shubh Realty (South) Private Limited, Tanti Holdings Limited, Suzlon Foundation, Girish R. Tanti (HUF), SE Steel Limited

c) Key Management Personnel of Suzlon Energy Limited

Tulsi R. Tanti, Girish R. Tanti

d) Relatives of Key Management Personnel of Suzlon Energy Limited

Vinod R. Tanti, Jitendra R. Tanti

e) Employee Funds

SE Composites Limited	Superannuation Fund
SE Composites Limited	Employees Group Gratuity Scheme
SE Electricals Limited	Superannuation Fund
SE Electricals Limited	Employees Group Gratuity Scheme
Suzlon Energy Limited	Superannuation Fund
Suzlon Energy Limited	Employees Group Gratuity Scheme
Suzlon Generators Limited	Superannuation Fund
Suzlon Generators Limited	Employees Group Gratuity Scheme
Suzlon Gujarat Wind Park Limited	Superannuation Fund
Suzlon Gujarat Wind Park Limited	Employees Group Gratuity Scheme
Suzlon Infrastructure Services Limited	Superannuation Fund
Suzlon Infrastructure Services Limited	Employees Group Gratuity Scheme
Suzlon Power Infrastructure Limited	Superannuation Fund
Suzlon Power Infrastructure Limited	Employees Group Gratuity Scheme
Suzlon Structures Limited	Employees Group Gratuity Scheme
Suzlon Towers & Structure Limited	Superannuation Fund
Suzlon Towers & Structure Limited	Employees Group Gratuity Scheme
Suzlon Wind International Limited	Superannuation Fund
Suzlon Wind International Limited	Employees Group Gratuity Scheme

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(B) Transactions between the Group and related parties during the year and the status of outstanding balances as at March 31, 2009

Particulars	Joint Ventures	Entities where KMP/ RKMP has significant influence	KMP	RKMP	Employee Funds
Transactions					
Purchase of fixed assets (including intangibles)	- (-)	173.13 (37.83)	- (-)	- (-)	- (-)
Sale of fixed assets	- (-)	- (0.06)	- (-)	- (-)	- (-)
Sale of goods and services	190.35 (-)	0.43 (5.46)	0.06 (-)	0.06 (-)	- (-)
Purchase of goods and services	- (-)	30.74 (202.84)	- (-)	- (-)	- (-)
Transformer division acquisition	- (-)	- (4.25)	- (-)	- (-)	- (-)
Loans given	- (-)	220.97 (314.88)	- (-)	- (-)	- (-)
Loans taken	- (-)	148.00 (-)	- (-)	- (-)	- (-)
Share application money received	- (-)	200.00 (-)	- (-)	- (-)	- (-)
Deposits given	- (-)	122.37 (6.75)	0.02 (-)	- (-)	- (-)
Interest received	- (-)	10.69 (19.30)	- (-)	- (-)	- (-)
Interest paid	- (-)	0.78 (1.58)	- (-)	- (-)	- (-)
Rent received	- (-)	0.07 (-)	- (-)	- (-)	- (-)
Leaser rent paid	- (-)	15.80 (76.78)	0.02 (-)	- (0.06)	- (-)
Donation given	- (-)	9.45 (-)	- (-)	- (-)	- (-)
Managerial Remuneration	- (-)	- (-)	1.48 (1.57)	- (-)	- (-)
Contribution to various funds	- (-)	- (-)	- (-)	- (-)	5.90 (8.70)
Outstanding balances					
Advances from customers	- (-)	- (-)	0.75 (0.75)	0.75 (0.75)	- (-)
Sundry debtors	169.45 (-)	0.06 (3.73)	0.02 (-)	0.03 (-)	- (-)
Loans outstanding	- (-)	116.25 (-)	- (-)	- (-)	- (-)
Deposits outstanding	- (-)	122.37 (6.75)	0.02 (-)	- (-)	- (-)
Advances to supplier and other assets	- (-)	6.06 (6.23)	0.87 (-)	- (0.05)	- (-)
Sundry creditors	- (-)	49.69 (18.74)	- (-)	- (-)	- (-)
Share application money pending refund	- (-)	95.00 (-)	- (-)	- (-)	- (-)

Note: Figures in brackets pertain to balances as on March 31, 2008

(C) Disclosure of significant transactions with related parties

Type of the transaction	Type of relationship	Name of the entity/person	Year ended March 31	
			2009	2008
Purchase of fixed assets (including intangibles)	Entities where KMP/ RKMP has significant influence	Suzlon Infrastructure Limited	172.83	17.28
		Sarjan Realities Limited	0.12	16.34
Sale of fixed assets	Entities where KMP/ RKMP has significant influence	Suzlon Infrastructure Limited	-	0.03
		Sarjan Realities Limited	-	0.01
		Shubh Realty (South) Private Limited	-	0.02
Sale of goods	Joint Ventures	REpower Portugal - Sistemas Eolicos, S.A.	134.02	-
		REpower North (China) Ltd.	56.26	-
	Entities where KMP/ RKMP has significant influence	Suzlon Infrastructure Limited	0.29	5.46
Purchase of goods and services	Entities where KMP/ RKMP has significant influence	Suzlon Infrastructure Limited	17.02	200.74
		Synergy Global Limited	10.30	1.18
Loans given	Entities where KMP/ RKMP has significant influence	Suzlon Infrastructure Limited	50.00	259.12
		Sarjan Realities Limited	140.72	42.01
		Shubh Realty (South) Private Limited	30.25	13.75
Loans taken	Entities where KMP/ RKMP has significant influence	Tanti Holdings Limited	148.00	-
Share application money received	Entities where KMP/ RKMP has significant influence	Tanti Holdings Limited	200.00	-
Deposits given	Entities where KMP/ RKMP has significant influence	Suzlon Infrastructure Limited	122.37	6.75
Interest received	Entities where KMP/ RKMP has significant influence	Suzlon Infrastructure Limited	2.83	7.99
		Sarjan Realities Limited	7.18	7.58
		Shubh Realty (South) Private Limited	0.68	3.74
Interest paid	Entities where KMP/ RKMP has significant influence	Tanti Holdings Limited	0.78	-
Rent received	Entities where KMP/ RKMP has significant influence	SE Steel Limited	0.07	-
Lease rent paid	Entities where KMP/ RKMP has significant influence	Suzlon Infrastructure Limited	15.79	76.77

Type of the transaction	Type of relationship	Name of the entity/person	Year ended March 31	
			2009	2008
Donation given	Entities where KMP/RKMP has significant influence	Suzlon Foundation	9.45	-
Managerial Remuneration	KMP KMP	Tulsi R. Tanti Girish R. Tanti	0.83 0.65	1.16 0.41
Contribution to various funds	Employee Funds	Suzlon Energy Limited Superannuation Fund	1.54	3.53
		Suzlon Energy Limited Employees Group Gratuity Scheme	2.52	2.91
		Suzlon Infrastructure Services Limited Superannuation Fund	0.52	1.36

The below table provides the transactions between the Group and promoter group entities which are not related parties in accordance with Accounting Standard - 18 (AS 18) - 'Related Party Disclosures'

Type of the transaction	Name of the entity	Year ended March 31	
		2009	2008
Transactions			
Sale of goods	Super Wind Projects Private Limited	197.69	71.18
	Simran Wind Projects Private Limited	69.81	384.40
Freight outward	S E Shipping Lines Pte Ltd.	355.57	51.07
Outstanding Balances			
Debtors	Super Wind Projects Private Limited	162.49	-
	Simran Wind Projects Private Limited	65.03	71.41
Creditors	S E Shipping Lines Pte Ltd.	153.40	5.84

22. Disclosure as required by Clause 32 of Listing Agreement with stock exchange

Type of relationship	Name	Amount outstanding as at March 31, 2009	Maximum Amount outstanding during the year
Companies in which directors are interested	Sarjan Realities Limited	116.25	139.07
	Suzlon Infrastructures Limited - loan	Nil	50.00
	Suzlon Infrastructures Limited - deposit	122.37	122.37
	Shubh Realty (South) Private Limited	Nil	16.50

Note: No loans have been granted by the Company to any person for the purpose of investing in the shares of Suzlon Energy Limited or any of its subsidiaries.

23. Details of the Company's share in joint ventures included in the consolidated financial statements are as follows (Before inter company eliminations):

Balance sheet	As at March 31, 2009	Profit and loss account	Year ended March 31, 2009
Share capital	45.45	Sales	339.63
Reserves and surplus	8.78	Other income	5.05
Secured loans	16.82	Total income	344.68
Total sources of funds	71.05	Cost of good sold	316.42
Fixed assets	41.20	Operating and other expenses	(2.02)
Cash and bank balances	62.67	Employee's remuneration and benefits	7.21
Inventories	170.01	Financial charges	1.08
Sundry debtors	135.48	Depreciation/amortisation	2.10
Loans and advances	96.08	Total expenditure	324.79
Total current assets	464.24	Profit before tax	19.89
Current liabilities	434.39	Tax	7.08
Net current assets	29.85	Profit after tax	12.81
Total application of funds	71.05		

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24. Segment reporting

The Company has disclosed business segment as the primary segment. Segments have been identified taking into account the nature of the products, the differing risks and returns, the organisation structure and internal reporting system.

The Group's operations predominantly relate sale of WTGs and allied activities including sale/sub-lease of land, infrastructure development income; sale of gear boxes; and sale of foundry and forging components. Others primarily include power generation operations.

The Company has classified the activities of sale/sub-lease of land and infrastructure development as part of 'WTG Segment' instead of 'Others Segment' for the year ended March 31, 2009, and has reclassified the corresponding previous period numbers.

The change has caused a reduction in the segment revenue, segment results, segment assets and segment Liabilities by Rs 126.03 crore, Rs 75.90 crore, Rs 620.65 crore, and Rs 163.73 crore respectively for the year ended March 31, 2009; and a reduction in the segment revenue, segment result, segment assets and segment liabilities by Rs 180.33 crore, Rs 32.93 crore, Rs 446.38 crore and Rs 73.39 crore, respectively for the year ended March 31, 2008 in 'Others Segment'. There is a corresponding increase in the segment revenue, segment results, segment assets and segment liability amounts as disclosed for the 'WTG Segment' for the respective periods mentioned above.

The company has also reclassified the amounts pertaining to sale of Foundry and Forging Components from 'WTG Segment' to a new segment- 'Foundry and Forging Segment' for the year ended March 31, 2009. The previous period figures have been reclassified for the previous year.

The change has caused a reduction in the segment revenue, segment results, segment assets and segment liabilities by Rs 17.18 crore, Rs (42.80) crore, Rs 1,012.99 crore, and Rs 115.43 crore respectively for the year ended March 31, 2009; and a reduction in the segment revenue, segment results, segment assets and segment liabilities by Rs 0.01 crore, Rs (6.43) crore, Rs 359.54 crore and Rs 90.63 crore respectively for the year ended March 31, 2008; in 'WTG Segment'

Segment revenue, segment results, segment assets and segment liabilities include the respective amounts identifiable to each of the segments allocated on a reasonable basis.

Inter segment transfers have been carried out at mutually agreed prices.

The accounting principles consistently used in the preparation of the financial statements are also consistently applied to record income and expenditure in individual segments. These are as set out in the note on significant accounting policies.

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(A) Primary business segment

Particulars	Year ended March 31, 2009						Year ended March 31, 2008					
	WTG	Gear Box	Foundry & Forging	Others	Elimination	Total	WTG	Gear Box	Foundry & Forging	Others	Elimination	Total
Total external sales	22,965.24	3,079.37	1.03	36.06	-	26,081.70	11,441.80	2,212.90	0.01	24.72	-	13,679.43
Add: Inter segment sales	4.18	914.27	16.15	-	(934.60)	-	2.43	191.91			(194.34)	-
Segment revenue	22,969.42	3,993.64	17.18	36.06	(934.60)	26,081.70	11,444.23	2,404.81	0.01	24.72	(194.34)	13,679.43
Segment results before exceptional items	1,925.73	567.78	(43.04)	21.11	(76.01)	2,395.57	1,625.76	219.14	(6.43)	2.64	(12.95)	1,828.16
Exceptional items	896.29					896.29	285.21	-	-	-	-	285.21
Segment results after exceptional items	1,029.44	567.78	(43.04)	21.11	(76.01)	1,499.28	1,340.55	219.14	(6.43)	2.64	(12.95)	1,542.95
Add/(Less) Items to reconcile with profit /(loss) as per profit and loss account												
Add : Other income						271.75						235.97
Less : Financial charges						(1,053.94)						(596.94)
Less : Preliminary expense written off						(0.09)						(1.54)
Profit before tax						717.00						1,180.44
current tax						211.04						231.85
MAT credit entitlement						(4.03)						(80.68)
Deferred tax						67.13						(2.28)
Fringe benefit tax						13.99						14.40
Total tax						288.13						163.29
Profit after tax						428.87						1,017.15
Add : Share in associate's profit after tax						2.32						55.75
Less : Share of profit of minority						(194.71)						(42.80)
Net profit / (loss)						236.48						1,030.10
Segment assets	25,510.72	6,995.19	1,012.99	241.62	-	33,760.52	13,709.88*	4,978.41	359.54	235.03	-	19,282.86
Common assets						3,790.88						7,107.21
Enterprise assets						37,551.40						26,390.07
Segment liabilities	9,944.09	1,440.76	115.43	6.90	-	11,507.18	5,852.56	1,129.37	90.63	14.97		7,087.53
Common liabilities						17,417.47						11,201.22
Enterprise liabilities						28,924.65						18,288.75
Capital expenditure during the year	1,665.83	1,526.69	550.46	4.18	-	3,747.16	667.91	1,132.93	316.30	16.98	-	2,134.12
Segment depreciation	336.20	205.06	17.57	14.31	-	573.14	159.43	119.02	-	10.91	-	289.36
Non-cash expenses other than depreciation	0.09				-	0.09	1.54	-	-	-	-	1.54
*includes equity accounted investments	-					-	3,141.01					3,141.01

B) Geographical segment

Particulars	Year ended March 31, 2009							Year ended March 31, 2008						
	India	Europe	USA	China	Australia and New Zealand	Others	Total	India	Europe	USA	China	Australia and New Zealand	Others	Total
Segment revenue	4,452.65	8,450.32	7,327.29	1,265.87	2,930.57	1,655.00	26,081.70	5,618.70	3,182.44	2,555.38	478.53	1,022.80	821.58	13,679.43
Segment assets	9,436.04	17,157.87	3,019.49	1,996.99	855.05	1,295.08	33,760.52	6,470.11	9,520.44	1,374.25	940.74	409.01	568.31	19,282.86
Capital expenditure incurred	1,631.35	1,841.50	28.35	167.30	65.85	12.81	3,747.16	842.92	1,194.92	26.96	57.92	5.16	6.24	2,134.12

25. Prior year amounts have been reclassified wherever necessary to confirm with current year presentation. Figures in the brackets are in respect of the previous year.

Signatures to Schedules 'A' to 'P'

As per our report of even date

For SNK & Co.
Chartered Accountants

For S. R. BATLIBOI & Co.
Chartered Accountants

For and on behalf of the Board of Directors

per Jasmin B. Shah
Partner
Membership No. 46238

per Arvind Sethi
Partner
Membership No. 89802

Tulsi R. Tanti
Chairman and Managing Director

Hemal A. Kanuga
Company Secretary

Girish R. Tanti
Director

Place : Mumbai
Date : June 27, 2009

Place: Mumbai
Date : June 27, 2009

Place: Mumbai
Date : June 27, 2009

SNK & Co.
Chartered Accountants
E-2-B, The Fifth Avenue
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S.R. BATLIBOI & Co.
Chartered Accountants
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Yerwada (Near Don Bosco School)
Pune 411 006

Auditors' Report

To
The Members of Suzlon Energy Limited

1. We have audited the attached balance sheet of Suzlon Energy Limited ('Suzlon' or 'the Company') as at March 31, 2009 and also the profit and loss account and the cash flow statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 (as amended) issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to above, we report that:
 - i. We have obtained all the information and explanations, which to the best of our knowledge and belief, were necessary for the purposes of our audit;
 - ii. In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
 - iii. The balance sheet, profit and loss account and cash flow statement dealt with by this report are in agreement with the books of account;
 - iv. In our opinion, the balance sheet, profit and loss account and cash flow statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956;
 - v. On the basis of the written representations received from the directors, as on March 31, 2009, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on March 31, 2009 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;

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- vi. Without qualifying our opinion, we draw attention to Schedule O, Note 9 regarding non-provision of proportionate premium on redemption of 'US\$ 500 Million Zero Coupon Convertible Bonds due 2012' amounting to Rs. 226.11 crores which has been considered by the Company as a contingent liability;
- vii. In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
- a) in the case of the balance sheet, of the state of affairs of the Company as at March 31, 2009;
 - b) in the case of the profit and loss account, of the loss for the year ended on that date; and
 - c) in the case of the cash flow statement, of the cash flows for the year ended on that date.

For SNK & Co.
Chartered Accountants

per Jasmin B. Shah
Partner
Membership No: 46238
Mumbai
June 27, 2009

For S.R. BATLIBOI & Co.
Chartered Accountants

per Arvind Sethi
Partner
Membership No: 89802
Mumbai
June 27, 2009

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Annexure referred to in paragraph 3 of our report of even date

Re: Suzlon Energy Limited

1. (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.

(b) Fixed assets have been physically verified by management during the year in accordance with a regular programme of verification which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. As informed, no material discrepancies were noticed on such verification.

(c) There was no substantial disposal of fixed assets during the year.
2. (a) The management has conducted physical verification of inventory at reasonable intervals during the year.

(b) The procedures of physical verification of inventory followed by management are reasonable and adequate in relation to the size of the Company and the nature of its business.

(c) The Company is maintaining proper records of inventory and no material discrepancies were noticed on physical verification.
3. (a) The Company has granted an unsecured loan to a Company covered in the register maintained under section 301 of the Companies Act, 1956. The maximum amount involved during the year was Rs. 50 crores and the year-end balance of loans granted to such parties was Rs.Nil.

(b) In our opinion and according to the information and explanations given to us, the rate of interest and other terms and conditions for such loans are not prima facie prejudicial to the interest of the Company.

(c) The loans granted are repayable on demand. Where loans have been demanded, the repayment is within the date demanded. The payment of interest has been regular.

(d) Based on the information and explanations provided by management and our comments in clause 3(c) above, there is no overdue amount more than rupees one lakh of loans, granted to companies, firms or other parties listed in the register maintained under Section 301 of the Companies Act, 1956.

(e) The Company has taken a loan from a Company covered in the register maintained under section 301 of the Companies Act, 1956. The maximum amount involved during the year was Rs. 148 crores and the year-end balance of loans taken from such party was Rs. Nil.

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- (f) In our opinion and according to the information and explanations given to us, the rate of interest, and other terms and conditions for such loan are not prima facie prejudicial to the interest of the Company.
 - (g) In respect of loans taken, repayment of the principal amount is as stipulated and payment of interest has been regular.
4. In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business, for the purchase of inventory and fixed assets and for the sale of goods and services. During the course of our audit, no major weakness has been noticed in the internal control system in respect of these areas.
 5. (a) According to the information and explanations provided by management, we are of the opinion that the particulars of contracts or arrangements referred to in section 301 of the Act that need to be entered into the register maintained under section 301 have been so entered.

(b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of such contracts or arrangements exceeding value of Rupees five lakhs have been entered into during the financial year at prices which are reasonable having regard to the prevailing market prices at the relevant time.
 6. The Company has not accepted any deposits from the public. Accordingly, the provisions of clause 4(vi) of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the Company.
 7. In our opinion, the Company has an internal audit system commensurate with the size and the nature of its business.
 8. We have broadly reviewed the books of account maintained by the Company pursuant to the rules made by the Central Government for the maintenance of cost records under section 209(1) (d) of the Companies Act, 1956, and are of the opinion that prima facie, the prescribed accounts and records have been made and maintained in respect of generation of electricity from wind power. We have not, however, made a detailed examination of the records with a view to determining whether they are accurate or complete.
 9. (a) Undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, income-tax, sales-tax, wealth-tax, service tax, customs duty, excise duty, cess have generally been regularly deposited with the appropriate authorities .

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- (b) According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, investor education and protection fund, employees' state insurance, income-tax, wealth-tax, service tax, sales-tax, customs duty, excise duty, cess and other undisputed statutory dues were outstanding, at the year end, for a period of more than six months from the date they became payable.
- (c) According to the information and explanations given to us, there are no dues of income-tax, sales tax, wealth tax, service tax, customs duty, excise duty and cess which have not been deposited on account of any dispute.
10. The Company has no accumulated losses at the end of the financial year. *It has incurred cash losses in the current financial year* and has not incurred cash losses in the immediately preceding financial year.
11. Based on our audit procedures, and as per the information and explanations given by management and relevant confirmations from applicable banks and financial institutions, we are of the opinion that the Company has not defaulted in repayment of dues of principal or interest on loans, to a financial institution, bank or debenture holders.
12. According to the information and explanations given to us and based on the documents and records produced to us, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities. Accordingly, the provisions of clause 4(xii) of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the Company.
13. In our opinion, the Company is not a chit fund or a nidhi/mutual benefit fund/society. Accordingly, the provisions of clause 4(xiii) of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the Company.
14. In our opinion, the Company does not deal or trade in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4(xiv) of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the Company.
15. According to the information and explanations given to us, the Company has given guarantee for loans taken by others from banks or financial institutions, the terms and conditions whereof in our opinion are not prima-facie prejudicial to the interests of the Company.
16. In our opinion and according to the information and explanations given to us, on an overall basis, the term loans have been applied for the purposes for which they were obtained.
17. According to the information and explanations given to us and on an overall examination of the balance sheet of the Company, we report that no funds raised on short-term basis have been used for long-term investment.

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18. The Company has not made any preferential allotment of shares to parties or companies covered in the register maintained under section 301 of the Companies Act, 1956. Accordingly, clause 4(xviii) of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the Company.
19. In respect of debentures issued by the Company and outstanding during the year, the Company, as at year-end was in the process of creating a subservient charge as required by the terms of sanction with the lender, which has been completed post year-end. Further, the Company has unsecured Zero Coupon Convertible Bonds outstanding during the year on which no security or charge is required to be created.
20. We have verified that the end use of money raised by qualified institutional placements made in compliance with Chapter XIII-A of the SEBI (Disclosure and Investor Protection) Guidelines, 2000 and is as disclosed in the notes to the financial statements.
21. Based upon the audit procedures performed for the purpose of reporting the true and fair view of the financial statements and as per the information and explanations given by management, we report that no fraud on or by the Company has been noticed or reported during the course of our audit. However, *an ex-employee of the Company is suspected of having committed fraud arising out of certain commission payments made to entities alleged to be owned by him by suppliers of the Company and this matter is currently under investigation. The Company believes that it has not incurred any financial loss or liability based on the information available to it at this point of time*

For SNK & Co.
Chartered Accountants

per Jasmin B. Shah
Partner
Membership No: 46238
Mumbai
June 27, 2009

For S.R. BATLIBOI & Co.
Chartered Accountants

per Arvind Sethi
Partner
Membership No: 89802
Mumbai
June 27, 2009

Suzlon Energy Limited
Balance sheet as at March 31, 2009

All amounts in rupees crore unless otherwise stated

Particulars	Schedule	As at March 31,	
		2009	2008
SOURCES OF FUNDS			
Shareholders' funds			
Share capital	A	299.66	299.39
Employee stock options outstanding	B	8.25	10.22
Reserves and surplus	C	6,177.41	6,638.05
		6,485.32	6,947.66
Share application money pending refund [See Schedule O, Note 13(f)]		95.00	-
Loan funds			
Secured loans	D	4,006.23	672.26
Unsecured loans	E	3,323.25	2,412.48
		7,329.48	3,084.74
		13,909.80	10,032.40
APPLICATION OF FUNDS			
Fixed assets (including intangible assets)			
Gross block	F	915.83	779.20
Less: Depreciation / amortisation		364.33	266.98
Net block		551.50	512.22
Capital work-in-progress		286.97	134.64
		838.47	646.86
Investments	G	7,127.80	4,919.48
Deferred tax assets, net [See schedule O, Note 7]		175.40	93.64
Foreign Currency Monetary Item Translation Difference Account [See schedule O, Note 2(e)]		399.26	-
Current assets, loans and advances			
Inventories	H	1,383.62	1,483.23
Sundry debtors		4,745.14	3,306.59
Cash and bank balances		212.40	875.50
Loans and advances		2,698.75	1,289.15
		9,039.91	6,954.47
Less : Current liabilities and provisions			
Current liabilities	I	3,301.77	1,946.39
Provisions		369.27	635.66
		3,671.04	2,582.05
Net current assets		5,368.87	4,372.42
		13,909.80	10,032.40
Significant accounting policies and notes to accounts	O		

The schedules referred to above and the notes to accounts form an integral part of the balance sheet.

As per our report of even date

For and on behalf of the Board of Directors of
Suzlon Energy Limited

For SNK & Co. For S.R. BATLIBOI & Co.
Chartered Accountants Chartered Accountants

Tulsi R. Tanti
Chairman & Managing Director

per Jasmin B. Shah per Arvind Sethi
Partner Partner
Membership No. 46238 Membership No. 89802

Hemal A. Kanuga Girish R. Tanti
Company Secretary Director

Place: Mumbai
Date: June 27, 2009

Place: Mumbai
Date: June 27, 2009

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Place: Mumbai
Date: June 27, 2009

Suzlon Energy Limited
Profit & loss account for the year ended March 31, 2009

All amounts in rupees crore unless otherwise stated

Particulars	Schedule	April 1, 2008 to March 31, 2009	April, 1 2007 to March 31, 2008
INCOME			
Sales [see schedule O, Note 4]		7,235.58	6,926.01
Other income	J	177.14	125.61
		7,412.72	7,051.62
EXPENDITURE			
Cost of goods sold	K	4,543.85	4,226.99
Operating and other expenses	L	1,803.47	854.47
Employees' remuneration and benefits	M	199.07	139.34
Financial charges	N	433.97	139.61
Depreciation / amortisation	F	99.16	86.21
		7,079.52	5,446.62
PROFIT BEFORE TAX AND EXCEPTIONAL ITEMS		333.20	1,605.00
Less: Exceptional items [see schedule O, Note 3]		873.16	285.21
PROFIT / (LOSS) BEFORE TAX		(539.96)	1,319.79
Current tax		-	155.00
MAT credit entitlement		-	(89.00)
Earlier year - current tax		-	0.13
Deferred tax		(81.76)	(23.49)
Fringe benefit tax		11.07	11.44
NET PROFIT / (LOSS)		(469.27)	1,265.71
Balance brought forward		2,268.44	1,477.86
PROFIT AVAILABLE FOR APPROPRIATIONS		1,799.17	2,743.57
APPROPRIATIONS			
Proposed dividend on equity shares		-	149.69
Residual dividend of previous year		0.13	-
Tax on dividends [See schedule O, note 13(g)]		(1.05)	25.44
Transfer to general reserve		-	300.00
Surplus carried to balance sheet		1,800.09	2,268.44
Earnings / (loss) per share (in Rs.) [See Schedule O, Note 8]			
Basic [Nominal value of share Rs. 2/-]		(3.13)	8.70
Diluted [Nominal value of share Rs. 2/-]		(3.13)	8.47
Significant accounting policies and notes to accounts	O		

The schedules referred to above and the notes to accounts form an integral part of the profit and loss account.

As per our report of even date

For and on behalf of the Board of Directors of
Suzlon Energy Limited

For SNK & Co. For S.R. BATLIBOI & Co.
Chartered Accountants Chartered Accountants

Tulsi R. Tanti
Chairman & Managing Director

per Jasmin B. Shah per Arvind Sethi
Partner Partner
Membership No. 46238 Membership No. 89802

Hemal A. Kanuga Girish R. Tanti
Company Secretary Director

Place: Mumbai Place: Mumbai
Date: June 27, 2009 Date: June 27, 2009

Place: Mumbai
Date : June 27, 2009

Suzlon Energy Limited
Cash flow statement for the year ended March 31, 2009
All amounts in rupees crore unless otherwise stated

Particulars	Year Ended March 31,	
	2009	2008
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before tax and exceptional items	333.20	1,605.00
Adjustments for:		
Depreciation / amortisation	99.16	86.21
(Profit) / loss on assets sold / discarded, net	(0.16)	2.93
(Profit) / loss on sale of investments, net	(9.30)	-
Interest income	(122.43)	(96.89)
Interest expenses	380.12	125.35
Dividend income	(11.29)	(6.32)
Provision for diminution of investments	99.76	-
Premium on redemption of preference shares	(9.61)	-
Provision for operation, maintenance and warranty	143.05	52.91
Provision for performance guarantee	281.79	236.79
Provision for liquidated damages	155.65	4.94
Bad debts written off	2.07	7.39
(Reversal) / provision for doubtful debts and advances	7.72	11.80
Employee stock option scheme	4.97	4.53
Exchange Differences, net	0.63	(18.94)
Wealth-tax	0.04	0.04
Operating profit before working capital changes	1,355.37	2,015.74
Movements in working capital		
(Increase) / decrease in sundry debtors	(1,443.93)	(1,355.08)
(Increase) / decrease in inventories	99.60	(107.97)
(Increase) / decrease in loans and advances	(220.25)	(226.94)
(Increase) / decrease in margin money deposit	(45.18)	(3.57)
Increase / (decrease) in current liabilities and provisions	449.30	386.03
Cash (used in) / generated from operations	194.91	708.21
Direct taxes paid (net of refunds)	(64.41)	(161.38)
Net cash (used in) / generated from operating activities before exceptional items	130.50	546.83
Exceptional items paid	(521.67)	(65.46)
Net cash (used in) / generated from operating activities	(391.17)	481.37
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(288.67)	(255.25)
Proceeds from sale of fixed assets	1.40	0.44
Investments in subsidiaries	(2,678.71)	(4,114.22)
Sale / Redemption of Investments in subsidiaries	389.53	-
Inter-corporate deposits repaid / (granted)	(35.78)	443.34
Loans granted to subsidiaries	(2,373.27)	(1,746.31)
Repayments received from subsidiaries	1,273.83	1,632.82
Interest received	123.13	91.13
Dividend received	5.36	1.50
Net cash flow from investing activities	(3,583.18)	(3,946.55)
CASH FLOW FROM FINANCING ACTIVITIES		
Share application money received	95.00	(0.02)
Proceeds from issuance of share capital including premium, under stock option scheme	6.94	6.02
Capital including premium to qualified institutional buyers	-	2,182.70
Debenture, zero coupon convertible bond and share issue expenses	(5.05)	(49.19)
Proceeds from issuance of debentures	300.00	-
Proceeds from long term borrowings	590.00	-
Proceeds from issuance of zero coupon convertible bonds	-	2,009.90
Repayment of long term borrowings	(41.96)	(109.42)
Proceeds from short term borrowings, net	2,861.02	71.10
Interest paid	(365.89)	(125.23)
Dividend paid	(149.83)	-
Tax on dividend paid	(24.39)	-
Net cash flow from financing activities	3,265.84	3,985.86

Suzlon Energy Limited
Cash flow statement for the year ended March 31, 2009
All amounts in rupees crore unless otherwise stated

Particulars	Year Ended March 31,	
	2009	2008
Effect of Exchange Difference on Cash and Cash Equivalents	0.23	(0.15)
NET INCREASE IN CASH AND CASH EQUIVALENTS	(708.28)	520.53
Cash and cash equivalents at the beginning of the year	779.23	258.70
Cash and cash equivalents at the end of the year	70.95	779.23
	As at March 31,	
Components of cash and cash equivalents	2009	2008
Cash and cheques on hand	42.43	77.98
- in current account	-	-
- in Margin Accounts	27.26	124.46
- in Term Deposit Accounts	141.45	96.27
Less: Margin Money Deposit	-	575.26
With non-scheduled banks in current account	(141.45)	(96.27)
	1.26	1.53
	70.95	779.23

Notes

1 The figures in brackets represent outflows.

2 Previous periods' figures have been regrouped / reclassified, wherever necessary, to confirm to current year presentation.

As per our report of even date

For and on behalf of the Board of Directors of
Suzlon Energy Limited

For SNK & Co.
Chartered Accountants

For S.R. BATLIBOI & Co.
Chartered Accountants

Tulsi R. Tanti
Chairman & Managing Director

per Jasmin B. Shah
Partner
Membership No. 46238

per Arvind Sethi
Partner
Membership No. 89802

Hemal A. Kanuga
Company Secretary

Girish R. Tanti
Director

Place: Mumbai
Date: June 27, 2009

Place: Mumbai
Date: June 27, 2009

Place: Mumbai
Date: June 27, 2009

Suzlon Energy Limited
Schedules to the balance sheet as at March 31, 2009

All amounts in rupees crore unless otherwise stated

Particulars	As at March 31,	
	2009	2008
SCHEDULE-A : SHARE CAPITAL		
Authorised		
2,225,000,000 (2,225,000,000) equity shares of Rs 2/- each	445.00	445.00
Nil (1,500,000) preference shares of Rs 100/- each	-	-
	445.00	445.00
Issued and subscribed		
Equity		
1,498,295,400 (1,496,934,400) equity shares of Rs 2/- each fully paid-up	299.66	299.39
[Of the above equity shares, 1,259,276,500 (1,259,276,500) shares of Rs 2/- each were allotted as fully paid bonus shares by utilisation of Rs 174.04 crore (Rs 174.04 crore) from general reserve, Rs 1.03 crore (Rs 1.03 crore) from capital redemption reserve and Rs 76.80 crore (Rs 76.80 crore) from securities premium account]		
[Outstanding Employee stock Options exercisable into 571,000 (246,000) equity shares of Rs 2/- each		
	299.66	299.39
SCHEDULE-B : EMPLOYEE STOCK OPTIONS		
Employee stock options	10.01	17.83
Less: Deferred employee compensation outstanding	1.76	7.61
	8.25	10.22
SCHEDULE-C : RESERVES AND SURPLUS		
Capital redemption reserve	15.00	15.00
Securities premium account		
As per last balance sheet	3,456.62	1,322.69
Add : Additions during the year	13.61	2,183.12
	3,470.23	3,505.81
Less : Expenses on issue of equity shares to qualified institutional buyers	-	26.27
Expenses on issue of debentures [See schedule O, Note 13(e)]	5.06	-
Expenses on issue of zero coupon convertible bonds	-	22.92
	3,465.17	3,456.62
General reserve		
As per last balance sheet	897.99	598.27
Add : Transferred from profit and loss account	-	300.00
	897.99	898.27
Less: Adjustment for employee benefits provision	-	0.28
Less: Adjustment for Foreign Currency Monetary Item Translation Difference Account [See schedule O, Note 2(c)]	0.84	-
	897.15	897.99
Profit and loss account	1,800.09	2,268.44
	6,177.41	6,638.05

Suzlon Energy Limited
Schedules to the balance sheet as at March 31, 2009

All amounts in rupees crore unless otherwise stated

Particulars	As at March 31,	
	2009	2008
SCHEDULE - D : SECURED LOANS		
12.5% secured redeemable non-convertible debentures [See Schedule O, Note 13(e)]	300.00	-
Term loans		
From banks (Various loans secured by way of first charge on certain immovable or movable fixed assets, second charge on current assets, first mortgage and charge on fixed assets of subsidiary and pledge of shares of a subsidiary)	565.10	7.00
From other than banks (Secured by a first charge on certain immovable and movable fixed assets, and second charge on current assets and movable fixed assets)	14.84	15.06
	579.94	22.06
Working capital facilities from banks and financial institutions		
Rupee loans	2,055.67	98.35
Foreign currency loans (Working capital facilities are secured by hypothecation of current assets of the Company, first and second charge on certain immovable fixed assets)	1,070.62	551.85
	3,126.29	650.20
	4,006.23	672.26
SCHEDULE- E : UNSECURED LOANS		
Long-term		
Zero coupon convertible bonds [See Schedule O, Note 9]	2,535.50	2,005.50
From other than banks [Due within one year Rs 4.62 crore (Rs 5.64 crore)]	6.93	11.12
	2,542.43	2,016.62
Short-term		
From banks	724.57	395.86
From other than banks	56.25	-
	780.82	395.86
	3,323.25	2,412.48

Suzlon Energy Limited

Schedules to the balance sheet as at March 31, 2009

SCHEDULE - F : FIXED ASSETS (INCLUDING INTANGIBLE ASSETS)

All amounts in rupees crore unless otherwise stated

ASSETS	Gross block				Depreciation / amortisation				Net block	
	As at April 1, 2008	Additions	Deductions / adjustments	As at March 31, 2009	As at April 1, 2008	Additions	Deductions / adjustments	As at March 31, 2009	As at March 31, 2009	As at March 31, 2008
Freehold land	99.58	0.19	-	99.77	-	-	-	-	99.77	99.58
Leasehold land	0.96	-	-	0.96	0.09	0.01	-	0.10	0.86	0.87
Buildings	213.33	26.57	1.15	238.75	46.77	16.34	0.34	62.77	175.98	166.56
Plant and machinery	299.32	53.95	3.49	349.78	133.16	47.44	2.44	178.16	171.62	166.16
Wind research & measuring equipments	19.87	0.17	-	20.04	14.05	2.94	-	16.99	3.05	5.82
Computers and office equipments	55.15	17.78	0.40	72.53	25.44	11.13	0.36	36.21	36.32	29.71
Furniture & fixtures	23.09	1.52	-	24.61	10.42	2.37	-	12.79	11.82	12.67
Vehicles	7.84	0.15	0.96	7.03	4.33	0.95	0.81	4.47	2.56	3.51
Intangible assets										
Designs and drawings	45.59	41.02	-	86.61	25.04	17.02	-	42.06	44.55	20.55
SAP software	14.47	1.28	-	15.75	7.68	3.10	-	10.78	4.97	6.79
TOTAL	779.20	142.63	6.00	915.83	266.98	101.30	3.95	364.33	551.50	512.22
Capital work-in-progress									286.97	134.64
TOTAL	779.20	142.63	6.00	915.83	266.98	101.30	3.95	364.33	838.47	646.86
Previous year	567.04	217.76	5.60	779.20	178.57	90.65	2.24	266.98	512.22	

- Notes:**
1. Depreciation charge for the current year amounting to Rs 101.30 crore (Rs 90.65 crore), is including Rs 2.14 crore (Rs 4.44 crore) which has been capitalized as part of self manufactured assets. The depreciation charged in the profit and loss account amounting to Rs 99.16 crore (Rs 86.21 crore) is net of the amount capitalised.
 2. Capital work in progress includes advances for capital goods Rs 4.50 crore (Rs 7.15 crore).

Suzlon Energy Limited
Schedules to the balance sheet as at March 31, 2009

All amounts in rupees crore unless otherwise stated

Particulars	As at March 31,	
	2009	2008
SCHEDULE-G : INVESTMENTS		
LONG-TERM INVESTMENTS (At cost, fully paid)		
OTHER THAN TRADE - UNQUOTED		
(i) Government and other securities		
Security deposited with government authorities	0.01	0.01
	0.01	0.01
(ii) Other investments		
(a) Subsidiaries		
Domestic		
40,000,000 (40,000,000) equity Shares of Rs 10 each of Suzlon Towers and Structures Limited	77.80	77.80
23,000,000 (23,000,000) equity Shares of Rs 10 each of Suzlon Infrastructure Services Limited	118.26	118.26
14,524,600 (14,524,600) equity Shares of Rs 10 each of Suzlon Structures Limited [Formerly Suzlon Structures Private Limited]	17.80	17.80
26,226,800 (26,226,800) equity shares of Rs 10 each of Suzlon Generators Limited [Formerly Suzlon Generators Private Limited]	26.23	26.23
900,000 (900,000) 10% cumulative redeemable preference shares of Rs 100 each of Suzlon Infrastructure Services Limited	9.00	9.00
750,000 (750,000) 8% cumulative redeemable preference shares of Rs 100 each of Suzlon Structures Limited [Formerly Suzlon Structures Private Limited]	7.50	7.50
200,000,000 (70,000,000) equity shares of Rs 10 each of SE Forge Limited	200.00	70.00
500,000 (500,000) 13% cumulative redeemable preference shares of Rs 100 each of Suzlon Towers and Structures Limited	5.01	5.01
2,000,000 (2,000,000) equity shares of Rs 10 each of Suzlon Gujarat Windpark Limited	2.00	2.00
3,010,000 (3,010,000) equity shares of Rs 10 each of Suzlon Power Infrastructure Limited [Formerly Suzlon Power Infrastructure Private Limited]	3.01	3.01
10,000,000 (10,000,000) equity shares of Rs 10 each in SE Electricals Limited [Formerly Suzlon Electricals International Limited]	10.00	10.00
10,000,000 (10,000,000) equity shares of 10 each of Suzlon Wind International Limited	10.00	10.00
15,000,000 (10,400,000) equity shares of 10 each of SE Composites Limited	15.00	10.40
1,500,000 (1,500,000) equity shares of Rs 10 each of Suzlon Engitech Limited [Formerly Suzlon Engitech Private Limited]	1.50	1.50
5,000,000 (5,000,000) 1% cumulative redeemable preference shares of Rs 100 each of Suzlon Infrastructure Services Limited	50.00	50.00
10,826,550 (4,000,000) 9% cumulative redeemable preference shares of Rs 100 each of Suzlon Wind International Limited	108.27	40.00
6,810,000 (1,000,000) 9% cumulative redeemable preference shares of Rs 100 each of SE Electricals Limited [Formerly Suzlon Electricals International Limited]	68.10	10.00
10,310,000 (Nil) 9% cumulative redeemable preference shares of Rs 100 each of SE Composites Limited	103.10	-
Nil (16,000,000) 1% cumulative redeemable preference shares of Rs 100 each of SE Forge Limited [11,500,000 shares subscribed and redeemed during the year]	-	160.00
6,000,000 (Nil) 7% optional convertible redeemable cumulative preference shares of Rs 100 each of Suzlon Infrastructure Services Limited	60.00	-
Total - domestic subsidiaries	892.58	628.51

Suzlon Energy Limited
Schedules to the balance sheet as at March 31, 2009

All amounts in rupees crore unless otherwise stated

Particulars	As at March 31,	
	2009	2008
Overseas		
244,000 (244,000) equity shares of 10 Euro each fully paid up of AE Rotor Holding B.V., The Netherlands	13.15	13.15
1,422,137 (1,422,137) equity shares of 100 DKK each fully paid up of Suzlon Energy A/S, Denmark (DKK 36,400,350 (DKK 36,400,350) invested as additional paid in capital)	133.06	133.06
1,000 (1,000) equity shares of 1 USD each fully paid up of Suzlon Rotor Corporation, USA (USD 27,999,000 (USD 27,999,000) invested as additional paid in capital)	116.47	116.47
Suzlon Energy (Tianjin) Limited, China	233.30	233.30
Nil (1) equity share of 25,000 Euro each fully paid up of Suzlon Windpark Management GmbH, Germany (Euro Nil (Euro 5000) paid as capital reserve)	-	0.16
35,999,806,180 (2,704,100,083) equity shares of 10 MUR each of Suzlon Energy Limited, Mauritius	5,837.53	3,704.42
Nil (2) equity shares of 12,500 Euro each fully paid up of Suzlon Energy GmbH, Germany [Euro Nil (Euro 151,109,000) paid as capital reserve] [Euro 800,000 paid as capital reserve and sold during the year]	-	90.40
Suzlon Wind Energy Equipment Trading (Shanghai) Co. Limited, China	1.46	-
Total - overseas subsidiaries	6,334.97	4,290.96
Less: Provision for diminution in value of long term investments [See Schedule O, Note 13(d)]	99.76	-
Total - overseas subsidiaries (net)	6,235.21	4,290.96
	7,127.79	4,919.47
(b) Other than subsidiaries		
2,550 (2,550) equity shares of Rs 10 each of Saraswat Co-operative Bank Limited*	0.00	0.00
30 (30) equity shares of Rs 10 of Godrej Millenium Condominium *	0.00	0.00
	0.00	0.00
Total-Investments (unquoted)	7,127.80	4,919.48
Aggregate book value of unquoted investments *amount below Rs 0.01 crore	7,127.80	4,919.48

Suzlon Energy Limited
Schedules to the balance sheet as at March 31, 2009

All amounts in rupees crore unless otherwise stated

Particulars	As at March 31,	
	2009	2008
SCHEDULE-H : CURRENT ASSETS, LOANS AND ADVANCES		
Current assets		
Inventories		
Raw materials (including goods-in-transit Rs 153.20 crore (Rs 232.09 crore))	871.05	1,030.40
Semi finished goods, work-in-progress and contracts in progress	459.14	404.99
Land and land lease rights	21.88	7.66
Stores and spares	31.55	40.18
	1,383.62	1,483.23
Sundry debtors (Unsecured)		
Outstanding for a period exceeding six months considered good	1,881.25	594.74
considered doubtful	21.80	18.49
	1,903.05	613.23
Others, considered good	2,863.89	2,711.85
	4,766.94	3,325.08
Less: Provision for doubtful debts	21.80	18.49
	4,745.14	3,306.59
Cash and bank balances		
Cash on hand	0.25	0.41
Cheques on hand	42.18	77.57
Balances with scheduled banks		
in current accounts	27.26	124.46
in Margin Accounts	141.45	96.27
in Term Deposit Accounts	-	575.26
	168.71	795.99
Balances with non scheduled banks in current accounts		
Bank of China RMB account - Beijing (Maximum balance during the year Rs 0.49 crore (Rs 1.78 crore))	0.49	0.02
Bank of China USD account - Beijing (Maximum balance during the year Rs 0.61 crore (Rs 2.48 crore))	0.12	0.05
Bank of China RMB account - Shanghai (Maximum balance during the year Rs 0.43 crore (Rs 1.79 crore))	0.11	0.11
Bank of China USD account - Shanghai (Maximum balance during the year Rs 1.44 crore (Rs 4.31 crore))	0.02	1.34
Millenium Bank - Portugal (Maximum balance during the year Rs 31.60 crore (Rs 22.77 crore))	0.52	0.01
	212.40	875.50
Loans and advances (Unsecured and considered good, except otherwise stated)		
Loans to subsidiaries		
in indian rupees	788.74	205.10
in foreign currency	867.05	351.25
	1,655.79	556.35
Deposits		
with customers as security deposit	19.55	30.83
with others	77.36	27.78
	96.91	58.61
Advance against taxes	75.57	22.26
[Net of provision for income tax and fringe benefit tax Rs 311.42 crore (Rs 300.35 crore)]		
MAT credit entitlement	139.00	139.00
Inter corporate deposits	36.25	0.47
Advances recoverable in cash or in kind or for value to be received		
Considered good	695.23	512.46
Considered doubtful	6.56	2.63
	701.79	515.09
Less: Provision for doubtful loans and advances	6.56	2.63
	695.23	512.46
	2,698.75	1,289.15
	9,039.91	6,954.47

Suzlon Energy Limited
Schedules to the balance sheet as at March 31, 2009

All amounts in rupees crore unless otherwise stated

Particulars	As at March 31,	
	2009	2008
SCHEDULE-I : CURRENT LIABILITIES AND PROVISIONS		
Current liabilities		
Sundry creditors		
Others [See schedule O, Note 13(h)]	1,234.37	1,082.43
Micro, small & medium enterprises [See schedule O, Note 17(j)]	34.10	21.78
Subsidiaries	1,781.65	380.22
Unclaimed Dividend	0.06	0.06
Other current liabilities	220.81	312.27
Interest accrued but not due	15.61	1.37
Advances from customers	15.17	148.26
	3,301.77	1,946.39
Provisions		
Wealth tax	0.04	0.04
Gratuity, superannuation and leave encashment	21.85	8.92
Performance guarantee, operation, maintenance and warranty, liquidated damages	347.38	451.57
Dividend	-	149.69
Tax on dividend	-	25.44
	369.27	635.66
	3,671.04	2,582.05

Suzlon Energy Limited
Schedules to the profit and loss account for the year ended March 31, 2009

All amounts in rupees crore unless otherwise stated

Particulars	April 1, 2008 to March 31, 2009	April 1, 2007 to March 31, 2008
SCHEDULE-J : OTHER INCOME		
Interest income		
From banks [TDS Rs 5.14 crore (Rs 3.78 crore)]	19.32	23.38
From others [TDS Rs 3.83 crore (Rs 16.76 crore)]	103.11	73.51
Dividend income (non-trade)		
From investment in subsidiary companies	11.29	6.32
From other investments *	0.00	0.00
Royalty income	16.36	16.23
Profit on sale of investments	9.30	-
Premium on redemption of preference shares of subsidiary	9.61	-
Miscellaneous income	8.15	6.17
* Amount below Rs 0.01 crore		
	177.14	125.61
SCHEDULE-K : COST OF GOODS SOLD		
Consumption of raw materials		
Opening stock	1,030.40	1,116.74
Add : Purchases	4,416.70	4,218.37
	5,447.10	5,335.11
Less : Closing stock	871.05	1,030.40
	(A) 4,576.05	4,304.71
Trading purchases	(B) 36.17	76.42
(Increase) / decrease in stocks		
Opening balance :		
Semi finished goods and work-in-progress	404.99	242.13
Land and land lease rights	7.66	16.38
	(C) 412.65	258.51
Closing balance :		
Semi finished goods and work-in-progress	459.14	404.99
Land and land lease rights	21.88	7.66
	(D) 481.02	412.65
(Increase) / decrease in stock	(E) = (C) - (D) (68.37)	(154.14)
	(A) + (B) + (E) 4,543.85	4,226.99

Suzlon Energy Limited
Schedules to the profit and loss account for the year ended March 31, 2009

All amounts in rupees crore unless otherwise stated

Particulars	April 1, 2008 to March 31, 2009	April 1, 2007 to March 31, 2008
SCHEDULE-L : OPERATING AND OTHER EXPENSES		
Stores and spares consumed	38.84	47.97
Power and fuel	4.46	4.48
Factory expenses	24.84	17.28
Repairs and maintenance:		
Plant and machinery	1.01	0.97
Building	2.33	1.95
Others	7.92	7.61
Operation and maintenance charges	113.26	20.15
Design change and technological upgradation charges	100.46	54.10
Operating lease charges	2.38	2.53
Rent	24.81	20.49
Rates and taxes	7.25	3.98
Provision for operation, maintenance and warranty	143.05	52.91
Provision for performance guarantee	281.79	157.35
Provision for liquidated damages	155.65	4.94
Quality assurance expenses	28.03	12.82
R & D, certification and product development	9.05	7.16
Insurance	5.89	5.36
Advertisement and sales promotion	23.27	40.12
Infrastructure development expenses	47.22	2.20
Freight outward and packing expenses	432.31	294.93
Sales commission	3.42	4.63
Travelling, conveyance and vehicle expenses	38.10	34.49
Communication expenses	11.56	7.43
Auditors' remuneration and expenses [See schedule O, Note 16(a)]	3.52	2.60
Consultancy charges	63.54	21.92
Charity and donations	14.99	6.55
Other selling and administrative expenses	47.94	39.79
Exchange differences, net	57.19	(44.36)
Bad debts written off	2.07	7.39
Provision for doubtful debts and advances	7.72	11.80
Provision for diminution of investments [See Schedule O, Note 12(d)]	99.76	
(Profit) / loss on assets sold / discarded	(0.16)	2.93
	1,803.47	854.47
SCHEDULE-M : EMPLOYEES' REMUNERATION AND BENEFITS		
Salaries, wages, allowances and bonus	181.78	124.29
Contribution to provident and other funds	11.03	7.53
Staff welfare expenses	6.26	7.52
	199.07	139.34
SCHEDULE-N : FINANCIAL CHARGES		
Interest		
Fixed loans	3.27	3.21
Debentures	9.76	-
Others	367.09	122.13
Bank charges	53.85	14.27
	433.97	139.61

SCHEDULE O: SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS

(All amounts in rupees crore unless otherwise stated)

Nature of operations

Suzlon Energy Limited ('SEL' or 'Suzlon' or 'the Company') is engaged in the manufacture of wind turbine generators ('WTGs') of various capacities and its components. It has manufacturing plants at Daman, Pondichery, Bhuj, Chhadwel (Dhule) and Vadodara.

1. Significant accounting policies

a) Basis of accounting

The financial statements are prepared under the historical cost convention, on accrual basis of accounting to comply in all material respects, with the mandatory accounting standards as notified by the Companies (Accounting Standards) Rules, 2006 as amended ('the Rules') and the relevant provisions of the Companies Act, 1956 ('the Act'). The accounting policies have been consistently applied by the Company; and the accounting policies not referred to otherwise, are in conformity with Indian Generally Accepted Accounting Principles ('Indian GAAP').

b) Use of estimates

The preparation of financial statements in conformity with the Indian GAAP requires management to make estimates and assumptions that may affect the reported amounts of assets and liabilities and disclosures relating to contingent liabilities as at the date of the financial statements and the reported amounts of incomes and expenses during the reporting period. Although these estimates are based upon management's best knowledge of current events and actions, actual results could differ from these estimates.

c) Revenue recognition

Revenue comprises sale of WTGs and wind power systems; interest; dividend and royalty. Revenue is recognised to the extent it is probable that the economic benefits will flow to the Company and that the revenue can be reliably measured. Revenue is disclosed, net of discounts, excise duty, sales tax, service tax, VAT or other taxes, as applicable.

Sales

Sale of individual WTGs and wind power systems (supply-only projects) are recognised in the profit and loss account provided that the significant risks and rewards in respect of ownership of goods has been transferred to the buyer as per the terms of the respective sales order, and provided that the income can be measured reliably and is expected to be received.

Fixed price contracts to deliver wind power systems (turnkey and supply-and-installation projects) are recognised in revenue based on the stage of completion of the individual contract using the percentage of completion method, provided the order outcome as well as expected total costs can be reliably estimated. Where the profit from a contract cannot be estimated reliably, revenue is only recognised equalling the expenses incurred to the extent that it is probable that the expenses will be recovered.

Contracts in progress, if any are measured at the selling price of the work performed based on the stage of completion less interim billing and expected losses. The stage of completion is measured by the proportion that the contract expenses incurred to date bear to the estimated total contract expenses. The value of self-constructed components is recognised in 'Contracts in progress' when all major components within the scope of the Company's supply have been dispatched from the factory to the site. Where it is probable that total contract expenses will exceed total revenues from a contract, the expected loss is recognised immediately as an expense in the profit and loss account.

Where the selling price of a contract cannot be estimated reliably, the selling price is measured only on the expenses incurred to the extent that it is probable that these expenses will be recovered. Prepayments from customers are recognised as liabilities. A contract in progress for which the selling price of the work performed exceeds interim billings and expected losses is recognised as an asset. Contracts in progress for which interim billings and expected losses exceed the selling price is recognised as a liability. Expenses relating to sales work and the winning of contracts are recognised in the profit and loss account as incurred.

Interest income

Interest income is recognised on a time proportion basis taking into account the amount outstanding and the rate applicable. In case of interest charged to customers, interest is accounted for on availability of documentary evidence that the customer has accepted the liability.

Dividend income

Dividend income from investments is recognised when the right to receive payment is established. Dividend from subsidiary companies declared after the year end till the adoption of accounts by Board of Directors, is accounted during the year as required by Schedule VI to the Act.

Royalty income

Royalty income is recognised on accrual basis in accordance with the terms of the relevant agreements.

d) Fixed assets and intangible assets

Fixed assets are stated at cost, less accumulated depreciation and impairment losses, if any. Cost includes all expenditure necessary to bring the asset to its working condition for its intended use. Own manufactured assets are capitalised inclusive of all direct costs and attributable overheads. Capital work-in-progress comprises of advances paid to acquire fixed assets and the cost of fixed assets that are not yet ready for their intended use as at the balance sheet date. In the case of new undertaking, preoperative expenses are capitalised upon the commencement of commercial production. Assets held for disposal are stated at the lower of net book value and the estimated net realisable value.

Intangible assets are recorded at the consideration paid for their acquisition. Cost of an internally generated asset comprises all expenditure that can be directly attributed, or allocated on a reasonable and consistent basis, to create, produce and make the asset ready for its intended use.

The carrying amounts of the assets belonging to each cash generating unit ('CGU') are reviewed at each balance sheet date to assess whether they are recorded in excess of their recoverable amounts and where carrying amounts exceed the recoverable amount of the asset's CGU, assets are written down to their recoverable amount. Recoverable amount is the greater of the asset's net selling price and value in use. The impairment loss recognised in prior accounting periods is reversed if there has been a change in estimates of recoverable amount.

e) Depreciation and amortisation

Depreciation is provided on the written down value method (WDV) unless otherwise stated, pro-rata to the period of use of assets and is based on management's estimate of useful lives of the fixed assets or intangible assets or at rates specified in schedule XIV to the Act, whichever is higher:

Depreciation

Type of asset	Rate
Office building	5%
Factory building	10%
Moulds	13.91% or useful life based on usage
Plant and machinery	
Single Shift	13.91%
Double Shift	20.87%
Triple Shift	27.82%
Patterns	30% or useful life based on usage
Plugs for moulds	50% or useful life based on usage
Wind research and measuring Equipment	50%
Computers	40%
Office equipment	13.91%
Furniture and fixtures	18.10%
Motor car and others	25.89%
Trailers	30%

Amortisation

Type of asset	Basis
Leasehold land	Period of lease
Design and drawings	Straight line basis over a period of five years
SAP Software	Straight line basis over a period of five years

f) Inventories

Inventories of raw materials including stores, spares, and consumables; packing materials; work-in-progress; contracts in progress; semi-finished goods and finished goods are valued at the lower of cost and estimated net realisable value. Cost is determined on weighted average basis.

The cost of work-in-progress, semi-finished goods and finished goods includes the cost of material, labour and manufacturing overheads.

Stock of land and land lease rights is valued at lower of cost and estimated net realisable value. Cost is determined on weighted average basis. Net realisable value is determined by management using technical estimates.

g) Investments

Investments that are readily realisable and intended to be held for not more than a year are classified as current investments. All other investments are classified as long term investments.

Long-term investments are carried at cost. However, provision is made to recognise a decline, other than temporary, in the value of long-term investments.

Current investments are carried at lower of cost and fair value, determined on an individual basis.

h) Foreign currency transactions

Transactions in foreign currencies are recorded at the average exchange rate prevailing in the period during which the transactions occur.

Outstanding balances of, foreign currency monetary items are reported using the period end rates. Pursuant to the notification of the Companies (Accounting Standards) Amendment Rules 2009 issued by Ministry of Corporate Affairs on March 31, 2009 amending Accounting Standard - 11 (AS - 11) 'The Effects of Changes in Foreign Exchange Rates (revised 2003), exchange differences relating to long term monetary items are dealt with in the following manner:

- a) Exchange differences relating to long term monetary items, arising during the year, in so far as they relate to the acquisition of a depreciable capital asset are added to / deducted from the cost of the asset and depreciated over the balance life of the asset.
- b) In other cases, such differences are accumulated in the "Foreign Currency Monetary Translation Difference Account" and amortised to the profit and loss account over the balance life of the long term monetary item but not beyond March 31, 2011.

All other exchange differences are recognised as income or expense in the profit and loss account.

Non-monetary items carried in terms of historical cost denominated in a foreign currency are reported using the exchange rate at the date of the transaction; and non-monetary items which are carried at fair value or other similar valuation denominated in a foreign currency are reported using the exchange rate that existed, when the values were determined.

Exchange differences arising as a result of the above are recognised as income or expense in the profit and loss account.

Foreign currency transactions entered into by branches, which are integral foreign operations are accounted in the same manner as foreign currency transactions described above. Branch monetary assets and liabilities are restated at the year end rates.

Derivatives

In case of forward contracts, the difference between the forward rate and the exchange rate, being the premium or discount, at the inception of a forward exchange contract is recognised as income/expense over the life of the contract. Exchange differences on such contracts are recognised in the profit and loss account in the reporting period in which the rates change. Any profit or loss arising on cancellation or renewal of forward exchange contract is recognised as income or as expense for the period.

As per the Institute of Chartered Accountants of India ('ICAI') announcement, accounting for derivative contracts, other than those covered under AS - 11, are marked to market on a portfolio basis and the net loss after considering the offsetting effect on the underlying hedge items is charged to the profit and loss account. Net gains on marked to market basis are not recognised.

i) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets are capitalised as part of the cost of such assets. A qualifying asset is one that necessarily takes substantial period of time to get ready for intended use. All other borrowing costs are charged to profit and loss account.

j) Retirement and other employee benefits

Defined contributions to provident fund and employee state insurance are charged to the profit and loss account of the year when the contributions to the respective funds are due. There are no other obligations other than the contribution payable to the respective statutory authorities.

Defined contributions to superannuation fund are charged to the profit and loss account on accrual basis.

Retirement benefits in the form of gratuity are considered as defined benefit obligations, and are provided for on the basis of an actuarial valuation, using projected unit credit method, as at each balance sheet date.

Short-term compensated absences are provided based on estimates. Long term compensated absences are provided for on the basis of an actuarial valuation, using projected unit credit method, as at each balance sheet date.

Actuarial gains/losses are taken to profit and loss account and are not deferred.

k) Provisions, contingent liabilities and contingent assets

A provision is recognised when the Company has a present obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to their present value and are determined based on best estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current best estimates.

Contingent liabilities are disclosed by way of notes to accounts.

Contingent assets are not recognised or disclosed.

l) Taxes on Income

Tax expense for a year comprises of current tax, deferred tax and fringe benefit tax.

Current tax and fringe benefit tax are measured at the amount expected to be paid to the tax authorities, after taking into consideration, the applicable deductions and exemptions admissible under the provisions of the Income Tax Act, 1961.

Deferred tax reflects the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing difference of earlier years. Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date. Deferred tax assets are recognised only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. If there is unabsorbed depreciation or carry forward of losses under tax laws, deferred tax assets are recognised only to the extent that there is virtual certainty supported by convincing evidence that sufficient future taxable income will be available against which such deferred tax assets can be realised.

Deferred tax resulting from timing differences which originate during the tax holiday period but are expected to reverse after such tax holiday period is recognised in the year in which the timing differences originate using the tax rates and laws enacted or substantively enacted at the balance sheet date.

At each balance sheet date, the company reassesses unrecognised deferred tax assets. It recognises unrealised deferred tax assets to the extent it has become reasonably certain or virtually certain, as the case may be, that sufficient taxable income will be available against which the deferred tax can be realised.

Minimum alternative tax (MAT) credit is recognised as an asset only when and to the extent there is convincing evidence that the Company will pay income tax higher than that computed under MAT, during the period that MAT is permitted to be set off under the Income Tax Act, 1961 (specified period). In the year, in which the MAT credit becomes eligible to be recognised as an asset in accordance with the recommendations contained in the guidance note issued by the Institute of Chartered Accountants of India (ICAI), the said asset is created by way of a credit to the profit and loss account and shown as MAT credit entitlement. The Company reviews the same at each balance sheet date and writes down the carrying amount of MAT credit entitlement to the extent there is no longer convincing evidence to the effect that the Company will pay income tax higher than MAT during the specified period.

m) Operating leases

Assets acquired on lease where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating lease. Lease rentals are charged off to the profit and loss account as incurred.

n) Earnings/(loss) per share

Basic earnings/(loss) per share are calculated by dividing the net profit / (loss) for the period attributable to equity shareholders (after deducting preference dividends and attributable taxes) by the weighted average number of equity shares outstanding during the period. The weighted average number of equity shares outstanding during the period are adjusted for any bonus shares issued during the year and also after the balance sheet date but before the date the financial statements are approved by the board of directors.

For the purpose of calculating diluted earnings/(loss) per share, the net profit / (loss) for the period attributable to equity shareholders and the weighted average number of shares outstanding during the period are adjusted for the effects of all dilutive potential equity shares.

The number of equity shares and potentially dilutive equity shares are adjusted for bonus shares as appropriate. The dilutive potential equity shares are adjusted for the proceeds receivable, had the shares been issued at fair value. Dilutive potential equity shares are deemed converted as of the beginning of the period, unless issued at a later date.

o) Employee stock options

Stock options granted to employees under the employees' stock option scheme are accounted as per the intrinsic value method permitted by the SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 and the 'Guidance Note on Share Based Payments' issued by the ICAI. Accordingly, the excess of market price of the shares as on the date of grant of options over the exercise price is recognised as deferred employee compensation and is charged to profit and loss account on straight-line basis over the vesting period.

The number of options expected to vest is based on the best available estimate and are revised, if necessary, if subsequent information indicates that the number of stock options expected to vest differs from previous estimates.

p) Cash and Cash Equivalents

Cash and cash equivalents in the cash flow statement comprise cash at bank and in hand and short-term investments with an original maturity of three months or less.

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2. Change in accounting policy

In line with notification of the Companies (Accounting Standards) Amendment Rules 2009 issued by Ministry of Corporate Affairs on March 31, 2009 amending Accounting Standard - 11 (AS - 11) 'The Effects of Changes in Foreign Exchange Rates (revised 2003), the Company has chosen to exercise the option under para 46 inserted in the standard by the notification. Accordingly, exchange differences on all long term monetary items, with retrospective effect from April 01, 2007, are:

- (a) To the extent such items are used for the acquisition of a depreciable capital asset are added to / deducted from the cost of the asset and depreciated over the balance life of the asset. As a result of which an amount of Rs 2.43 crore [net of depreciation of Rs 0.12 crore and tax of Rs. Nil] have been added to fixed assets, being the exchange difference on long term monetary items related to the acquisition of a depreciable capital asset.
- (b) In other cases accumulated in the "Foreign Currency Monetary Translation Difference Account" and amortised to the profit and loss account over the balance life of the long term monetary item but not beyond March 31, 2011.
- (c) As a result of point (a) and (b) above, Rs 0.84 crore [net of tax Rs. Nil] was charged to general reserve which was recognised in the profit and loss account till the previous financial year ended March 31, 2008.
- (d) Rs 132.02 crore amortisation cost charged to the profit and loss account during the year.
- (e) Rs. 399.26 crore accumulated in the "Foreign Currency Monetary Translation Difference Account", being the amount remaining to be amortised as at March 31, 2009.

As a result of the above change in the accounting policy, the net loss before tax for the year is lower by Rs 402.52 crore.

3. Exceptional items

The details of exceptional items aggregating to Rs 873.16 crore (Rs 285.21 crore) are as below:

- a) Foreign exchange losses of Rs 131.35 crore (foreign exchange gain of Rs 4.40 crore) arising due to restatement of zero coupon convertible bonds of USD 500 million at year end exchange rates.
- b) Provision for blade retrofit/replacement cost aggregating Rs 221.59 crore (Rs 121.71 crore) and consequential generation/availability costs of Rs 189.51 crore (Rs 20.37 crore).
- c) Cost of site restoration aggregating Rs Nil (Rs 65.46 crore) and cost of consequential generation losses aggregating Rs Nil (Rs 59.07 crore) relating to disruption of operation of WTG's in Dhule and Sangli by local residents.
- d) Mark-to-market losses of Rs 330.71 crore (Rs 23.00 crore) in respect of foreign exchange forward / option contracts, taken for hedging purposes.

Exceptional items for the prior year comparatives include amounts in respect of items which have been classified as exceptional in current year.

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4. Sales

Particulars	April 1, 2008 to March 31, 2009	April 1, 2007 to March 31, 2008
Sale of wind turbines	7,009.92	6,726.85
Excisable sales	20.50	20.68
Less: Excise duty	2.53	2.89
Net excisable sales	17.97	17.79
Operation and maintenance	2.37	1.76
Others	205.32	179.61
Total	7,235.58	6,926.01
Sale of wind turbines are specified as follows:		
Revenue using percentage of completion method (See Schedule O, Note 5)	382.37	448.10
Revenue using dispatch method	6,627.55	6,278.75
Total	7,009.92	6,726.85

5. Disclosures pursuant to Accounting Standard-7 (AS-7) 'Construction Contracts'

Particulars	April 1, 2008 to March 31, 2009	April 1, 2007 to March 31, 2008
Contract revenue recognised during the period	382.37	448.10
Aggregate amount of contract cost incurred and recognised profits (less recognised losses) for all contracts in progress up to the reporting date	125.35	373.92
Amount of customer advances outstanding for contracts in progress up to the reporting date	-	-
Retention amount due from customers for contract in progress up to the reporting date	71.73	-
Due from customers	-	-
Due to customers	-	-

6. Provisions

In pursuance of Accounting Standard-29 (AS-29) 'Provisions, contingent liabilities and contingent assets', the provisions required have been incorporated in the books of account in the following manner:-

Particulars	Performance guarantee	Operation, maintenance and warranty	Provision for liquidated damages
Opening balance	310.29 (182.03)	122.25 (178.37)	19.03 (25.93)
Additions	471.30* (236.79)	143.05 (52.91)	155.65 (23.69)
Utilisation	620.70 (108.53)	106.32 (109.03)	147.17 (11.84)
Reversal	- (-)	- (-)	- (18.75)
Closing balance	160.89 (310.29)	158.98 (122.25)	27.51 (19.03)

* includes Rs 189.51 crore (Rs 79.44 crore) classified as exceptional item.

The provision for performance guarantee (PG) represents the expected outflow of resources against claims for performance shortfall expected in future over the life of the guarantee assured. The period of performance guarantee varies for each customer according to the terms of contract. The key assumptions in arriving at the performance guarantee provisions are wind velocity, plant load factor, grid availability, load shedding, historical data, wind variation factor etc.

The provision for operation, maintenance and warranty (O&M) represents the expected liability on account of field failure of parts of WTG and expected expenditure of servicing the WTGs over the period of free operation, maintenance and warranty, which varies according to the terms of each sales order.

Provision for liquidated damages (LD) represents the expected claims which the Company may need to pay for non fulfilment of certain commitments as per the terms of the sales order. These are determined on a case to case basis considering the dynamics of each sales order and the factors relevant to that sale.

7. Accumulated deferred tax asset/(liability), net

Particulars	As at March 31, 2008	During the year 2008- 09	As at March 31, 2009
a. Deferred tax assets:			
Provision for PG, LD, O&M	86.29	(20.63)	65.66
Provision for doubtful debts	5.03	1.48	6.51
Provision for bonus	1.08	(1.08)	-
Unabsorbed losses and depreciation	-	97.79	97.79
Share issue expenses	1.52	(0.45)	1.07
Depreciation on fixed assets	-	4.37	4.37
(A)	93.92	81.48	175.40
b. Deferred tax liabilities:			
Depreciation on fixed assets	0.28	(0.28)	-
(B)	0.28	(0.28)	-
Total deferred tax assets (A) - (B)	93.64	81.76	175.40

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8. Earnings/(loss) per share ('EPS')

All amounts in Rs crore except per share data

Particulars		As at March 31,	
		2009	2008
Basic			
Net Profit/(loss) after tax	A	(469.27)	1,265.71
Weighted average number of equity shares	B	1,497,932,537	1,455,672,492
Basic EPS (Rs) of face value of Rs 2 each	A/B	(3.13)	8.70
Diluted			
Weighted average number of equity shares	B	1,497,932,537	1,455,672,492
Add: Equity shares for no consideration arising on grant of share options	C	28,507	1,609,325
Add: Potential weighted average equity shares that could arise on conversion of zero coupon convertible bonds	D	55,516,717	37,593,265
Weighted average number of equity shares for diluted EPS	E = (B+C+D)	1,553,477,761	1,494,875,082
Diluted EPS(Rs) of face value of Rs 2 each [see note below]	A/E	(3.13)	8.47

Since the loss per share computation based on diluted weighted average number of shares is anti-dilutive, the basic and diluted loss per share is the same.

9. Zero coupon convertible bonds

On June 11, 2007 the Company made an issue of zero coupon convertible bonds aggregating USD 300 million (Rs 1,223.70 crore) comprising of 300,000 Zero Coupon Convertible Bonds due 2012 of USD 1,000 each ('Phase I Bonds'), which were:

- convertible by the holders at any time on or after July 22, 2007 but prior to close of business on June 5, 2012, each bond to be converted into 113.50 fully paid up equity shares of face value of Rs 2 per share at an initial conversion price of Rs 359.68 per equity share of Rs 2 each at a fixed exchange rate of Rs 40.83 = USD 1.
- convertible in whole but not in part at the option of the Company at any time on or after June 11, 2009 subject to satisfaction of certain conditions.
- redeemable in whole but not in part at the option of the Company at any time if less than 10 percent of the aggregate principal amount of the Phase I Bonds originally issued is outstanding, subject to satisfaction of certain conditions.
- redeemable on maturity date at 145.23% of its principal amount if not redeemed or converted earlier.

Further, on October 10, 2007 the Company made an additional issue of zero coupon convertible bonds aggregating USD 200 Million (Rs 786.20 crore) comprising of 200,000 Zero Coupon Convertible Bonds due 2012 of USD 1,000 each ('Phase II Bonds'), which were:

- convertible by the holders at any time on or after November 20, 2007 but prior to close of business on October 4, 2012, each bond to be converted into 107.30 fully paid up equity shares with face value of Rs 2 per share at an initial conversion price of Rs 371.55 per equity share of Rs 2 each at a fixed exchange rate of Rs 39.87 = USD 1.
- convertible in whole but not in part at the option of the Company at any time on or after October 10, 2009 subject to satisfaction of certain conditions.

- c) redeemable in whole but not in part at the option of the Company if less than 10 percent of the aggregate principal amount of the Phase II Bonds originally issued is outstanding, subject to satisfaction of certain conditions.
- d) redeemable on maturity date at 144.88% of its principal amount, if not redeemed or converted earlier.

Subsequent to the year-end, the Company proposed a restructuring of its Zero Coupon Convertible Bonds, with an approval of the Reserve Bank of India ('RBI') and the bondholders were offered the following options as part of the restructuring:

- Cash buyback of bonds @ 54.55% of the face value of US \$ 1000 per bond
- Issue of new bonds in place of old bonds at a fixed ratio of 3:5 (60 cents to dollar) bearing a coupon of 7.5 per cent per annum, payable semi-annually. Unless previously redeemed, converted or purchased and cancelled, the Company will redeem each June 2012 New Bond at 150.24 per cent of its principal amount and each October 2012 New Bond at 157.72 per cent of its principal amount on the relevant Maturity Date. The conversion price is set at Rs 76.68 per share. These bonds do not have any financial covenants and are of the same maturity as the old bonds.
- Consent fee of US\$15 Million to be paid across both the series, for those bondholders who consent to the relaxation of covenants

As a result of the restructuring, the outstanding position of the zero coupon convertible bonds is as follows:

Particulars	Phase I Bonds (USD)	Phase II Bonds (USD)	Total
Old bonds exchanged [A]	59,332,000	34,672,000	94,004,000
New Bonds issued in the ratio of 3:5 [B]	35,592,000	20,796,000	56,388,000
Bonds bought back for cash [C]	29,366,000	43,960,000	73,326,000
Cash paid for buyback [D]	16,019,702	23,980,180	39,999,882
Old bonds o/s [E]	211,302,000	121,368,000	332,670,000
Value of total bonds outstanding [F]=[B+E]	246,894,000	142,164,000	389,058,000
Value of old bonds [G]=[A+C+E]	300,000,000	200,000,000	500,000,000
Consent Fee paid	11,846,947	1,869,863	13,716,810

The Phase I and Phase II bonds are redeemable subject to satisfaction of certain conditions mentioned in their respective offering circulars, and hence have been currently designated as a monetary liability. Further, the Company has not provided for the proportionate premium on redemption of the Phase I and Phase II Bonds for the period up to March 31, 2009 amounting to Rs 154.73 crore (approximately USD 30,513,445) and Rs 71.38 crore (approximately USD 14,075,009) respectively. In the opinion of the management, the likelihood of redemption cannot presently be ascertained. Accordingly, no provision for any liability has been made in the financial statements and hence, the proportionate premium on redemption has been disclosed as a contingent liability.

10. Operating leases

Premises

The Company has taken certain premises under cancellable operating leases. The total rental expense under cancellable operating leases during the period was Rs 10.37 crore (Rs 5.36 crore).

The Company has also taken furnished/unfurnished offices and certain other premises under non-cancellable operating lease agreement ranging for a period of one to five years. The lease rental charge during the year is Rs 14.44 crore (Rs 15.13 crore) and maximum obligations on long-term non-cancellable operating lease payable as per the rentals stated in respective agreement are as follows:

Obligation on non-cancellable operating leases	Year ended March 31,	
	2009	2008
Not later than one year	8.80	11.97
Later than one year and not later than five years	13.75	17.04
Later than five years	0.26	=

WTGs

The Company has taken WTGs on non-cancellable operating lease, chargeable on per unit basis of net electricity generated and delivered. The lease amount would be determined in the future on the number of units generated. Lease rental expense for the period is Rs 2.38 crore (Rs 2.53 crore).

Sublease rental income recognised in the statement of profit and loss account for the period is Rs 2.38 crore (Rs 2.53 crore).

11. Employee stock option scheme

a) Suzlon Energy Employee Stock Option Plan 2005 (Scheme I)

The Company instituted the Scheme I for all eligible employees in pursuance of a special resolution approved by the shareholders at the extraordinary general meeting held on June 16, 2005 (grant date). Scheme I covers grant of options to specified permanent employees of the Company as well as its subsidiaries.

Pursuant to Scheme I, the Company granted adjusted to 4,605,000 options of Rs 2 each to eligible employees at an exercise price of Rs 51 per equity share of Rs 2 each, which is 50% of the issue price determined in the initial public offering (IPO) of the Company in accordance with SEBI guidelines i.e. Rs Rs 102 per equity share of Rs 2 each. Under the terms of Scheme I, 30% of the options vest in the employees at the end of the first year, 30% at the end of the second year and the balance 40% at the end of third year from the grant date in the following manner:

Date of vesting	Proportion of vesting
June 16, 2006	30%
June 16, 2007	30%
June 16, 2008	40%

The employee stock options granted shall be capable of being exercised into equity shares within a period of five years from the date of first vesting i.e. till June 16, 2011. Once the options vest as per the schedule above, they would be exercisable by the option holder and the shares arising on exercise of such options shall not be subject to any lock-in period except for the lock-in, if any, in terms of the Insider Trading Code of the Company. Further, in the case of termination of employment, all non-vested options would stand cancelled. Options that have vested but have not been exercised can be exercised within the time prescribed as mentioned above, failing which they would stand cancelled.

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During the year ended March 31, 2009, vesting rights were exercised by employees for 1,361,000 (1,180,500) shares of Rs 2 each under scheme I. Further, 118,000 (114,500) employee stock options of Rs 2 each under scheme I were cancelled during the year as certain employees resigned from the services of the Company. The movement in the stock options during the year ended March 31, 2009 was as per the table below:

Particulars	Year ended as at March 31,	
	2009	2008
Opening balance of options outstanding	1,858,000	3,153,000
Granted during the year	Nil	Nil
Forfeited/cancelled during the year	118,000	114,500
Exercised during the year	1,361,000	1,180,500
Expired during the year	Nil	Nil
Closing balance of options outstanding	379,000	1,858,000
Exercisable at the end of the year (Included in closing balance of option outstanding)	379,000	246,000

b) Suzlon Energy Employee Stock Option Plan 2006 (Scheme II)

The Company instituted Scheme II for all eligible employees with effect from November 23, 2007 (grant date) in pursuance of a special resolution approved by the shareholders at the extraordinary general meeting held on March 10, 2007. Scheme II covers grant of options to specified permanent employees of the Company as well as its subsidiaries.

Pursuant to Scheme II, the Company has granted 519,500 options of Rs 2 each to eligible employees at an exercise price of Rs 192.20 per equity share of Rs 2 each which is 51.28% of the weighted average price over a period of six months prior to date of grant, i.e. Rs 374.80 per equity share of Rs 2 each. Under the terms of Scheme II, 50% of the options vest in the employees at the end of the first year, 25% at the end of the second year and balance of 25% at the end of third year from the grant date in the following manner:

Date of vesting	Proportion of vesting
November 23, 2008	50%
November 23, 2009	25%
November 23, 2010	25%

The employee stock options granted shall be capable of being exercised into equity shares within a period of five years from the date of first vesting i.e. till November 23, 2013. Once the options vest as per the schedule above, they would be exercisable by the option holder and the shares arising on exercise of such options shall not be subject to any lock-in period except for the lock-in, if any, in terms of the Insider Trading Code of the Company. Further, in the case of termination of employment, all non-vested options would stand cancelled. Options that have vested but have not been exercised can be exercised within the time prescribed as mentioned above, failing which they would stand cancelled.

During the year ended March 31, 2009, vesting rights were exercised by employees for Nil (Nil) shares of Rs 2 each. Further, 78,000 (Nil) employee stock options of Rs 2 each were cancelled during the year as certain employees resigned from the services of the Company. The movement in the stock options during the year ended March 31, 2009 was as per the table below:

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Particulars	Year ended as at March 31,	
	2009	2008
Opening balance of options outstanding	519,500	Nil
Granted during the year	Nil	519,500
Forfeited/cancelled during the year	78,000	Nil
Exercised during the year	Nil	Nil
Expired during the year	Nil	Nil
Closing balance of options outstanding	441,500	519,500
Exercisable at the end of the year (Included in closing balance of option outstanding)	192,000	Nil

Fair value of the option

The company applies the intrinsic-value based method of accounting for determining compensation cost for Scheme I and Scheme II.

The company has charged Rs 1.04 crore (Rs 2.14 crore) and Rs 3.93 crore (Rs 2.39 crore) at the rate of Rs 51 per option and Rs 182.60 per option respectively, being the difference between the intrinsic value of options and exercise price under scheme I and scheme II for the year ended March 31, 2009. Had the company adopted the fair value method based on 'Black-Scholes' model for pricing and accounting the options, the cost would have been Rs 63.34 (Rs 68.39) per option and Rs 272.37 (Rs 284.10) per option for scheme I and scheme II respectively and accordingly the profit / (loss) after tax would have been lower / higher by Rs 1.55 crore (Rs 3.35 crore).

Consequently the basic and diluted earnings per share after factoring the above impact would be as follows:

Particulars	As at March 31,	
	2009	2008
Earnings per share		
- Basic	(3.14)	8.67
- Diluted	(3.14)	8.44

12. Post employment benefits

The Company has a defined benefit gratuity plan. Every employee who has completed five or more years of service is eligible for gratuity. Gratuity is computed based on 15 days salary based on last drawn salary for each completed year of service. The scheme is funded with an insurance company in the form of a qualifying insurance policy.

Changes in the present value of the defined benefit obligation are as follows:

Particulars	Year ended March 31,	
	2009	2008
Opening defined benefit obligation	4.49	2.66
Interest cost	0.37	0.23
Current service cost	1.75	1.24
Benefits paid	(0.19)	(0.12)
Actuarial (gains) / losses on obligation	2.73	0.48
Closing defined benefit obligation	9.15	4.49

Changes in the fair value of plan assets are as follows:

Particulars	Year ended March 31,	
	2009	2008
Opening fair value of plan assets	4.81	1.92
Expected return	0.50	0.21
Contributions by employer*	2.36	2.84
Benefits paid	(0.19)	(0.12)
Actuarial gains / (losses)	(0.36)	(0.04)
Closing fair value of plan assets	7.12	4.81

* The contribution made by the employer during the year was Rs 2.48 crore (Rs 2.91 crore) of which Rs 2.36 crore (Rs 2.84 crore) was paid towards approved fund and Rs 0.12 crore (Rs 0.07 crore) was towards OYRGTA premium.

The Company expects to contribute Rs 2.36 crore (Rs 3.51 crore) to its defined benefit gratuity plan in 2009-10. The actual return on plan assets during the year was Rs 0.28 crore (Rs 0.17 crore).

The major categories of plan assets as a percentage of the fair value of total plan assets are as follows:

Particulars	As at March 31,	
	2009	2008
Investments in approved fund	100%	100%

Details of defined benefit obligation

Particulars	Year ended March 31,	
	2009	2008
Defined benefit obligation (A)	9.15	4.49
Fair value of plan assets (B)	7.12	4.81
Present value of unfunded obligations (C=A-B)	2.03	(0.32)
Less: Unrecognised past service cost (D)	Nil	Nil
Plan liability / (asset) (E=C-D)	2.03	(0.32)

Net employees benefit expense recognised in the profit and loss account

Particulars	Year ended March 31,	
	2009	2008
Current service cost	1.75	1.24
Interest cost on benefit obligation	0.37	0.23
Expected return on plan assets	(0.50)	(0.21)
Net actuarial (gain) / loss recognised in the year	3.09	0.52
Past service cost	Nil	Nil
Net benefit expense	4.71	1.78

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Amounts for the current and previous periods are as follows:

Particulars	Year ended March 31,			
	2009	2008	2007	2006
Defined benefit obligation	9.15	4.49	2.66	1.76
Plan assets	7.12	4.81	1.92	1.81
Surplus / (deficit)	(2.03)	0.32	(0.74)	0.05
Experience adjustments on plan liabilities	(1.61)	Nil	Nil	Nil
Experience adjustments on plan assets	(0.35)	Nil	Nil	Nil

The principal assumptions used in determining defined benefit obligation are shown below:

Particulars	Year ended March 31	
	2009	2008
Discount rate	7.90%	8.50%
Expected rate of return on plan assets	8.50%	9.00%
Salary escalation rate	8.00%	7.50%
Attrition rate	10% at younger ages and reducing to 1% at older age according to graduated scale	10% at younger ages and reducing to 1% at older age according to graduated scale

The estimated future salary increase, considered in actuarial valuation, takes into account the effect of inflation, seniority, promotion and other relevant factors such as supply and demand in the employment market.

The overall expected rate of return on plan assets is determined based on the market prices prevailing as on balance sheet date, applicable to the period over which the obligation is to be settled.

13. Other notes

- a) Expenditure amounting to Rs 3.61 crore (Rs 4.86 crore) and Rs 6.22 crore (Rs 6.94 crore) pertaining to employee remuneration and benefits; and operating and other expenditure respectively, being expenditure incurred in connection with the construction of certain self manufactured assets have been deducted from the respective expenditure heads and have been capitalised under appropriate asset heads.
- b) Borrowing costs amounting to Rs 14.39 crore (Rs Nil) have been capitalised to qualifying assets.

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- c) The Company incurs expenditure on development of infrastructure facilities for power evacuation arrangements as per authorization of the state electricity boards (SEB) / nodal agencies. In certain cases the expenditure is reimbursed, on agreed terms, by the SEB / nodal agencies and in certain cases the Company recovers it from the customers. Where the expenditure is reimbursed by the SEB / nodal agency, the cost incurred is reduced by the reimbursements received and the net amount is charged to the profit and loss account. Where an arrangement is entered into with customers for power evacuation charges, the proportionate direct cost computed on per mega watt basis is netted off from the amount charged to customers and the net deficit/(surplus) is charged / credited to profit and loss account. The deficit/surplus from infrastructure development across all SEBs / nodal agencies is shown under "infrastructure development expenses" or "other income" as the case may be. Indirect expenses not directly relatable to power evacuation are charged to the respective account heads in the profit and loss account.
- d) In case of an overseas subsidiary, the Company has investments in equity shares of Rs 133.06 crore (Rs 133.06 crore). Considering the future potential and recoverability, the Company has estimated and provided for Rs 99.76 crore as diminution other than temporary in the value of the investments. In the opinion of the management, the balance amount is recoverable.
- e) During the current year, the Company has issued 12.50% secured redeemable Non-Convertible Debentures ('NCDs') aggregating Rs 300.00 crore to Life Insurance Corporation of India ('LIC'). The Company has incurred expenses amounting to Rs 5.06 crore towards issue of NCDs. These NCDs are secured by pledge of shares of the Company held by promoters to the extent of 1.5 times the NCD amount and subservient charge on the Pondichery factory. The company is required to maintain minimum security cover of 1.5 times at all times during the tenor of the debenture. The tenor of the debentures is seven years and they shall be redeemed in three equal annual instalments commencing from the end of the 5th year from the date of allotment.
- f) During the current year, the board of directors of the company had approved a rights issue of equity shares of the company to a maximum extent of Rs 1,800 crore. In anticipation of the right issue, the company had received Rs 200 crore from a promoter group company as an advance towards the share application money. The rights issue was suspended due to market conditions prevailing at that time; and Rs 105 crore out of Rs 200 crore was refunded to the promoter group company. Subsequently on March 27, 2009, the Company, considering the market conditions and in turn its inability to come out with a right issue, has decided refund the remaining advance amount outstanding towards share application money. Accordingly, the amount has been refunded post balance sheet date.
- g) Tax on dividend of Rs 1.05 crore pertains to dividend distribution tax credit claimed by the company on dividends distributed by subsidiaries in the previous year.
- h) Creditors include acceptances of Rs 406.37 crore (Rs 614.66 crore).

14. Managerial remuneration to directors

Particulars	Year ended March, 31	
	2009	2008
(i) Salaries	0.96	1.30
(ii) Contribution to superannuation fund and provident fund	0.21	0.27
(iii) Sitting fees	0.06	0.02
Total	1.23	1.59

The directors are covered under the Company's scheme for gratuity along with the other employees of the Company. The proportionate amount of gratuity is not included in the aforementioned disclosure, as the amount attributable to directors is not ascertainable.

In terms of the special resolution approved by the members of the Company, the Company has been authorised to pay remuneration to the managerial personnel within the limits as prescribed under Section II (B) of Part II of Schedule XIII of the Act in case of loss or inadequacy of profits. Accordingly the Company has paid remuneration as per these limits and the excess remuneration paid has been recovered from the directors post year end.

15. a. Contingent liabilities

Particulars	As at March 31,	
	2009	2008
Guarantees given on behalf of subsidiaries in respect of loans granted to them by banks / financial institutions	7,117.45	7,451.10
Premium on redemption of zero coupon convertible bonds	226.11	101.08
Claims against the Company not acknowledged as debts	27.26	0.25
Income tax matters pending in appeal	15.23	19.23

b. Capital commitments

Particulars	As at March 31,	
	2009	2008
Estimated amount of contracts remaining to be executed on capital account and not provided for net of advances	59.36	50.96
Commitments for investments in Subsidiary	-	82.34

16. Derivative instruments and unhedged foreign currency exposure

Particulars of derivatives	Purpose
Forward contract outstanding as at balance sheet date:	
Buy EURO 17,432,339 (EURO 148,522,981.72)	Hedge of forex EURO liabilities
Buy USD 7,285,000 (USD 83,395,361.33)	Hedge of forex USD liabilities
Sell USD 136,439,861 (USD 286,961,890)	Hedge of forex USD receivable
Sell EURO 37,500,000 (EURO 118,198,046)	Hedge of forex EURO receivable
Sell AUD 44,500,000 (AUD 32,500,000)	Hedge of forex AUD receivable
Option Contract outstanding as at balance sheet date:	
USD 5.50 crore (13.50 crore) zero cost 1:1.5 forward put options outstanding	
EURO Nil (17.75 crore) zero cost barrier call options outstanding	
EURO Nil (11.50 crore) zero cost put spread options outstanding	

Particulars of unhedged foreign currency exposure as at the Balance Sheet date:

Particulars	Year ended March 31,	
	2009	2008
Current liabilities	2,624.81	339.86
Debtors	3,462.59	1,519.10
Loans given	867.03	344.15
Loans received	1,315.59	454.46
Bank balance in current accounts and term deposit accounts	1.74	1.53
Investments in overseas subsidiaries	6,334.97	4,290.96
Zero coupon convertible bonds	2,535.50	2,005.50

17. Additional information pursuant to the provisions of paragraphs 3, 4B, 4C, 4D of part II of the schedule VI of the Companies act, 1956.

a) Auditors' remuneration and expenses

	Particulars	Year ended March 31,	
		2009	2008
(i)	Statutory audit fees	2.16	2.30
(ii)	Tax audit fees	0.06	0.06
(iii)	Taxation matters	-	-
(iv)	Other services*	1.10	0.91
(v)	Reimbursement of out of pocket expenses	0.20	0.03
	Total	3.52	3.30

* Includes Nil (Rs 0.71 crore) paid for agreed upon procedures with regard to zero coupon convertible bond issue and issue of equity shares of the company through qualified institutional placements, and adjusted from securities premium account.

b) Licensed and installed capacities and production

Licensed capacity - The products manufactured and sold by the Company i.e., WTG's and components have not been included in the list of mandatory items, which require a license under the New Industrial Policy in terms of Notification no. S.O.477 (E) dated 25th July, 1991; and hence, licensing requirements are not applicable to the products manufactured by the Company.

Installed capacity - The installed capacities are not precisely ascertainable, given the nature of operations, changes in product mix and utilisation of manufacturing facilities and hence, have not been disclosed.

Production

Particulars	Units produced	
	(in Nos.)	(in MW's)
Wind Turbine Generators upto 1 MW	93 (197)	55.80 (114.45)
Above 1 MW and upto 2 MW	502 (631)	718.00 (901.50)
Above 2 MW	585 (463)	1,228.50 (972.30)
Total	1,180 (1,291)	2,002.30 (1,988.25)

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c) Details of opening stock, turnover and closing stock

Particulars	Year ended March 31, 2009			Year ended March 31, 2008		
	Nos.	MW	Amount	Nos.	MW	Amount
Opening stock						
Wind Turbine Generators						
Upto 1 MW	-	-	-	-	-	-
Above 1 MW and upto 2 MW	-	-	-	-	-	-
Above 2 MW	-	-	-	-	-	-
Land/lease rights	-	-	7.66	-	-	16.38
	-	-	7.66	-	-	16.38
Turnover						
Wind Turbine Generators						
Upto 1 MW	93	55.80	249.96	197	114.45	518.39
Above 1 MW and upto 2 MW	502	718.00	2,728.05	631	901.50	3,483.27
Above 2 MW	585	1,228.50	4,031.91	463	972.30	2,725.19
Land/lease rights	-	-	9.45	-	-	29.29
Wind Turbine Generator parts and others	-	-	216.21	-	-	169.87
	1,180	2,002.30	7,235.58	1,291	1,988.25	6,926.01
Closing stock						
Wind Turbine Generators						
Upto 1 MW	-	-	-	-	-	-
Above 1 MW and upto 2 MW	-	-	-	-	-	-
Above 2 MW	-	-	-	-	-	-
Land/lease rights	-	-	21.88	-	-	7.66
	-	-	21.88	-	-	7.66

d) Raw materials consumed

	Particulars (units)	Year ended March 31,			
		2009		2008	
		Qty	Amount	Qty	Amount
(i)	Gear Box (Nos)	1,235	1,116.03	1,328	876.94
(ii)	Others (see note below)	Various	3,460.02	Various	3,427.77
			4,576.05		4,304.71

Note:

It is not practicable to furnish quantitative information in view of large number of items which differ in size and nature, each being less than 10% in value of the total raw materials consumed.

e) Imported and indigenous consumption

a. Raw materials

Particulars	Year ended March 31,			
	2009		2008	
	Amount	%	Amount	%
Imported	3,001.43	65.59	2,450.28	56.92
Indigenous	1,574.62	34.41	1,854.43	43.08
	4,576.05	100.00	4,304.71	100.00

b. Stores and spares

Particulars	Year ended March 31,			
	2009		2008	
	Amount	%	Amount	%
Imported	3.47	8.93	3.13	6.52
Indigenous	35.37	91.07	44.84	93.48
	38.84	100.00	47.97	100.00

f) Value of imports on CIF basis

Particulars		Year ended March 31,	
		2009	2008
(i)	Raw materials	2,710.02	2,427.55
(ii)	Stores and spares	2.88	5.19
(iii)	Capital goods	76.54	23.72
		2,789.44	2,456.46

g) Expenditure in foreign currency (on accrual basis)

Particulars		Year ended March 31,	
		2009	2008
(i)	Consultancy	7.13	3.13
(ii)	R & D, certification and product development and quality assurance	29.17	10.77
(iii)	Interest	76.88	27.82
(iv)	Design change and technological upgradation charges	63.11	35.14
(v)	Performance guarantee expenses	292.10	89.92
(vi)	Blade retrofit expenses	246.95	121.71
(vii)	Liquidated damages	141.68	3.31
(viii)	Operations & maintenance	75.38	4.88
(ix)	Others	32.29	22.23

h) Earnings in foreign currency (on accrual basis)

Particulars		Year ended March 31,	
		2009	2008
(i)	F.O.B. value of exports	4,037.92	2,796.83
(ii)	Interest on loans	47.99	23.72
(iii)	Royalty	16.35	16.23
(iv)	Profit on export of mould	-	0.97
(v)	Profit on sale of investments	9.30	-

i) Dividend remitted in foreign currency during the year

No dividend has been remitted in foreign currency during the current year and previous year.

j) Disclosure of Micro, Small and Medium Enterprises

Particulars		Year ended March 31,	
		2009	2008
(i)	Principal amount remaining unpaid to any supplier as at the end of the year	34.10	21.78
	Interest due on the above amount	0.90	0.00*
(ii)	Amount of interest paid in terms of section 16 of the Micro, Small and Medium Enterprises Act, 2006	Nil	Nil
	Amounts of payment made to the suppliers beyond the appointed day during the year	37.18	21.61
(iii)	Amount of interest due and payable for the period of delay in making payment but without adding the interest specified under this Act	1.44	0.12
(iv)	Amount of interest accrued and remaining unpaid at the end of the year	Nil**	0.12
(v)	Amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprise	Nil	Nil

* amount below Rs 0.01 crore

** Interest payable as per section 16 of the Micro, Small and Medium Enterprises Act, 2006 is 1.44 crore and same is not accrued in the books of accounts.

18. Statement showing the use of proceeds from Qualified Institutional Placements up to March 31, 2009

On December 20, 2007, the Company raised Rs 2,182.70 crore through allotment of 56,930,000 equity shares of Rs 2 each at a price of Rs 383.40 per equity share of Rs 2 each to selected Qualified Institutional Buyers pursuant to the Guidelines for Qualified Institutional Placements (QIP) under Chapter XIII-A of the SEBI (DIP) Guidelines, 2000. The details of utilization of QIP proceeds are given below:

Sl. No.	Description	As at March 31, 2009
I	Sources of funds	
	Proceeds from Issue	2,182.70
	Issue Expenses	(26.27)
	Net Proceeds	2,156.43
II	Utilisation of funds	
	Repayment of Acquisition facility loans	1,350.40
	Working Capital requirement and General corporate purposes	341.12
	Investments in subsidiaries for Capital expenditure and working capital requirement	464.91
	Total	2,156.43
III	Unutilised funds	Nil

19. Related party disclosures:

As per Accounting Standard - 18 (AS 18) - 'Related Party Disclosures', as notified by the Rules, the disclosures of transactions with the related parties as defined in the accounting standard are given below:

A. List of the related parties and nature of relationships where control exists

Name of the party	Nature of relationship
AE-Rotor Holding B.V.	Subsidiary company
Eve Holding NV	Subsidiary company
Cannon Ball Wind Energy Park-1, LLC	Subsidiary company
Hansen Drives Limited, India	Subsidiary company
Hansen Drives Limited, Hongkong	Subsidiary company
Hansen Drives Pte Ltd.	Subsidiary company
Hansen Transmissions Inc	Subsidiary company
Hansen Transmissions International NV	Subsidiary company
Hansen Transmissions Ltd.	Subsidiary company
Hansen Transmissions Mecanicas Ltda	Subsidiary company
Hansen Transmissions Pty Ltd., Australia	Subsidiary company
Hansen Transmissions Pty Ltd., South Africa	Subsidiary company
Hansen Transmissions Tianjin Industrial Gearbox Co., Ltd.	Subsidiary company
Hansen Wind Energy Drives (China) Co Ltd.	Subsidiary company
Lommelpark NV	Subsidiary company
PowerBlades GmbH	Subsidiary company
PowerBlades SA	Subsidiary company
REpower Australia Pty Ltd.	Subsidiary company
REpower Benelux b.v.b.a.	Subsidiary company
REpower Betriebs - und Beteiligungs GmbH	Subsidiary company
REpower Canada Inc	Subsidiary company
REpower Diekat S.A.	Subsidiary company
REpower Espana S.L.	Subsidiary company
REpower Geothermie GmbH	Subsidiary company
REpower Investitions - und Projektierungs GmbH & Co. KG	Subsidiary company
REpower Italia s.r.l	Subsidiary company
REpower S.A.S.	Subsidiary company
REpower Systems AG	Subsidiary company
REpower UK Ltd.	Subsidiary company
REpower USA Corp .	Subsidiary company
REpower Wind Systems Trading (China) Ltd.	Subsidiary company
REpower Windpark Betriebs GmbH	Subsidiary company
RETC Renewable Energy Technology Centre	Subsidiary company
SE Composites Limited	Subsidiary company
SE Drive Technik GmbH	Subsidiary company
SE Electricals Limited [Formerly Suzlon Electricals International Limited]	Subsidiary company
SE Forge Limited	Subsidiary company
SE Solar Private Limited	Subsidiary company
Sister - sistemas e Tecnologia de Energias renovaveis Lda	Subsidiary company
Sunrise Wind Project Private Limited	Subsidiary company
Suzlon Blade Technology B.V. (Formerly A-E Rotor Technik B.V.)	Subsidiary company
Suzlon Energia Elocia do Brazil Ltda	Subsidiary company
Suzlon Energy (Tianjin) Limited	Subsidiary company

Name of the party	Nature of relationship
Suzlon Energy A/S	Subsidiary company
Suzlon Energy Australia Pty. Ltd.	Subsidiary company
Suzlon Energy B.V.	Subsidiary company
Suzlon Energy GmbH	Subsidiary company
Suzlon Energy Korea Co., Ltd.	Subsidiary company
Suzlon Energy Limited, Mauritius	Subsidiary company
Suzlon Engitech Limited (Formerly Suzlon Engitech Private Limited)	Subsidiary company
Suzlon Generators Limited (Formerly Suzlon Generators Private Limited)	Subsidiary company
Suzlon Gujarat Wind Park Limited	Subsidiary company
Suzlon Infrastructure Services Limited	Subsidiary company
Suzlon North Asia Ltd	Subsidiary company
Suzlon Power Infrastructure Limited (Formerly Suzlon Power Infrastructure Private Limited)	Subsidiary company
Suzlon Rotor Corporation	Subsidiary company
Suzlon Structures Limited (Formerly Suzlon Structures Private Limited)	Subsidiary company
Suzlon Towers and Structures Limited	Subsidiary company
Suzlon Wind Energy A/S	Subsidiary company
Suzlon Wind Energy Corporation	Subsidiary company
Suzlon Wind Energy Equipment Trading (Shanghai) Co., Ltd.	Subsidiary company
Suzlon Wind Energy Espana, S.L	Subsidiary company
Suzlon Wind Energy Italy s.r.l. (Formerly Suzlon Energy Italy s.r.l.)	Subsidiary company
Suzlon Wind Energy Limited	Subsidiary company
Suzlon Wind Energy Nicaragua Sociedad Anonima	Subsidiary company
Suzlon Wind Energy Portugal Energia Elocia Unipessoal Lda (Formerly Suzlon Energy Portugal Energia Elocia Unipessoal Lda)	Subsidiary company
Suzlon Wind Energy Romania SRL	Subsidiary company
Suzlon Wind Enerji Sanayi Ve Ticaret Limited Sirketi	Subsidiary company
Suzlon Wind International Limited	Subsidiary company
Suzlon Windenergie GmbH	Subsidiary company
Suzlon Windkraft GmbH	Subsidiary company
Suzlon Windpark Management GmbH	Subsidiary company
Tarilo Holding B.V.	Subsidiary company
WEL Windenergie Logistik GmbH	Subsidiary company
Windpark Blockland GmbH & Co KG	Subsidiary company
Windpark Meckel/Gilzem GmbH & Co KG	Subsidiary company
Windpark Olsdorf Watt GmbH & Co. KG	Subsidiary company

B. Other related parties with whom transactions have taken place during the year

- a) Entities where key management personnel ('KMP')/relatives of key management personnel ('RKMP') have significant influence -

Sarjan Realities Limited, Suzlon Infrastructure Limited, Senergy Global Limited, Shubh Realty (South) Private Limited, Tanti Holdings Limited, Suzlon Foundation, Girish R. Tanti (HUF), SE Steel Limited

- b) Key management personnel of Suzlon Energy Limited

Tulsi R. Tanti, Girish R. Tanti

c) Relatives of key management personnel of Suzlon Energy Limited

Vinod R. Tanti, Jitendra R. Tanti

d) Employee funds

Suzlon Energy Limited - Superannuation Fund.

Suzlon Energy Limited - Employees Group Gratuity Scheme.

C. Transactions between the Company and related parties and the status of outstanding balances as at March 31, 2009:

Particulars	Subsidiary	Entities where KMP /RKMP has significant influence	KMP	RKMP	Employee Funds
Transactions					
Purchase of fixed assets (including intangibles)	62.06	3.50	-	-	-
	(11.21)	(-)	(-)	(-)	(-)
Sale of fixed assets	-	-	-	-	-
	(3.23)	(-)	(-)	(-)	(-)
Subscription to / purchase of preference share	404.47	-	-	-	-
	(260.00)	(-)	(-)	(-)	(-)
Subscription to / purchase of equity share	2,274.24	-	-	-	-
	(3,854.22)	(-)	(-)	(-)	(-)
Sale of investments	95.62	-	-	-	-
	(-)	(-)	(-)	(-)	(-)
Sale of goods (net of returns)	4,311.62	-	-	-	-
	(2,974.01)	(-)	(-)	(-)	(-)
Purchase of goods and Services	1,139.47	16.69	-	-	-
	(797.07)	(30.70)	(-)	(-)	(-)
Reimbursement of expense**	853.30	-	-	-	-
	(206.33)	(-)	(-)	(-)	(-)
Loans taken	-	148.00	-	-	-
	(-)	(-)	(-)	(-)	(-)
Share application money received	-	200.00	-	-	-
	(-)	(-)	(-)	(-)	(-)
Donation given	-	9.45	-	-	-
	(-)	(-)	(-)	(-)	(-)
Deposits given	-	50.00	-	-	-
	(-)	(-)	(-)	(-)	(-)
Loans given	2,381.48	124.68	-	-	-
	(1,724.42)	(314.88)	(-)	(-)	(-)
Interest paid	-	0.78	-	-	-
	(-)	(-)	(-)	(-)	(-)
Interest received / receivable	93.77	6.17	-	-	-
	(49.95)	(19.30)	(-)	(-)	(-)
Dividend received / receivable	11.29	-	-	-	-
	(6.32)	(-)	(-)	(-)	(-)
Lease rent received / receivable	4.82	0.07	-	-	-
	(4.82)	(-)	(-)	(-)	(-)
Royalty received / receivable	16.36	-	-	-	-
	(16.23)	(-)	(-)	(-)	(-)

Particulars	Subsidiary	Entities where KMP /RKMP has significant influence	KMP	RKMP	Employee Funds
Rent paid / payable	0.03	0.00*	-	-	-
	(0.03)	(0.00*)	(-)	(-)	(-)
Premium on Redemption of Preference share	9.61	-	-	-	-
	(-)	(-)	(-)	(-)	(-)
Bank commissions reimbursed	0.82	-	-	-	-
	(2.52)	(-)	(-)	(-)	(-)
Guarantees given	1,109.20	-	-	-	-
	(7,734.20)	(-)	(-)	(-)	(-)
Managerial remuneration	-	-	1.17	-	-
	(-)	(-)	(1.57)	(-)	(-)
Contribution to various funds	-	-	-	-	4.06
	(-)	(-)	(-)	(-)	(6.46)
Outstanding Balances					
Investments	410.97	-	-	-	-
	(281.51)	(-)	(-)	(-)	(-)
Advance from customers	-	-	0.75	0.75	-
	(28.82)	(-)	(0.75)	(0.75)	(-)
Sundry debtors	3,525.80	-	-	-	-
	(2,049.34)	(3.37)	(-)	(-)	(-)
Loans outstanding	1,655.79	36.25	-	-	-
	(556.35)	(-)	(-)	(-)	(-)
Deposits outstanding	6.00	50.00	-	-	-
	(6.00)	(-)	(-)	(-)	(-)
Advances to suppliers and Other receivables	11.86	0.07	0.87	-	-
	(44.38)	(2.49)	(-)	(-)	(-)
Sundry creditors	1,781.65	8.13	-	-	-
	(380.22)	(-)	(-)	(-)	(-)
Corporate guarantees	7,117.45	-	-	-	-
	(7,451.10)	(-)	(-)	(-)	(-)
Share Application Money Pending refund	-	95.00	-	-	-
	(-)	(-)	(-)	(-)	(-)
Dividend receivable	11.29	-	-	-	-
	(5.36)	(-)	(-)	(-)	(-)

* amount below Rs 0.01 crore

** Reimbursement of expenses relates to amount payable to subsidiaries on account of guarantee and warranty obligations arising out of WTG sale

Note: Certain subsidiaries and group companies have been allowed to make free of charge use of SAP software owned by the Company.

D. Disclosure of significant transactions with related parties

Type of the Transaction	Type of relationship	Name of the entity/person	Year ended March 31,	
			2009	2008
Purchase of fixed assets (including intangibles)	Subsidiary	Suzlon Blade Technology B.V.	-	0.51
	Subsidiary	AE-Rotor Holding B.V.	7.07	-
	Subsidiary	Suzlon Engitech Limited	-	0.14
	Subsidiary	Suzlon Energy A/S	-	3.31
	Subsidiary	Suzlon Energy GmbH	54.99	7.25

Type of the Transaction	Type of relationship	Name of the entity/person	Year ended March 31,	
			2009	2008
Sale of fixed assets	Subsidiary	Suzlon Energy (Tianjin)Limited	-	3.23
Subscription to / purchase of preference shares	Subsidiary	SE Electricals Limited	58.10	10.00
	Subsidiary	SE Composites Limited	103.10	-
	Subsidiary	Suzlon Infrastructure Services Limited	60.00	50.00
	Subsidiary	Suzlon Wind International Limited	68.27	40.00
	Subsidiary	SE Forge Limited	115.00	160.00
Subscription to / purchase of Equity shares	Subsidiary	Suzlon Energy Limited, Mauritius	2,133.12	3,470.37
	Subsidiary	Suzlon Energy (Tianjin) Limited	-	136.72
Sale of investments	Subsidiary	Tarilo Holding B.V.	95.62	-
Loan / deposits taken	Entities where KMP/ RKMP has significant influence	Tanti Holdings Limited	148.00	-
Share application money received	Entities where KMP/ RKMP has significant influence	Tanti Holdings Limited	200.00	-
Deposits given	Entities where KMP/ RKMP has significant influence	Suzlon Infrastructure Limited	50.00	-
Loans given	Subsidiary	Suzlon Infrastructure Services Limited	282.26	484.99
	Subsidiary	Suzlon Energy (Tianjin) Limited	-	15.96
	Subsidiary	Suzlon Towers and Structures Limited	188.20	217.27
	Subsidiary	Suzlon Energy Limited, Mauritius	-	366.26
	Subsidiary	AE-Rotor Holding B.V.	971.33	239.63
	Subsidiary	Suzlon Wind International Limited	249.85	-
	Entities where KMP/ RKMP has significant influence	Suzlon Infrastructure Limited	50.00	259.12
Sale of goods (net of returns)	Subsidiary	Suzlon Wind Energy Corporation	2,018.44	1,107.02
	Subsidiary	Suzlon Energia Eólica do Brasil Ltda.	9.08	334.66
	Subsidiary	Suzlon Energy Australia Pty. Limited	941.07	429.21
	Subsidiary	Suzlon Wind Energy Espana, S.L.	269.71	597.69
	Subsidiary	Suzlon Energy A/S	703.48	-

Type of the Transaction	Type of relationship	Name of the entity/person	Year ended March 31,	
			2009	2008
Purchase of goods and services	Subsidiary	Suzlon Infrastructure Services Limited	211.85	225.09
	Subsidiary	Suzlon Generators Limited	180.90	207.47
	Subsidiary	Suzlon Towers and Structures Limited	47.76	101.50
	Subsidiary	Hansen Transmissions International NV	449.81	206.73
Reimbursement of expense	Subsidiary	Suzlon Wind Energy Corporation	745.70	178.09
Freight outwards	Entities where KMP/RKMP has significant influence	Suzlon Infrastructure Limited	-	41.50
Donation Given	Subsidiary	Suzlon Foundation	9.45	-
Interest received / receivable	Subsidiary	AE-Rotor Holding B.V.	47.09	10.08
	Subsidiary	Suzlon Towers and Structures Limited	4.31	10.72
	Subsidiary	Suzlon Energy (Tianjin) Limited	-	7.10
	Subsidiary	Suzlon Structures Limited	14.16	4.66
	Entities where KMP/RKMP has significant influence	Sarjan Realities Limited	2.66	7.58
	Entities where KMP/RKMP has significant influence	Suzlon Infrastructure Limited	2.83	7.99
Interest paid	Entities where KMP/RKMP has significant influence	Tanti Holdings Limited	0.78	-
Dividends received / receivable	Subsidiary	SE Composites Limited	3.87	-
	Subsidiary	Suzlon Towers and Structures Limited	0.65	0.65
	Subsidiary	Suzlon Generators Limited	-	2.47
	Subsidiary	Suzlon Structures Limited	-	3.20
	Subsidiary	Suzlon Wind International Limited	6.77	-
Royalty received / receivable	Subsidiary	Suzlon Energy (Tianjin) Limited	16.36	16.23
Premium on Redemption of Preference share	Subsidiary	SE Forge Limited	9.61	-
Lease rent received / receivable	Subsidiary	Suzlon Towers and Structures Limited	4.82	4.82
Lease rent paid / payable	Entities where KMP/RKMP has significant influence	Girish R. Tanti (HUF)	0.01	0.01
	Subsidiary	Suzlon Infrastructure Services Limited	0.03	0.03

Type of the Transaction	Type of relationship	Name of the entity/person	Year ended March 31,	
			2009	2008
Bank commissions reimbursement	Subsidiary	Suzlon Energy A/S	-	0.10
	Subsidiary	Suzlon Energy Australia Pty Limited	-	1.10
	Subsidiary	Suzlon Energy (Tianjin) Limited	0.77	-
	Subsidiary	Suzlon Infrastructure Services Limited	-	0.88
	Subsidiary	Suzlon Gujarat Windpark Limited	0.05	0.39
Managerial remuneration	KMP	Tulsi R. Tanti	0.60	1.16
	KMP	Girish R. Tanti	0.57	0.41
Contribution to various funds	Employee Funds	Suzlon Energy Limited - Superannuation Fund	1.54	3.53
	Employee Funds	Suzlon Energy Limited-Employees Group Gratuity Scheme	2.52	2.91
Guarantees given on behalf of	Subsidiary	Suzlon Energy Limited Mauritius ; AE-Rotor Holding B.V. ; SE Drive Techniek GmbH	-	6,656.53
	Subsidiary	Suzlon Energy A/S	1,080.69	1,000.32
	Subsidiary	Suzlon Energy Limited Mauritius ; AE-Rotor Holding B.V.	-	77.35

The below table provides the transaction between the Company and promoter group entities which are not related parties in accordance with Accounting Standard - 18 (AS 18) - 'Related Party Disclosures'

Type of transaction	Name of the entity	Year ended March 31,	
		2009	2008
Transactions			
Sale of goods	Super Wind Projects Private Limited	119.77	57.86
	Simran Wind Projects Private Limited	32.67	287.62
Freight outward	S E Shipping Lines Pte Ltd.	133.69	19.85
Outstanding Balances			
Debtors	Super Wind Projects Private Limited	89.65	-
	Simran Wind Projects Private Limited	39.82	57.89
Creditors	S E Shipping Lines Pte Ltd.	18.65	3.50

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20. Disclosure as required by clause 32 of listing agreement with stock exchanges

Type of relationship	Name	Amount outstanding as at March 31, 2009	Maximum Amount outstanding during the year
Subsidiaries	Suzlon Towers And Structures Limited	70.00	93.55
	Suzlon Power Infrastructure Limited (Formerly Suzlon Power Infrastructure Private Limited)	78.15	84.20
	Suzlon Infrastructure Services Limited	87.82	165.00
	Suzlon Gujarat Wind Park Limited	92.20	93.30
	Suzlon Structure Limited (Formerly Suzlon Structure Private Limited)	105.14	189.00
	S E Forge Limited	3.32	138.73
	SE Composites Limited	162.00	162.00
	Suzlon Wind International Limited	187.44	187.44
	Hansen Drives Limited	-	18.00
	Suzlon Rotor Corporation	6.59	6.59
	AE-Rotor Holding B.V.	835.08	1,171.00
	Suzlon Energy Limited, Mauritius	-	20.28
	Suzlon Energy A/S	25.35	25.35
	Suzlon Energy GmbH	-	9.80
Companies in which directors are interested	Sarjan Realities Limited	36.25	39.07
	Suzlon Infrastructure Limited - Loan	-	50.00
	Suzlon Infrastructure Limited - Deposit	50.00	50.00
	Shubh Realty (South) Private Limited	-	16.50

Note:

- All the above balances of loans are excluding accrued interest aggregating Rs 2.88 crore (Rs 17.82 crore) and are payable on demand.
- No loans have been granted by the Company to any person for the purpose of investing in the shares of Suzlon Energy Limited or any of its subsidiaries.
- Loans and advances from companies under the same management, as per the provisions of Section 370 (1B) of the Companies Act, 1956.

Name	Amount outstanding as at March 31, 2009	Maximum Amount outstanding during the year
Sarjan Realities Limited	36.25	39.07
Suzlon Infrastructure Limited - Loan	-	50.00
Suzlon Infrastructure Limited - Deposit	50.00	50.00

21. Segment reporting

As permitted by paragraph 4 of Accounting Standard-17 (AS - 17), 'Segment Reporting', if a single financial report contains both consolidated financial statements and the separate financial statements of the parent, segment information need be presented only on the basis of the consolidated financial statements. Thus, disclosures required by AS 17 are given in consolidated financial statements.

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22. Prior year amounts have been reclassified wherever necessary to conform with current year presentation. Figures in the brackets are in respect of the previous year.

Signatures to Schedules 'A' to 'O'

As per our report of even date

For SNK & Co.
Chartered Accountants

For S. R. BATLIBOI & Co.
Chartered Accountants

For and on behalf of the Board of Directors
of Suzlon Energy Limited

per Jasmin B. Shah
Partner
Membership No. 46238

per Arvind Sethi
Partner
Membership No. 89802

Tulsi R. Tanti
Chairman and Managing Director

Hemal A. Kanuga
Company Secretary

Girish R. Tanti
Director

Place : Mumbai
Date : June 27, 2009

Place: Mumbai
Date : June 27, 2009

Place: Mumbai
Date : June 27, 2009

ACCOUNTING RATIOS AND CAPITALISATION STATEMENT

ACCOUNTING RATIOS

Our consolidated and standalone accounting ratios are as set out below:

A. Standalone

Particulars	Year ended March 31, 2010
Earnings/(Loss) per share (Rs.)	
<i>Basic</i>	(9.19)
<i>Diluted</i>	(9.19)
Net Asset Value Per Share (Rs.)	36.00
Return on Net Worth (%)	-25.23%

B. Consolidated

Particulars	Year ended March 31, 2010
Earnings/(Loss) Per Share (Rs.)	
<i>Basic</i>	(6.39)
<i>Diluted</i>	(6.39)
Net Asset Value Per Share (Rs.)	42.40
Return on Net Worth (%)	-14.88%

Notes: Definition of Ratios

Earning Per Share (Rs.)	(Net Profit attributable to Equity Shareholders) / (Weighted average number of Equity Shares outstanding during the Period)
Net Asset Value Per Share (Rs.)	(Net Worth excluding revaluation reserve at the end of the Period) / (Weighted average number of Equity Shares outstanding during the Period)
Return on Net Worth (%)	(Net Profit attributable to Equity Shareholders) / (Net Worth excluding Revaluation Reserve at the end of the Period)

CAPITALISATION STATEMENT

The statement on our capitalisation is as set out below:

A. Standalone

(Rs. in crores)

Particulars	Pre- Issue As at March 31, 2010	As Adjusted Post Issue*
Short-term Debt	1,883.52	1,883.52
Long-term Debt	5,717.70	4,542.70
Total Debt	7,601.22	6,426.22
Share Capital	311.35	352.86
Employee stock options outstanding	15.68	15.68
Share application money pending allotment	0.04	0.04
Reserves and Surplus	5,277.24	6,543.39
Total Shareholders' Funds	5,604.31	6,911.97
Long-term Debt/Equity ratio	1.02	0.66
Total Debt/Equity ratio	1.36	0.93

B. Consolidated

(Rs. in crores)

Particulars	Pre- Issue As at March 31, 2010	As Adjusted Post Issue*
Short-term Debt	3,337.11	3,337.11
Long-term Debt	9,330.83	8,155.83
Total Debt	12,667.94	11,492.94
Share Capital	311.35	352.86
Employee stock options outstanding	15.67	15.67
Share application money pending allotment	0.04	0.04
Reserves and Surplus	6,274.21	7,540.36
Total Shareholders' Funds	6,601.27	7,908.93
Long-term Debt/Equity ratio	1.41	1.03
Total Debt/Equity ratio	1.92	1.45

*Assuming full subscription of the Issue

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION

The following discussion and analysis of the Group's financial condition and results of operations should be read in conjunction with the Group's audited consolidated financial statements as at and for the years ended March 31, 2008, March 31, 2009 and March 31, 2010 and the notes thereto, which are prepared in accordance with Indian GAAP and included elsewhere in this Letter of Offer. The financial statements reflect applicable statutory requirements, regulatory guidelines, and accounting practices in India. These requirements, guidelines and practices change from time to time and in accordance with Indian GAAP, adjustments to reflect such changes are made on a prospective basis and the financial statements for earlier periods are not restated. The Group has not provided a reconciliation of its financial statements to IAS/IFRS or U.S. GAAP and has not otherwise quantified or identified the impact of the differences between Indian GAAP and IAS/IFRS and U.S. GAAP as applied to its financial statements. As there are significant differences between Indian GAAP and IAS/IFRS and U.S. GAAP, there may be substantial differences in the results of the Group's operations, cash flows and financial position if the Group were to prepare its financial statements in accordance with IAS/IFRS or U.S. GAAP instead of Indian GAAP.

This discussion contains forward-looking statements that involve risks and uncertainties. Factors that might cause future results to differ significantly from those mentioned in the forward-looking statements include, but are not limited to, those discussed below and elsewhere in this Letter of Offer, particularly in the section titled "Risk Factors" of this Letter of Offer. For purposes of this discussion, references to "Fiscal Year" are to the year ended and as at March 31.

The Group has a complex structure with subsidiary companies in India and overseas with varying levels of ownership. The group structure and ownership of Suzlon in its Subsidiaries has undergone changes since April 2008 and some of the Subsidiaries have commenced operations during the Fiscal Year 2009. Some of these changes include reduction of the Group's stake in Hansen from 100.00% to 26.06% as at the date of this Letter of Offer, increase in the shareholding of the Group in REpower to its current holding of 90.50% of equity interest in REpower, commencement of operations of SE Forge.

Pursuant to such changes and the nature of the Group structure, Suzlon's consolidated financials for the Fiscal Year 2008, the Fiscal Year 2009 and the Fiscal Year 2010 are not likely to be directly comparable for the full year or on a quarterly basis. Furthermore, Suzlon's standalone financial results for the Fiscal Year 2010 are limited to WTG sales made by Suzlon and do not include WTG sales made by any of its Subsidiaries. Accordingly, investors should take these factors into consideration in reviewing any of the Group's financial statements.

Overview

The Group is the world's third largest wind turbine supplier group with a total of 9.8% market share, comprised of the Group (including REpower) with 6.4% of global market share in the supply of wind turbine generators ("WTGs") and REpower with 3.4% of global market share of WTGs. (Source: BTM Report 2010).

The Group develops and manufactures technologically advanced WTGs with an emphasis on high performance and cost-efficiency. The Group's current product range includes WTGs with capacities from 0.35 MW to 6.0 MW.

The Group has developed several unique products and services and customized them to different geographical needs and demands to improve the value offered to customers. These include providing engineering, procurement and construction ("EPC") services to markets including India, Australia, and Brazil and providing operations and maintenance ("O&M") services to markets including the United States and Europe.

In India, the Group, together with its Subsidiaries and Affiliated Companies, has positioned itself as an integrated solution provider of services related to wind energy. Besides manufacturing WTGs, the Group is also involved in wind resource mapping, identification of suitable sites and technical planning of wind energy projects. The Group also provides EPC and after-sales O&M services through Suzlon Infrastructure Services

Limited (“SISL”) and power evacuation facilities through Suzlon Power Infrastructure Limited (“SPIL”) and Suzlon Gujarat Wind Park Limited (“SGWPL”) for WTGs it supplies in India. The Affiliated Companies, including SRL, acquire land for sites that the Group has identified as suitable for wind energy projects. These projects (including the site) are then sold or leased to its customers.

In the international markets, the Group operates as a manufacturer and supplier of WTGs and is involved in O&M and wind farm project activities. It also assists its customers in the supervision of project execution and provides training to the employees of its customers so that they can carry out the O&M of projects developed by the Group. In select international markets and with respect to certain projects, the Group also undertakes infrastructure development, installation and commissioning of WTGs and connection to power grids. In some cases, the Group also provides O&M services to its customers.

The Group is an integrated developer of WTGs, focused on the design, engineering and development of WTGs. The majority of its components, (which include tubular tower sections, controllers including control panels, and control monitoring software, turbine generator nacelle with covers, hubs and rotor blades are developed and manufactured by certain Group entities for its sub-MW and multi-MW WTGs. The Group also has established supply sources for the components that it does not manufacture, such as gearboxes, casting parts and a portion of its nacelle cover, tower and generator requirements. Through SE Forge, the Group has also set up facilities to manufacture forging and foundry components that are required for the manufacture of WTGs and their components. Raw materials for WTG rotor blades, such as glass fibre, epoxy resin and foam, are also sourced from leading suppliers. The Group (excluding REpower) sourced approximately one-half of its gearbox requirements in Fiscal Year 2010 from Hansen.

The Group conducts R&D activities primarily through the Group’s Subsidiaries, Suzlon Energy GmbH (“SEG”), Suzlon Blade Technology B.V. (“SBT”) and RETC Renewable Energy Technology Centre (“RETC”). RETC is a 50:50 joint venture between the Group’s Subsidiaries, SE Drive Technik GmbH (“SEDT”) and REpower. REpower also conducts R&D activities outside of this joint venture. These entities focus on designing and developing new WTG models, upgrading the Group’s current models and developing efficient and effective rotor blade technology for its WTGs. See the section titled “Business - Research and Development” of this Letter of Offer.

The Group has significant sales and operations across the globe and is the leading provider of integrated WTG solutions in India and Australia. (Source: BTM Report 2010). The Group also has significant sales in each of the United States, Europe and China, and is expanding in other international markets such as Canada, South Africa and South America.

The accumulated sales of WTGs of the Group (excluding REpower) from the time of its establishment stood at 5,859 MW, 8,649 MW and 10,109 MW as at March 31, 2008, March 31, 2009 and March 31, 2010, respectively. India, with 688 MW, and the international markets, with 772 MW, accounted for 47.12% and 52.88%, respectively, of the Group’s sales of WTGs (by volume in MW) in the Fiscal Year 2010 (excluding REpower).

The Group’s consolidated total income was Rs.26,530.54 crores and Rs.20,848.67 crores for the Fiscal Year 2009 and Fiscal Year 2010, respectively. Net profit was Rs.236.48 crores for the Fiscal Year 2009 and net loss was Rs.982.56 crores for the Fiscal Year 2010.

The following table sets forth the breakdown of the Group’s total consolidated income:

(in Rs.crores, except percentages)

	For the Fiscal Year					
	2008	Percentage of Total Income	2009	Percentage of Total Income	2010	Percentage of Total Income
Sales:						
WTG and its Components.....	11,444.23	82.05	22,969.42	86.58	18,073.37	86.69
Gearboxes.....	2,404.81	17.24	3,993.64	15.05	2,656.12	12.74
Foundry and Forging ⁽¹⁾	0.01	—	17.18	0.06	104.11	0.50
Others	24.72	0.18	36.06	0.14	43.21	0.21

Intersegment Sales	(194.34)	(1.39)	(934.60)	(3.52)	(257.15)	(1.23)
Total Sales	13,679.43	98.08	26,081.70	98.31	20,619.66	98.90
Other Income⁽²⁾	267.98	1.92	448.84	1.69	229.01	1.10
Total Income	13,947.41	100.00	26,530.54	100.00	20,848.67	100.00
Note:						
New segment for reporting for Fiscal Year 2009.						
Other income consists primarily of interest received, profit on sale of investments, dividend income and other operating income.						

The following table sets forth the percentage breakdown of the total sales geographically of the Group for the Fiscal Years 2008, 2009 and 2010:

	For the Fiscal Year					
	2008		2009		2010	
	%		%		%	
India	41.07	%	17.07	%	19.89	%
Europe	23.26	%	32.40	%	43.70	%
United States	18.68	%	28.09	%	18.77	%
China	3.50	%	4.85	%	7.15	%
Australia and New Zealand	7.48	%	11.24	%	6.57	%
Others	6.01	%	6.35	%	3.92	%
Total	100.00	%	100.00	%	100.00	%

Non-Comparability of Financial Statements for Certain Periods

On May 9, 2006, the Group, through its Subsidiary AERH purchased all of the share capital of Eve Holding N.V., formerly the holding company of Hansen, for a consideration of Rs.2,502.64 crores. The Group's consolidated financial statements for the Fiscal Year 2010 include Hansen's results through November 2009 as subsidiary and subsequently as an associate. Hansen listed its equity shares on the London Stock Exchange on December 11, 2007. The shareholding of the Group in Hansen stood at 26.06% as at March 31, 2010 compared to 61.28% as at March 31, 2009 and 71.28% as at March 31, 2008. As a result of the foregoing, the Group's consolidated financial statements for each of the Fiscal Year 2008, the Fiscal Year 2009, and the Fiscal Year 2010 are not directly comparable with the corresponding prior Fiscal Years.

From April 1, 2007, the Group commenced erection, installation and commissioning activities for its WTG business in India and outside India through Subsidiary companies. In India, Synefra Engineering Constructions Limited ("Synefra"), an Affiliated Company in which the Group does not hold any equity interest and which is not equity accounted by the Group, had conducted these activities previously. The Group's consolidated financial statements for the Fiscal Year 2008 therefore include the results of WTG erection, installation and commissioning activities for the relevant Subsidiaries for the first time and are not directly comparable with its consolidated financial statements for the Fiscal Year 2007.

For accounting purposes, under Indian GAAP, REpower became a Subsidiary of the Group with effect from June 6, 2008. As a German stock corporation, REpower is generally restrained from sharing any information with external parties without also making them available to all shareholders of REpower. The consolidated results of the Group for the Fiscal Year 2008 include the results of REpower, as an associate company, for the period June 1, 2007 to December 31, 2007 using the equity method of accounting, and without any reconciliation of differences in accounting policies. As a result of the foregoing, the Group's consolidated financial statements for the Fiscal Year 2008 are not directly comparable with its consolidated financial statements for the Fiscal Year 2007. Furthermore, the consolidated results of the Group for the Fiscal Year 2009 include the results of REpower as a Subsidiary from June 6, 2008. As a result of the foregoing, the Group's consolidated financial statements for the Fiscal Year 2009 may not be directly comparable with the financial statements for the Fiscal Year 2008. See "Risks Relating to REpower" in the section titled Risk Factors of this Letter of Offer.

Major Factors Affecting The Group's Results of Operations

Several factors influence the Group's consolidated results of operations, financial condition and cash flow significantly, including:

- Government policies including taxes and duties affecting wind energy sector: Historically, the wind energy industry has received fiscal benefits extended for investments in wind energy by state governments in India, the Indian central government and several international governments. These include the new guidelines for tariff determination for all renewable energy sources including wind energy by the Central Electricity Regulatory Commission and the new incentive schemes of the MNRE. The renewable energy sector in general is currently the focus of considerable government attention worldwide. Changes in government policies have affected, and will continue to affect, the Group's growth and the investment plans of its customers.
- Fluctuations in exchange rates and interest rates: Changes in interest rates, both international and domestic, affect the Group's operating results and the viability of wind power projects in general, as higher interest rates affect the ability of potential customers to obtain financing for wind power projects. Additionally, since the Group's imported purchases and export sales are invoiced in foreign currencies, the fluctuation in the rate of exchange between such currencies and the Indian Rupee will affect its operating results to the extent it is not passed on to customers by corresponding escalations in the Group's product prices.
- General economic and business conditions globally and in India: Although India has historically been the Group's principal market, expansion outside India has intensified the impacts of global economic changes on the Group. Sales outside India presently contribute an increasing proportion of the Group's revenues (which equalled 80.11% in Fiscal Year 2010). It therefore is affected by general economic conditions in globally, particularly economic conditions affecting the power sector in our largest markets including India, Europe, the United States, Australia and China. The GDP growth, industrial growth and power demand of these countries have been and will continue to be important factors in determining the Group's operating results and future growth.
- Demand for power, specifically from wind energy sources: Changes in prices of oil, coal, natural gas and other conventional energy sources influence the demand for renewable energy sources such as wind power. The demand for power in general and from wind energy in particular has been and will continue to affect the Group's operating results and future growth.
- Price and availability of raw materials and components: Raw materials and components used in manufacturing WTGs are sourced from domestic as well as international suppliers and their prices depend on a variety of factors. Fluctuations in prices of such raw materials and components and their availability (which are driven by several factors including strong demand in the Indian and Chinese markets and by suppliers' manufacturing capacities and capital expenditure plans, as components are primarily customized for the Group's requirements) will affect its operating results. The Group continues to invest in building in-house manufacturing capabilities with a view to reducing its dependency on outside suppliers for key components.
- Ability to source and manage cost effective funding and working capital requirements: Historically, the Group has been able to source the required working capital from banks and internal cash accruals. Its operating results and future growth will depend on its ability to optimize the working capital cycle time and to continue to source adequate working capital commensurate with the size of its business. Our debt service costs as well as overall cost of funds depend on many factors, including developments in the Indian credit markets and, in particular, interest rate movements and the existence of adequate liquidity in the equity and debt markets.

Critical Accounting Policies

Critical accounting policies are those that require application of management's most difficult, subjective or complex judgments, often as a need to make estimates about the effects of matters that are inherently uncertain and may change in subsequent periods. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting the estimate

may differ significantly from management's current judgments. For details of the Group's accounting policies see Schedule Q of the financial statements for the year ended March 31, 2010 included in the section titled "Financial Statements" of this Letter of Offer.

The critical accounting policies and management's view on the accounting policies, which the Group's management believes are the most significant judgments and estimates used in the preparation of the Group's financial statements are described below.

Revenue Recognition

Revenue is recognized when the significant risks and rewards in respect of ownership of goods has been transferred to the buyer as per the terms of the respective sales order if the revenue is expected to be received and that the revenue can be reliably measured. Revenue comprises of sale of goods and services and is disclosed, net of discounts, excise duty, sales tax, service tax, VAT or other taxes, as applicable.

We recognize revenue from fixed price contracts based on the stage of completion of the individual contract using the percentage-of completion method, provided the order outcome as well as expected total costs can be reliably estimated. Amounts due from customers are measured at the selling price of the work performed based on the stage of completion less interim billing and expected losses. The stage of completion is measured by the proportion that the contract expenses incurred to date bear to the estimated total contract expenses. Where it is probable that total contract expenses will exceed total revenues from a contract, the expected loss is recognised immediately as an expense in the profit and loss account. Where the profit from a contract cannot be estimated reliably, revenue is only recognised equalling the expenses incurred to the extent that it is probable that the expenses will be recovered.

Prepayments from customers are recognised as liabilities. A contract in progress for which the selling price of the work performed exceeds interim billings and expected losses is recognised as an asset. Contracts in progress for which interim billings and expected losses exceed the selling price are recognised as a liability. Expenses relating to sales work and the winning of contracts are recognised in the income statement as incurred.

Our service income from project execution services is recognized on completion of the service and our revenue from annual service and maintenance contracts is recognized on a proportionate basis during the period in which the service is provided. Our power generation income is recognized based on electrical units generated net of wheeling and transmission losses as disclosed in the power generation reports issued by relevant authorities. Interest income is recognized on a time proportion basis, but in the case of interest due from customers, only if there is documentary evidence that a customer has accepted the liability. Dividend income is recognized when the right to receive payment has been established..

The Group's management believes that its accounting policies in respect of sale of wind power systems are critical because delays in delivery of any components could result in delayed recognition of revenue, resulting in WTG components being recognized as inventory.

Fixed Assets and Intangible Assets

Fixed assets including land are stated at cost, less accumulated depreciation and impairment losses, if any. This cost includes all expenditure necessary to bring the asset to its working condition for its intended use. Own manufactured assets, or assets manufactured by the Group, are capitalised inclusive of all direct costs and attributable overheads.. Capital work in progress comprises of advances paid to acquire fixed assets and the cost of fixed assets that are not yet ready for their intended use as at the balance sheet date. In the case of new undertakings, pre-operative expenses are capitalized upon the commencement of commercial production. Fixed assets held for disposal are stated at the lower of net book value and the estimated net realizable value.

In respect of accounting periods commencing on or after December 7, 2006, exchange differences arising on reporting of long-term foreign currency monetary items at rates different from those that at which they were initially recorded during the period, or reported in the previous financial statements, are added to or deducted

from the cost of the asset and are depreciated over the balance life of the asset, if these monetary items pertain to the acquisition of a depreciable fixed asset.

Intangible assets are recorded at the consideration paid for their acquisition. The cost of an internally generated asset comprises all expenditure that can be directly attributed, or allocated, on a reasonable and consistent basis, to create, produce and make the asset ready for its intended use. Development cost incurred on an individual project is carried forward when its future recoverability can reasonably be regarded as assured. Any expenditure carried forward is amortized over the period of expected future sales from the related project, not exceeding five years. The carrying value of development costs is reviewed for impairment annually when the asset is not in use, and otherwise when events and changes in circumstances indicate that the carrying value may not be recoverable.

The carrying amount of assets belonging to each cash generating unit (“CGU”) are reviewed at each balance sheet date to assess whether the amount is recorded in excess of their recoverable amounts and where carrying amounts exceed the recoverable amount of the assets with each such CGU, assets are written down to their recoverable amount. The recoverable amount is the greater of the asset’s net selling price and value in use. The impairment loss recognized in the prior accounting period is reversed if there has been a change in estimates of the recoverable amount.

The excess of the cost to the Group of its investment in Subsidiaries over the Group’s portion of equity on the acquisition date is recognized in the Group’s financial statements as goodwill and is tested for impairment annually. Following the acquisition of REpower in the Fiscal Year 2009, the consolidated financial statements of the Group as at March 31, 2010 showed goodwill of Rs.6,104.65 crores. There was no impairment of goodwill as at March 31, 2010. The Company’s management believes its accounting policies with respect to fixed and intangible assets (particularly goodwill) are critical because of the potential impact on its financial condition and results of operation in the event of impairment.

Depreciation and Amortization

Depreciation is provided on the written down value method and is based on management’s estimate of the useful life of the fixed assets or where applicable, at rates specified by the IT Act, whichever is higher. Intangible assets are amortized on a straight-line basis over a period of five years. Leasehold land is amortized over the period of the lease of such land. Some of the subsidiaries of the Group provide depreciation on straight-line method.

The Group’s management believes that the estimates and assumptions made in connection with its accounting policy with respect to depreciation and amortization are critical because changes in these estimates or assumptions could increase or decrease expenses and therefore have a material impact on the Group’s financial condition and results of operations.

Inventories

Inventories of raw materials (including stores, spares, and consumables), packing materials, semi-finished goods, work-in-progress, contracts in progress and finished goods are valued at the lower of cost and estimated net realisable value. Cost is determined on a weighted average basis. The cost of work-in-progress, project work-in-progress, semi-finished goods and finished goods includes the cost of material, labour and manufacturing overheads.

Stock of land and land lease rights is valued at lower of cost and estimated net realisable value. Cost is determined on weighted average basis. Net realisable value is determined by management using technical estimates.

Determining the cost and realisable value of inventories requires management to make certain estimates, including regarding provisions for slow / non-moving / obsolete components, which may not reflect the actual costs and expense or the value that is obtained upon sale, as the case may be. The Company’s management believes that these are critical accounting estimates because differences in actual realisation on sales of inventory could have a material impact on the Company’s financial condition and results of operations.

Investments

Investments that are readily realisable and intended to be held for not more than a year are classified as current investments. All other investments are classified as long-term investments. Long-term investments, other than in associates, are carried at cost. However, a provision is made to recognize a decline (other than temporary declines) in the value of long-term investments. Current investments are carried at the lower of cost and fair value, determined on an individual basis.

Investments in associates are accounted for using the equity method. An associate is an entity in which the Group has significant influence. Under the equity method, the investment in the associate is carried in the balance sheet at cost plus post-acquisition changes in the Group's share of net assets of the associate. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment. The profit and loss account reflects the share of the results of operations of the associate. Unrealised gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate. After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in its associates. The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in the profit and loss account.

Foreign Currency Transactions

Transactions in foreign currencies are recorded at the average exchange rate prevailing in the period during which the transactions occur.

Outstanding balances of, foreign currency monetary items are reported using the period end rates.

Pursuant to the notification of the Companies (Accounting Standards) Amendment Rules 2009 issued by Ministry of Corporate Affairs on March 31, 2009 amending Accounting Standard – 11 (AS - 11) 'The Effects of Changes in Foreign Exchange Rates (revised 2003), exchange differences in respect of accounting periods commencing on or after December 7, 2006, relating to long term monetary items are dealt with in the following manner:

- Exchange differences relating to long term foreign currency monetary items, arising during the year, insofar as they relate to the acquisition of a depreciable capital asset are added to or deducted from the cost of the asset and depreciated/recovered over the balance life of the asset.
- In other cases, such differences are accumulated in the "Foreign Currency Monetary Item Translation Difference Account" and amortised to the profit and loss account over the balance life of the long-term monetary item but not beyond March 31, 2011.

All other exchange differences are recognized as income or expense in the profit and loss account.

Non-monetary items carried in terms of historical cost denominated in a foreign currency are reported using the exchange rate at the date of the transaction; and non-monetary items which are carried at fair value or other similar valuation denominated in a foreign currency are reported using the exchange rate that existed, when the values were determined.

Exchange differences arising as a result of the above are recognised as income or expense in the profit and loss account.

Derivatives

In case of forward contracts, the difference between the forward rate and the exchange rate, being the premium or discount, at the inception of a forward exchange contract is recognized as income/expense over the life of the

contract. Exchange differences on such contracts are recognized in the profit and loss account in the reporting period in which the rates change. Any profit or loss arising on cancellation or renewal of forward exchange contract is recognized as income or as expense for the period.

As per the Institute of Chartered Accountants of India (“ICAI”) announcement, accounting for derivative contracts, other than those covered under AS-11, are marked to market on a portfolio basis and the net loss after considering the offsetting effect on the underlying hedge items is charged to the profit and loss account. Net gains on marked to market basis are not recognized.

Foreign Operations

The financial statements of integral foreign operations are translated as if the transactions of the foreign operations have been those of the Group itself.

In translating the financial statements of a non-integral foreign operation, the assets and liabilities, both monetary and non-monetary, are translated at the closing rate; income and expense items are translated at average exchange rates prevailing during the year and all resulting exchange differences are accumulated in a foreign currency translation reserve until the disposal of the net investment in the non-integral foreign operation.

On the disposal of a non-integral foreign operation, the cumulative amount of the exchange differences which have been deferred and which relate to that operation are recognized as income or as expenses in the same period in which the gain or loss on disposal is recognized.

When there is a change in the classification of a foreign operation, the translation procedures applicable to the revised classification are applied from the date of the change in classification.

The Company’s management believes that these are critical accounting policies because changes in estimates and foreign exchange rates could have material impact on the Company’s results of operations.

Related Party Transactions

The Group has in the past engaged, and is likely in the future to engage, in transactions with related parties. The Group believes that all transactions with related parties are on terms no less favourable to it than could have been obtained from unaffiliated third parties on an arm’s length basis. For details of the Group’s related party transactions, see the notes to the Group’s financial statements included elsewhere in this Letter of Offer.

Retirement and Other Employee Benefits

Employee benefits in the nature of defined contributions are charged to the profit and loss account of the year when the contributions to the respective funds are due. There are no other obligations other than the contribution payable to the respective statutory authorities.

Retirement benefits in the form of gratuity and pension are defined benefit obligations, and are provided for on the basis of an actuarial valuation, using projected unit credit method as at the balance sheet date.

Defined contributions to the superannuation fund through its employees’ trust are charged to the profit and loss account on an accrual basis.

Short-term compensated absences are provided based on estimates. Long-term compensated absences are provided on the basis of an actuarial valuation, using the projected unit credit method, as at the balance sheet date.

Actuarial gains/losses are taken to the profit and loss account and are not deferred.

Provisions and Contingent Liabilities

A provision is recognized when the Group has a present obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to their present value and are determined based on a best estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current best estimates. Contingent liabilities are disclosed by way of notes to the accounts unless the possibility of an outflow is remote. Contingent assets are not recognised or disclosed. Provision for performance guarantees represents the expected outflow of resources against claims for performance shortfalls expected in the future over the life of the guarantee assured. The period of performance guarantees varies for each customer according to the terms of the contract. The key assumptions in arriving at the performance guarantee provision include wind velocity, wind variation, plant load, grid availability, machine availability, load shedding and historical data. The provision for operation, maintenance and warranties represents the expected liability on account of field failure of WTG parts and expected expenditure on servicing the WTGs over the period of free operation, maintenance and warranty, which varies according to the terms of each purchase order. This provision is made in the period the contract is completed for contracts that occur over multiple years. Provision for liquidated damages represents the expected claims that the Group may need to pay for non-fulfilment of certain commitments under the terms of the purchase order. These are determined on a case-by-case basis considering the circumstances of each individual purchase order and the factors relevant to that sale.

In the opinion of management, the likelihood of redemption of the Group's FCCBs cannot be presently ascertained. Therefore, no provision has been made by the Group in respect of the payment of premium on the bonds, which amounts to Rs.377.22 crores as of March 31, 2010.

The Company's management believes that changes to assumptions and estimates and differences in actual results from those estimated may have a material impact on the Company's financial condition and results of operations.

Deferred Tax Assets and Liabilities

Deferred tax reflects the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing difference of earlier years. Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date. Deferred tax assets and deferred tax liabilities across various companies of operation are not set off against each other, as the Group does not have a legal right to do so. If there is unabsorbed depreciation or carry forward of losses under tax laws, deferred tax assets are recognized only to the extent that there is virtual certainty supported by convincing evidence that sufficient future taxable income will be available against which such deferred tax assets can be realized.

Deferred tax resulting from timing differences that originate during the tax holiday period but are expected to reverse after such tax holiday period is recognized in the year in which the timing differences originate using the tax rates and laws enacted or substantively enacted at the balance sheet date.

At each balance sheet date, the company reassesses unrecognised deferred tax assets. It recognises unrealised deferred tax assets to the extent it has become reasonably certain or virtually certain, as the case may be, that sufficient taxable income will be available against which the deferred tax can be realised.

The carrying amounts of deferred tax assets are reviewed at each balance sheet date. The company writes-down the carrying amount of a deferred tax asset to the extent that it is no longer reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available against which deferred tax asset can be realised. Any such write-down is reversed to the extent that it becomes reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available.

Determining the probability of realisation of deferred tax assets requires the Company's management to make certain assumptions about its future income, which may be material to the Company's financial condition and results of operations.

Operating leases Assets acquired on lease, where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Lease rentals are charged off to the profit and loss account as incurred.

Employee Stock Options

Stock options granted to employees under the employees' stock option scheme are accounted as per the intrinsic value method permitted by the SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 and the "Guidance Note on Share Based Payments" issued by the ICAI. Accordingly, the excess of the market price of the shares as on the date of the grant of options over the exercise price is recognised as deferred employee compensation and is charged to profit and loss account on straight-line basis over the vesting period.

The number of options expected to vest is based on the best available estimate and are revised, if necessary, if subsequent information indicates that the number of stock options expected to vest differs from previous estimates.

Results of Operations

The table below sets forth, for the periods indicated, certain revenue and expense items for the Group's consolidated operations, expressed as a percentage of total income:

	For the Fiscal Year ended March 31,		
	2008	2009	2010
	(percentage)		
Income			
Sales and service income	98.08	98.31	98.90
Other income	1.92	1.69	1.10
Total income	100.00	100.00	100.00
Expenditure			
Costs of goods sold	(63.60)	(63.54)	(65.37)
Operating and other expenses	(12.05)	(16.09)	(18.22)
Employees' remuneration and benefits	(7.48)	(8.16)	(10.29)
Financial charges	(4.28)	(3.97)	(6.99)
Depreciation/amortisation	(2.07)	(2.16)	(3.18)
Preliminary expenditure written off	(0.01)	(0.00)	(0.00)
Total Expenditure	(89.49)	(93.92)	(104.05)
Profit before Tax, Exceptional Items and Minority Interest.....	10.51	6.08	(4.05)
Exceptional Items	(2.04)	(3.38)	1.02
(Tax)	(1.17)	(1.09)	(1.71)
Minority Interest and share in associate's profit after tax	0.09	0.72	0.03
Net Profit.....	7.39	0.89	(4.71)

Principal Components of Results of Operations

Sales and Service Income

Sales and service income consists primarily of sales of WTGs, gearboxes and WTG components including rotor blades, towers and foundry and forging components. The Group also derives income from WTG erection, installation and commissioning activities, sale and lease of land, power evacuation and O&M services.

Other Income

Other income consists primarily of interest received from bank deposits, interest received from customers for delayed payments and interest on loans as well as infrastructure development income, dividend income, net profit from the sale of investments and other operating income.

Cost of Goods Sold

Cost of goods sold consists primarily of the consumption of raw materials and components utilized in the manufacture of WTGs and related equipment. Cost is measured by the weighted average method by using the value of the stock of raw materials and components at the beginning of the accounting period along with raw materials and components purchased during the period reduced by the value of the stock of raw materials and components at the close of the accounting period. Cost of goods sold also includes increases or decreases in inventory, which represents the difference between the value of the stock of semi-finished and finished goods and work-in-progress on the first and last days of the relevant fiscal year. Project execution and costs for heavy equipment hiring costs are included in cost of goods sold. In addition, the Group imports a portion of its raw materials and components requirements and these costs are affected by fluctuations in the value of the Rupee.

Operating and Other Expenses

Operating and other expenses principally consist of provisions for freight and packaging costs, provisions for performance guarantees, provision for liquidated damages and provision for operation, maintenance and warranty costs. Other key operating and other expense items include stores and consumables, consultancy charges, travelling and communication expenses, other selling and administrative expenses, design changes and technological upgrades, O&M charges, quality assurance expenses, R&D, certification and product development, rent, rates and taxes, advertising and promotional costs, infrastructure development cost and net exchange difference.

Employees' Remuneration and Benefits

Employees' remuneration and benefits consists of salaries, wages, allowances and bonuses, contributions to provident and other funds and staff welfare expenses. The Group provides stock options for eligible employees and the ability to exercise such stock options is subject to the employee's continuing employment with the Group.

Financial Charges

Financial charges consist of interest on fixed loans, including term loans, acquisition financing loans and our foreign currency FCCBs, and bank charges. Other interest relates primarily to interest expenses on working capital and other short-term loans. Bank charges represent processing fees for loans and other credit facilities as well as for bank guarantees.

Tax

Taxes comprise both current and deferred taxes. Provision for current taxes is based on the amount expected to be paid to the tax authorities, after taking into consideration the applicable deductions and exemptions admissible under the applicable tax laws. Provision also is made for earlier year current tax payments. Deferred taxes are provided for in accordance with applicable prudential norms.

Minority Interest and Share in Associate's Profit after Tax

The share of profit arising to minority shareholders for their interest is deducted from the Group's results and the share of the Group in its associate's profit after tax is added in to the Group's results.

Fiscal Years 2010 and 2009

Income

Total income decreased by 21% to Rs.20,848.67 crores in the Fiscal Year 2010 from Rs.26,530.54 crores in the Fiscal Year 2009 driven largely by the reduction in sales.

Sales

Sales decreased by 21% to Rs.20,619.66 crores in the Fiscal Year 2010 from Rs.26,081.70 crores in the Fiscal Year 2009. This decrease was primarily due to the reduction in demand as a result of financing difficulties faced by our customers caused by ongoing difficulties in the credit markets and consolidation of financial results of Hansen as a Subsidiary for only eight months (April 2009 to November 2009) as compared to being consolidated for twelve months in the preceding year.

Other Income

Other income decreased by 49% to Rs.229.01 crores in the Fiscal Year 2010 from Rs.448.84 crores in the Fiscal Year 2009. This decrease was primarily due to a decrease in our interest income received from banks due to the reduction in our average cash on hand during the period.

Expenditure

Expenditures decreased by 13% to Rs.21,694.16 crores in the Fiscal Year 2010 from Rs.24,917.26 crores in the Fiscal Year 2009. This decrease was primarily due to the reduction in sales volume. Expenditure as a percentage of total income amounted to 104% in the Fiscal Year 2010 compared to 94% in the Fiscal Year 2009.

Cost of Goods Sold

Cost of goods sold decreased by 19% to Rs.13,628.16 crores in the Fiscal Year 2010 from Rs.16,856.80 crores in the Fiscal Year 2009. The decrease was primarily due to the reduction in sales volumes during the period. Cost of goods sold as a percentage of sales stood at 66% in the Fiscal Year 2010 compared to 65% in the Fiscal Year 2009.

Operating and Other Expenses

Operating and other expenses amounted to 18% of the sales as compared to 16% during the previous year. Freight outward and packing expense as a percentage of sales decreased to Rs.680.63 crores (3% of sales) in the Fiscal Year 2010 from Rs.1,135.63 crores (4% of sales) in the Fiscal Year 2009. The Group has provided Rs.203.32 crores towards performance guarantees, Rs.528.72 crores towards operational and maintenance warranties and Rs.215.05 crores towards liquidated damages in the Fiscal Year 2010 as compared to Rs.280.87 crores, Rs.366.72 crores and Rs.284.33 crores, respectively, in the Fiscal Year 2009. There was a net gain in exchange differences of Rs.42.71 crores in the Fiscal Year 2010 compared to a net loss of Rs.58.08 crores in the Fiscal Year 2009. The balance of operating and other expenses was relatively stable at Rs.2,214.62 crores in the Fiscal Year 2010 as compared to Rs.2,141.91 crores in the Fiscal Year 2009.

Employee's Remuneration and Benefit Cost

Employee remuneration and benefit cost remained stable at Rs.2,145.41 crores in the Fiscal Year 2010 compared to Rs.2,165.75 crores in the Fiscal Year 2009.

Financial Charges

Financial charges increased by 38% to Rs.1,457.99 crores in the Fiscal Year 2010 from Rs.1,053.94 crores in the Fiscal Year 2009. This was primarily due to increased interest costs, mainly due to conversion of foreign exchange denominated loans into Indian rupees, and an increase in bank charges for payment of processing fees and other expenses from refinancing our debts in the Fiscal Year 2010.

Depreciation

The Group incurred Rs.662.97 crores and Rs.573.14 crores towards depreciation for the Fiscal Year 2010 and the Fiscal Year 2009, respectively. The increase was primarily due to our ramp up in capital expenditures during these years. The charge on account of depreciation as a percentage of sales amounts to 3% in the Fiscal Year 2010 as compared to 2% in the Fiscal Year 2009.

Profit Before Tax and Exceptional Items

There has been a loss before tax and exceptional items of Rs.845.49 crores in the Fiscal Year 2010 as compared to a profit before tax and exceptional items of Rs.1,613.28 crores in the Fiscal Year 2009 driven largely by the decrease in our sales.

Exceptional Items

During the Fiscal Year 2010, there was an exceptional gain of Rs.211.89 crores, primarily as a result of the sale of a portion of the stake in Hansen of Rs.251.96 crores and the net gain from the buyback and exchange of our FCCBs after setting off costs for restructuring and refinancing of financial facilities of Rs.122.27 crores which was partially offset by the amortization of foreign exchange losses on our FCCBs which amounted to Rs.162.34 crores. During the Fiscal Year 2009 there was an exceptional loss of Rs.896.29 crores primarily as a result of our foreign exchange losses on our foreign currency bonds of Rs.131.35 crores, Rs.353.84 crores as a result of our mark-to-market losses on foreign exchange forward / option contracts as well as Rs.411.10 crores as a result of a blade crack issue in our S88 turbines.

Tax

Tax expenses increased by 24% to Rs.356.13 crores in the Fiscal Year 2010 from Rs.288.12 crores in the Fiscal Year 2009 as a result of an increase in deferred tax expense as a result of our write-off of deferred tax assets amounting to Rs.174.45 crores in Fiscal Year 2010.

Minority Interest and Share in Associate's Profit

Share in profits and losses attributable to minority interests and share in associate's profit resulted in a gain of Rs.7.17 crores in the Fiscal Year 2010 as compared to a loss Rs.192.39 crores in the Fiscal Year 2009. This was primarily due to reduction in share of profit attributable to minority due to reduced minority stake in REpower and Hansen.

Net Profit/ (Loss)

As a result of the factors referred to above, there was a net loss of Rs.982.56 crores in the Fiscal Year 2010 as compared to a net profit of Rs.236.48 crores in the Fiscal Year 2009.

Fiscal Years 2009 and 2008

Income

Total income increased by 90% to Rs.26,530.54 crores in the Fiscal Year 2009 from Rs.13,947.41 crores in the Fiscal Year 2008, largely driven by the consolidation of REpower.

Sales

Sales increased by 91% to Rs.26,081.70 crores in the Fiscal Year 2009 from Rs.13,679.43 crores in the Fiscal Year 2008. This increase was primarily due to the consolidation of REpower from the Fiscal Year 2009 onwards and increased sales at Subsidiary Hansen. REpower's consolidation contributed Rs.7,105.00 crores to the volume of WTG sales of the Group in Fiscal Year 2009. The Group's (excluding REpower) WTG sales (in terms of MW) increased to 2,790.45 MW in the Fiscal Year 2009 from 2,311.40 MW in the Fiscal Year 2008 registering a growth of 21%.

Other Income

Other income increased by 68% to Rs.448.84 crores in the Fiscal Year 2009 from Rs.267.98 crores in the Fiscal Year 2008. This increase was primarily due to a profit of Rs.92.86 crores arising from the 10% stake sale of Hansen and increased operating income of REpower and Hansen.

Expenditure

Expenditure increased by 100% to Rs.24,917.26 crores in the Fiscal Year 2009 from Rs.12,481.76 crores in the Fiscal Year 2008. This increase was primarily due to an increase in the cost of goods sold, operating and other expenses, employee's remuneration and benefits, financial charges and depreciation/amortization resulting from internal growth and the consolidation of REpower. Expenditure as a percentage of total income amounted to 94% in the Fiscal Year 2009 compared to 89% in the Fiscal Year 2008.

Cost of Goods Sold

Cost of goods sold increased by 90% to Rs.16,856.80 crores in the Fiscal Year 2009 from Rs.8,870.18 crores in the Fiscal Year 2008. The increase was primarily due to increase in sales volume. Cost of goods sold as a percentage of sales remained stable at 64.6% during the Fiscal Year 2009 as compared to 64.8% in Fiscal Year 2008.

Operating and Other Expenses

Operating and other expenses increased from Rs.1,680.73 crores in the Fiscal Year 2008 to Rs.4,267.54 crores in the Fiscal Year 2009 and amounting to 16% of the sales as compared to 12% during the previous year. Freight outward and packing expense as a percentage of sales increased to Rs.1,135.63 crores (4% of sales) in the Fiscal Year 2009 as compared to Rs.466.32 crores (3% of sales). The Group has provided Rs.280.87 crores towards performance guarantee and Rs.366.72 crores towards operational and maintenance warranty and Rs.284.33 crores towards liquidated damages in the Fiscal Year 2009 as compared to Rs.156.26 crores and Rs.68.90 crores and Rs.24.45 crores respectively in the Fiscal Year 2008. The balance operating and other expenses stood at Rs.2,199.99 crores in the Fiscal Year 2009 as compared to Rs.964.80 crores in the Fiscal Year 2008, mainly due to significantly higher volume.

Employee's Remuneration and Benefit Cost

Employee remuneration and benefit cost increased by 108% to Rs.2,165.75 crores in the Fiscal Year 2009 from Rs.1,043.01 crores in the Fiscal Year 2008. In absolute terms, the increase was primarily because of inclusion of REpower, which contributed to Rs.490.83 crores. The remaining increase is primarily attributable to operationalization of new facilities, requiring additional technical and managerial personnel.

Financial Charges

Financial charges increased by 77% to Rs.1,053.94 crores in the Fiscal Year 2009 from Rs.596.94 crores in the Fiscal Year 2008. The increase is primarily due to increased working capital requirements and bank charges.

Depreciation

The Group provided a sum of Rs.573.14 crores and Rs.289.36 crores towards depreciation for the Fiscal Year 2009 and the Fiscal Year 2008 respectively. The increase was primarily due to capacity expansion at the Group's manufacturing facilities and consolidation of REpower. The charge on account of depreciation as a percentage of sales remained stable at 2.1% in the Fiscal Year 2009 as compared to 2.2% in the Fiscal Year 2008.

Profit Before Tax and Exceptional Items

As a result of the factors referred to above, profit before tax and exceptional items increased by 10% to Rs.1,613.28 crores in the Fiscal Year 2009 from Rs.1,465.65 crores in the Fiscal Year 2008. Profit before tax as a percentage of total income amounted to 3% in the Fiscal Year 2009, compared to 8% in the Fiscal Year 2008 largely as a result of increased costs incurred to ramp-up operations.

Exceptional Items

The Group classified the following as exceptional items during the Fiscal Year 2009.

Exceptional items increased from Rs.285.21 crores in the Fiscal Year 2008 to Rs.896.29 crores in the Fiscal Year 2009.

In the Fiscal Year 2009, the Group continued a retrofit program in the United States to resolve blade crack issues noticed in some of its S88 turbines. The retrofit program involves the structural strengthening of blades on S88 (2.1MW) turbines. The retrofit program was carried out by maintaining a rolling stock of temporary replacement blades, to minimize the downtime for operational turbines. The Group provided for an amount of approximately Rs.221.59 crores towards this in the Fiscal Year 2009, as well as an exceptional loss of Rs.189.51 crores for the unavailability of the turbines as a result of the program. The Group also incurred an exceptional loss of Rs.353.84 crores of mark-to-market losses on foreign exchange contracts taken for hedging purposes in the Fiscal Year 2009. Finally, the Group incurred an exception loss of Rs.131.35 crores in the Fiscal Year 2009 for foreign exchange losses arising due to the restatement of its FCCBs at the end of the Fiscal Year 2009.

Tax

Tax expenses increased 76% to Rs.288.12 crores in the Fiscal Year 2009 from Rs.163.29 crores in the Fiscal Year 2008.

Minority Interest

Minority interest increased to Rs.194.71 crores in the Fiscal Year 2009, compared to Rs.42.80 crores in the Fiscal Year 2008. This was due to the consolidation of REpower and an increase in the profits of Hansen.

Net Profit

As a result of the factors referred to above, net profit decreased from Rs.1,030.10 crores in the Fiscal Year 2008 to Rs.236.48 crores in the Fiscal Year 2009.

Liquidity and Capital Resources

	For the Fiscal Year Ended March 31,		
	2008	2009	2010
	(in Rs.crores)		
Net cash (used in)/generated from operating activities	1,204.30	(1,223.75)	2,234.30
Net cash flow from investing activities	(4,636.70)	(6,844.55)	(844.93)
Net cash flow from financing activities	8,814.06	3,396.56	(654.63)
Net increase (decrease) in cash and cash equivalents	5,381.66	(4,671.74)	734.74
Add: Cash and bank balances taken over on acquisition of Subsidiary	—	669.25	48.50
(Less): Cash and bank balance on sale of stake in Subsidiary	—	—	(876.63)
Add/(less): Effect of exchange difference on cash and cash equivalents	7.33	3.76	(3.06)
Cash and cash equivalents at the beginning of the year	1,445.61	6,834.60	2,835.87
Cash and cash equivalents at the end of the year	6,834.60	2,835.87	2,739.32

Cash Flows

The Group needs cash primarily to fund its domestic and overseas organic and inorganic expansion, including the establishment of new industrial facilities in India and abroad, as well as to fund working capital needs. The Group funds these capital requirements through a variety of sources, including cash from operations, short- and long-term lines of credit and through the issuance of equity securities and FCCBs. These sources of funding, and the Group's ability to fund its capital expenditure needs, could be adversely affected by: (i) the continued demand for the Group's products and selling prices it can charge, (ii) delays in shipping and transporting WTGs and WTG components or inability for any other reason to meet contractual milestones, (iii) capital expenditure overruns, (iv) higher than expected costs or lower than anticipated benefits of integrating Hansen or REpower or other acquisitions into the Group, (v) the Group's ability to manage and service current levels of indebtedness

and changes in interest rates; and (vi) the Group's inability to obtain funds from external sources on acceptable terms or in a timely manner.

Cash, Working Capital and Indebtedness

As of March 31, 2010, the Group had cash and bank balances of Rs.2,904.28 crores. It recorded a decrease in cash and bank balances of Rs.165.56 crores during the Fiscal Year 2010 primarily due to the cash generated from operating activities being offset by cash used in investing activities and financing activities (including the reduction of cash and bank balances from the sale of Hansen).

The Group's total borrowings were Rs.12,667.94 crores as of March 31, 2010. The Group funds short-term working capital requirements through cash flow from operations, overdraft, cash credit facilities with commercial banks and short- and medium-term borrowings from banks and financial institutions.

As of March 31, 2010, the Group had term loans outstanding of Rs.5,855.19 crores, working capital facilities from banks and financial institutions of Rs.2,265.43 crores and vehicle loans of Rs.2.74 crores, out of Rs.8,123.36 crores in total secured debt obligations as at that date.

Under the terms of certain of the Group's borrowings, the Group is required to comply with various financial covenants, including, among others, maintaining a specified net worth to debt ratio, interest cover ratio, net borrowing to EBITDA and debt service cover ratio. Some of the Group's short-term loans and long-term borrowings require lender consent for certain matters, including the issuance of new shares, incurring further indebtedness, creating further encumbrances on or disposing of its assets, undertaking guarantee obligations, declaring dividends or incurring capital expenditures beyond certain limits. The terms and conditions for some of these borrowings also contain covenants, which limit the Group's ability to make any change or alteration in its capital structure, make investments, effect any scheme of amalgamation or restructuring and enlarge or diversify its scope of business. Debt under these borrowings may be accelerated if the Group or Suzlon defaults, including defaults triggered by failure to comply with these financial covenants. Payment defaults, as well as defaults under covenants leading to acceleration of debt repayment, in any of these borrowings could trigger a default in the other borrowings, and could have a material adverse affect on the Group by:

- requiring the Group to dedicate a substantial portion of its cash flow from operations to repay its debt;
- limiting the Group's ability to fund future working capital, capital expenditures, research and development and other general corporate requirements;
- increasing the Group's vulnerability to general adverse economic and industry conditions;
- limiting the Group's flexibility to react to changes in its business and the industry in which it operates;
- placing the Group at a competitive disadvantage to any of its competitors that have less debt;
- requiring the Group to meet additional financial covenants; and
- limiting, along with other restrictive covenants, among other things, the Group's ability to borrow additional funds.

Please see the section "Indebtedness".

Contractual Obligations and Contingent Liabilities

We purchase raw materials for inventory, services and manufacturing equipment from a variety of vendors. During the normal course of business, in order to manage manufacturing lead times and help assure adequate supply, we enter into agreements with suppliers that either allow us to procure goods and services when we choose or that establish purchase requirements. The following table presents our other contractual obligations as of March 31, 2010, which consists of legal commitments requiring us to make fixed or determinable cash payments.

	As of March 31, 2010
	Payment Due by Period
	(Rs.in crores)
	Total
Long-term loans.....	9,330.83
Short-term loans	3,337.11
Operating lease arrangements	1,619.01
Capital commitments.....	114.67
Total obligations	14,401.62

The Group had the following contingent liabilities as of March 31, 2010:

	As at March 31, 2010
	(Rs.in crores)
Premium on redemption of zero coupon convertible bonds (1)	377.22
Disputed Infrastructure Development Charges (2)	59.65
Claims against the group not acknowledged:	
Excise, Custom, Service tax and VAT.....	12.94
Income Tax	12.71
State levies.....	4.16
Labour related.....	0.02
Suppliers and service providers (3).....	71.85
Cumulative preference share dividend of Subsidiary payable to minority	0.47
Others.....	4.51
Total.....	543.53

(1) In the opinion of management the likelihood of redemption of the Group's FCCBs cannot be presently ascertained. Therefore, no provision has been made by the Group in respect of the payment of premium on the bonds, which amounts to Rs.377.22 crores as of March 31, 2010. The Company has adequate amounts in its security premium account to absorb the premium on the redemptions as of March 31, 2010.

(2) This amount relates to claims from the Tamil Nadu State Electricity Board, which the Indian Wind Energy Association has disputed. The case is currently pending hearing in the Supreme Court and the Company has obtained a legal opinion that the Indian Wind Energy Association (and thus the Company) has a strong case.

(3) Claims from suppliers and service providers that are disputed.

Quantitative and Qualitative Disclosures about Market Risk

General

Market risk is the loss of future earnings, to fair values or to future cash flows that may result from a change in the price of a financial instrument. The value of a financial instrument may change because of changes in the interest rates, foreign currency exchange rates, inflation, commodity prices, equity prices and other market changes that affect market risk sensitive instruments.

Market risk is attributable to all market sensitive financial instruments including foreign currency receivables and payables. Our exposure to market risk is a function of currency, commodity and interest rates movements.

Components of Market Risk

Foreign Currency Exchange Risk

Our income from outside India accounted for 80.11% of our sales during Fiscal Year 2010 and 82.93% of our sales during Fiscal Year 2009. These sales were primarily comprised of U.S. Dollars and Euros. As a result, we

have exposure to foreign exchange risk with respect to a large proportion of our sales. Fluctuations in exchange rates, particularly in the U.S. Dollar, Euro and Indian rupee exchange rates, affect our gross and net profit margins and could result in foreign exchange and operating losses. In the past, most of our exposure to foreign exchange risk has related to currency gains and losses between the times we sign and settle our sales contracts and our payments on our foreign currency denominated debt. For example, our Supply Contracts obligate us to deliver WTGs at a fixed price in Euros or U.S. Dollars and do not adjust for fluctuations in the U.S. Dollar or Euro exchange rate. Additionally, for our manufacturing operations outside of India, many of our operating expenses for the plants in these countries are denominated in the local currency. We use forward currency contracts and options to hedge our foreign currency exposure.

Our primary foreign currency exposures are transaction exposure, cash flow exposure and earnings translation exposure.

Transaction Exposure: Many components of our business have assets and liabilities (primarily sundry debtors, investments, current liabilities, debt and inter-company transactions) that are denominated in foreign currencies. Changes in the exchange rates between our components' functional currencies and the currencies in which these assets and liabilities are denominated can create fluctuations in our reported consolidated financial position, results of operations and cash flows.

Cash Flow Exposure: We expect many of the components of our business to have material future cash flows, including revenues and expenses, which will be denominated in currencies other than the components' functional currency. Changes in the exchange will cause fluctuations in the cash flows we expect to receive when these cash flows are realized or settled. Risk is hedged by employing tools such as forward covers for currencies, swaps and interest rates.

Earnings Translation Exposure: Fluctuations in foreign currency exchange rates create volatility in our reported results of operations because we are required to consolidate financial statements of our foreign currency denominated Subsidiaries, including REpower.

Interest Rate Risk

We are exposed to interest rate risk because many of our customers depend on debt financing to purchase our WTGs. Although the useful life of a WTG is considered to be approximately 20 years, end-users of our WTGs must pay the entire cost of the system at the time of installation. As a result, many of our customers rely on debt financing to fund their up-front capital expenditures. An increase in interest rates could make it difficult for our end-users to secure the financing necessary to purchase and install a system. As an example, as it has become more difficult to obtain credit since 2007, we have experienced a drop in sales from Rs.26,081.70 crores in Fiscal Year 2009 to Rs.20,619.66 crores in Fiscal Year 2010 because our customers have had difficulties obtaining financing. In addition, we believe that a significant percentage of our end-users install WTGs as an investment, funding the initial capital expenditure through a combination of equity and debt. An increase in interest rates could lower an investor's return on investment in a system or make alternative investments more attractive relative to WTGs, which, in each case, could cause these end-users to seek alternative investments that promise higher returns.

In addition, as of March 31, 2010, we had outstanding debt of Rs.12,667.94 crores. If interest rates increase, our interest payments would increase and obtaining additional debt in the future may be more difficult. The percentage of outstanding debt at the floating interest rate is approximately 75% of the total outstanding debt.

Raw Materials and Component Risk

We are exposed to price risks for the raw materials, components and energy costs used in the manufacture, transportation and installation of our WTGs. In addition, some of our raw materials and components are sourced from a limited number of suppliers or a sole supplier. As a result, we remain exposed to price changes in the raw materials and components used in our WTGs. In addition, a failure by a key supplier could disrupt our supply chain, which could result in higher prices for our raw materials and components and even a disruption in our manufacturing process. Since our selling price under our supply contracts does not always adequately adjust in the event of price changes in our underlying raw materials or components, we are unable to pass along

changes in the cost of the raw materials and components for our products and may be in default of our delivery obligations if we experience a manufacturing disruption.

Credit Risk

We are exposed to credit losses in the event of non-performance by the counterparties to our financial and derivative instruments. In order to mitigate this risk, we generally enter into these transactions with multiple financial institutions.

FINANCIAL INDEBTEDNESS

The Group, from time to time, has raised borrowings from banks and financial institutions in connection with our business.

REFINANCING

The Group has recently concluded a significant consolidation of its debt and refinancing exercise. The primary objectives of the refinancing were to:

- (a) establish common terms for rupee denominated term loan and working capital facilities for Suzlon and its domestic Subsidiaries except SE Forge;
- (b) consolidate several separate facilities obtained by Suzlon and its domestic Subsidiaries into a syndicated rupee term loan agreement and a working capital loan agreement entailing repayment of earlier facilities;
- (c) allow flexibility to Suzlon and its domestic Subsidiaries to borrow from an overall commitment made by the lenders rather than borrowing under separate facilities and, thus, making a larger fund pool available to each of Suzlon's Subsidiaries; and
- (d) refinance, on improved terms, loans obtained for acquisition by SEDT and RPW, Suzlon's Subsidiaries, of a 90.71% stake in REpower.

New Rupee Denominated Facilities

Suzlon and its domestic Subsidiaries have entered into a rupee term loan agreement dated February 5, 2010 (the "**Rupee Term Loan Facility**") and a working capital facility agreement dated February 5, 2010 relating to fund based and non-fund based working capital facilities (the "**WC Facility**", and together with the Rupee Term Loan Facility, the "**Rupee Facilities**"). The fund-based working capital facilities have sublimits for a working capital term loan (the "**WC Term Loan**") and cash credit facilities. The non-fund based working capital facilities may be extended through either letter of credit or bank guarantees. Pursuant to the Rupee Facilities, the Group plans to tie up banking facilities of Rs.11,040 crore comprising a rupee term loan up to an amount of Rs.4,040 crore and Rs.7,000 crores working capital facilities.

The Rupee Term Loan Facility has been obtained from a consortium of nine banks and financial institutions (the "**Term Loan Consortium**"). The fund-based and non-fund working capital facilities under the WC Facility have been obtained from consortia of 13 and 12 banks, respectively (together, the "**WC Consortium**"). Both the Term Loan Consortium and the WC Consortium are led by State Bank of India, Ahmedabad Branch.

Salient Terms and Conditions of the Rupee Facilities

Both the Rupee Term Loan Facility and the WC Facility have similar representations and warranties, affirmative and negative covenants and events of default. Further, these facilities share a common security. Please, see "— Common Security" in this section titled "Financial Indebtedness" for more details on the security.

Interest

Each of Suzlon and its domestic Subsidiaries has to pay interest on the outstanding amount of the rupee term loan under the Rupee Term Loan Facility and the WC Term Loan on a monthly basis on terms more particularly contained in the Rupee Facilities. The applicable interest rate for each bank forming part of the Term Loan Consortium and the WC Consortium is linked to the prime lending rate of that bank. The interest rate for the Rupee Term Loan Facility is altered annually on every interest reset date i.e. a date falling one year from the date of achieving financial closure and, thereafter a date falling one year after the previous interest reset date. Each of Suzlon and its domestic Subsidiaries is required to pay additional interest upon the occurrence of certain specified default events and non-compliance with certain covenants.

Repayment

The Rupee Term Loan Facility is repayable in 24 quarterly installments commencing December 31, 2011 as per the specified repayment schedule.

There is no fixed date for repayment of the working capital facilities except for the WC Term Loan which is repayable in 24 months from the date of first drawdown. The other working capital facilities under the WC Facility are available for utilization for a period of one year and will, usually, be renewed by the lenders of the WC Consortium at the end of their respective terms.

Prepayment

Suzlon and its domestic Subsidiaries are entitled to prepay the Rupee Term Loan Facility in full or part, provided that they have either offered an opportunity to, or requested the consent of, each lender of the Term Loan Consortium to be prepaid on a *pro rata* basis or otherwise, respectively. Suzlon and its domestic Subsidiaries are also required to pay a premium equivalent to one% of the amount being prepaid in the event of such prepayment.

From Fiscal Year 2012, at the option of the lenders of the Rupee Term Loan Facility, each of Suzlon and its domestic Subsidiaries is mandatorily required to apply 50% of the Cash Surplus (as such term is defined in the Rupee Term Loan Facility) towards prepayment of the USD Lender (defined below) and the Term Loan Consortium, subject to certain conditions and compliance with certain financial covenants in the Rupee Term Loan Facility.

Financial Covenants

From Fiscal Year 2012, each of Suzlon and its domestic Subsidiaries is required to maintain (on a consolidated basis) certain financial ratios, such as, net debt to equity, net debt to EBIDTA, annual debt service coverage ratio, total debt gearing, current ratio and interest coverage ratio.

Affirmative Covenants

Suzlon and its domestic Subsidiaries have given certain affirmative covenants under the Rupee Facilities. These include covenants relating to the compliance with laws, payment of taxes, maintenance of insurance, furnishing certain information to the lenders, preservation of corporate existence, perfecting and maintaining title to secured assets, appointment of nominee directors.

Negative Covenants

Suzlon and its domestic Subsidiaries have also given certain negative covenants under the Rupee Facilities. These covenants place limitations, subject to certain exceptions, on matters such as, disposals, mergers, alteration of capital structure, new investments and acquisitions, incurring further indebtedness, payment of dividend, repayment of loans given by the Promoters and Promoter Group, alteration of the memorandum and articles.

Events of Default

The Rupee Facilities contain customary events of default including on account of non-payment of any amount under the Rupee Facilities, misrepresentation, breach of financial or other covenants; insolvency, failure to create security over the secured assets within three months from the specified date, any security getting jeopardized.

Common Security

Both the Rupee Facilities share a common security package which includes: (i) first charge on all present and future tangible, intangible, movable, immovable properties of Suzlon and its domestic Subsidiaries; (ii) a

negative lien with respect to Suzlon's shareholding in SE Forge; (iii) a non disposal undertaking from the Promoters and Promoter Group with respect to 50% of their shareholding in Suzlon, subject to certain conditions; (iv) pledge of 26% of Suzlon's shares held by the Promoters and Promoter Group; (v) pledge of shares held by Suzlon in its domestic Subsidiaries; (vi) first charge over the accounts set up under the trust and retention account mechanism; (vi) assignment/charge of all rights, interest, policies and benefits of Suzlon and its domestic Subsidiaries in the designated material contracts entered into by these companies; (vii) personal guarantees by key individuals connected with the Group (viii) a guarantee by SEDT; (ix) pledge of 90.71% shares of REpower; (xii) pledge of 100% shares of SEDT, RPW Investments SGPS, S.A. (Portugal) ("**RPW**") and Suzlon Windenergie GmbH; (xiii) negative lien over the shares held by Suzlon in Suzlon Energy Limited, Mauritius ("**SELM**"), shares held by SELM in SWEL and shares held by SWEL in AERH.

The common security also secures the USD Facility, as well as the letter of comfort facility agreement dated December 4, 2009 (the "**LOC Facility**") entered into in connection with the USD Facility.

NEW DOLLAR DENOMINATED FACILITIES

Pursuant to a foreign currency facility agreement dated November 27, 2009 (the "**USD Facility**"), SEDT and RPW, Subsidiaries of Suzlon, have obtained term loan facilities of USD 464,000,000 and USD 1,000,000, respectively, from the State Bank of India, Antwerp Branch (the "**USD Lender**") for the purpose of part-refinancing the loans/guarantees/receivables raised by the Group for their existing acquisition loans availed in connection with the acquisition of REpower and refinancing of the loan obtained for Hansen acquisition.

Repayment

The loans under the USD Facility are repayable by each of SEDT and RPW in 12 quarterly installments commencing December 31, 2011 on the terms and conditions more particularly contained in the USD Facility and the Rupee Facilities.

Prepayment and Cancellation

The commitment of the USD Lender or any new lender under the USD Facility will be immediately cancelled in the event it becomes unlawful in any applicable jurisdiction for a lender to perform any of its obligations under the USD Facility. If such lender has funded all or a part of its commitment under the USD Facility, SEDT and RPW are required to prepay such lender's participation in the loans made to them on the last day of a prescribed period. Where Suzlon ceases to be in control of either SEDT or RPW or where the majority of the directors on the board of either SEDT or RPW ceases to be persons nominated directly or indirectly by Suzlon (excluding SEDT and RPW), the USD Lender or any new lender under the USD Facility will be relieved of the obligation to fund the drawdown of the USD Facility.

Apart from the mandatory prepayment, SEDT and RPW may voluntarily prepay the USD Facility, in part or in full, provided they have either offered an opportunity to, or requested the consent of, each lender to be prepaid on a *pro rata* basis or otherwise, respectively. There is a minimum prescribed prepayment amount of USD10,000,000 and the borrowers are required to pay the prepayment premium of one% of the amount prepaid in accordance with the terms of the USD Facility.

No prepayment premium is payable where SEDT or RPW prepays on an interest reset date (i.e. the date falling six months after the first drawdown and, thereafter, the date falling every six months from the previous interest reset date) after giving a notice at least 15 business days in advance.

Other Terms and Conditions

The other terms and conditions of the USD Facility are largely similar to the terms and conditions for rupee denominated facilities summarized above in this section titled "Financial Indebtedness".

Security

The security package for the rupee denominated facilities also secures, on a *pari-passu* basis, the USD Facility. RPW has also pledged its shares in REpower as security. In addition, to the extent of outstanding exposures of the State Bank of India, Antwerp Branch, under the USD Facility, such facility is also secured by a letter(s) of comfort issued by the State Bank of India, Ahmedabad Branch, India, pursuant to the LOC Facility, containing an unconditional and irrevocable undertaking to pay on demand an amount not exceeding Rs.20,000,000,000 calculated at the applicable rupee exchange rate.

FOREIGN CURRENCY CONVERTIBLE BONDS

Suzlon has also issued five series of five FCCBs: (i) the June 2012 Bonds, (ii) the June 2012 New Bonds, (iii) the October 2012 Bonds, (iv) the October 2012 New Bonds, and (v) the New Bonds.

The aggregate principal amount of U.S.\$479.039 million is outstanding as on the date of this Letter of Offer under the above series of FCCBs.

The Company has re-structured the June 2012 Bonds and the October 2012 Bonds pursuant to an approval of the RBI and the holders of such FCCBs dated April 29, 2010. For additional details please see the section titled “Financial Statement” of this Letter of Offer.

PROMOTER LOANS

The Company has availed certain Promoter Loans from the Lending Promoter. For details of Promoter Loans and the utilization of the Promoter Loans please see the section titled “Objects of the Issue” of this Letter of Offer.

CERTAIN OTHER FACILITIES

The Company and its Subsidiaries are also currently party to the following facilities:

A U.S.\$135,000,000 (reduced to U.S.\$110,000,000) multicurrency letter of credit facility agreement dated July 31, 2007, as amended, between Suzlon Energy A/S as the applicant, the Company as the guarantor, Citibank, N.A., London Branch as mandated lead arranger and certain other parties;

A EUR150,000,000 multicurrency letter of credit facility agreement dated August 21, 2008, as amended, between Suzlon Energy A/S as the applicant, the Company as the guarantor, Citibank, N.A., London Branch as a mandated lead arranger, Commerzbank Aktiengesellschaft and certain other banks as lead arrangers and certain other parties;

A U.S.\$50,000,000 secured multi-purpose and multi-currency revolving facility agreement between Bank DnB NORD A/S as lender and Suzlon Energy A/S as borrower dated March 7, 2008, as amended;

A EUR 30,000,000 trade finance facility agreement between Bank DnB NORD A/S as lender and Suzlon Energy A/S as borrower dated October 3, 2008, as amended; and

A EUR19,000,000 trade finance facility letter between ABN AMRO Bank N.V. as the bank and the Company as the borrower for the provision of advance payment/performance guarantees for the benefit of Suzlon Energy A/S dated June 12, 2009.

RECENT DEVELOPMENTS

In the opinion of the Board of Directors, other than as disclosed in this Letter of Offer including the sections “Risk Factors”, “Business” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations”, respectively, of this Letter of Offer, there has not arisen, since the date of the last financial statements set out herein, any circumstance that materially or adversely affects our profitability taken as a whole or the value of our consolidated assets or our ability to pay our material liabilities over the next 12 months, other than the following:

Mr. Sumant Sinha, the Chief Operating Officer of the Company has resigned with effect from June 1, 2010.

SECTION VI - LEGAL AND OTHER INFORMATION

OUTSTANDING LITIGATION AND DEFAULTS

Except as described below, there are no outstanding litigations including, suits, criminal or civil prosecutions and taxation related proceedings against the Group that would have a material adverse effect on the Group's business and there are no defaults, non-payment of statutory dues including, institutional/bank dues and dues payable to holders of any debentures, bonds and fixed deposits or any other material violations of any statutory regulations that would have a material adverse effect on the Group's business other than unclaimed liabilities against the Group as of the date of this Letter of Offer.

Further, except as disclosed below, the Group is not involved in any criminal litigation or litigation involving moral turpitude and nor have any proceedings relating to economic offences been initiated against the Group.

I. Litigation in India

1. The State of Maharashtra had filed a complaint against the Company and certain Promoters and Directors before the Chief Judicial Magistrate, Satara in Case No. 706/03, under Sections 4 and 21 of the Mines and Minerals (Development and Regulation) Act, 1957, as amended (the "**MMDR Act**"), alleging that the Company had carried out mining of bauxite in violation of the conditions stipulated by Maharashtra Energy Development Agency ("**MEDA**"), as prescribed in the letter dated August 10, 1999, for setting up a windmill project in the district of Satara, Maharashtra. The Chief Judicial Magistrate, Satara, passed an issuance of process order dated March 25, 2003, against certain officers and Directors of the Company. The Company has challenged this order by way of a revision application (Criminal Revision Application No. 84/ 2009) dated October 15, 2009, under Section 397 of the Code of Criminal Procedure, 1973, as amended, together with an application for condonation of delay (Delay Application No. 109/2009) before the Sessions Judge, Satara, *inter alia*, seeking a declaration that the proceedings before the Chief Judicial Magistrate, Satara be quashed. The next date of hearing has been fixed for June 17, 2010.
2. The Indian Wind Energy Association ("**InWEA**") has filed a petition before the Tamil Nadu Electricity Regulatory Commission (the "**Commission**"), MP No. 27 of 2008, challenging, *inter alia*, the legality of the Infrastructure Development Cost ("**IDC**") from wind generator companies (including the Company) levied by the Tamil Nadu State Electricity Board ("**TNEB**") for the development of infrastructure in relation to evaluation facilities. The Commission had by an order dated September 19, 2008 ruled in favor of InWEA, stating that TNEB has no jurisdiction to issue circulars imposing IDCs and hence the charges levied by TNEB are liable to be declared as illegal. TNEB appealed against the order of the Commission before the Appellate Tribunal for Electricity ("**Tribunal**"), which by an order dated January 8, 2010, stated that the Commission's order was based upon an erroneous reading of the Electricity Act 2003, as amended and thus liable to be set aside. Aggrieved by the above order of the Tribunal, InWEA has filed a civil appeal against the order of the Tribunal before the Supreme Court of India (the "**Supreme Court**") (CA No. 1304/2010). By an order dated February 2, 2010, the division bench of the Supreme Court admitted the appeal and the matter is currently pending before the Supreme Court. The Company has set out as part of contingent liabilities in its Financial Statements for the year ended March 31, 2010, an aggregate amount of Rs.59.65 crores. For additional details, please see the section titled "Financial Statement" of this Letter of Offer.
3. Rajendra Ganapati Patil has filed a suit on September 10, 2009 for specific performance and perpetual injunction before the Civil Judge Junior Division, Patan in Case No. RCS.137/2009 and RCS.139/2009 with respect to two plots of land numbered 32/1 (admeasuring 0H26R) and 32/6 (admeasuring 0H26R) of village Nidge, Tal-Patan, district Satara under the provisions of the Specific Relief Act, 1963, as amended (the "**Specific Relief Act**"). Mr. Patil has alleged that the above described plots of land are registered in his name and that the Company has illegally encroached upon such plots of land and has commenced the construction of a sub-station. Further, Mr. Patil has sought, *inter alia*, a permanent injunction prohibiting the Company from continuing its construction work on the above described plots of land, and claimed possession of such plots of land from the Company. Mr. Patil has also sought to restrain the Company from transferring the above described plots of land in favor of any

other third party. The matter is currently pending and the next date of hearing in this matter has been fixed for June 7, 2010.

4. Parashram Ramchandra Kadam has filed a suit for possession and mandatory injunction before the Civil Judge Junior Division, Patan in Case No. RCS. 96/2009 with respect to a plot of land numbered 32/1 (admeasuring 0H 26R) of village Nidge, Tal-Patan, district Satara on August 7, 2009 under the provisions of the Specific Relief Act. Mr. Kadam has alleged that the above described plot of land is registered in his name and that the Company has illegally encroached upon such plot of land and has commenced the construction of a sub-station. Mr. Kadam has sought, *inter alia*, permanent mandatory injunction against the Company, prohibiting the Company to continue its construction work on the above described plot of land and claimed possession of such land from the Company. Further, Mr. Kadam has also sought to restrain the Company from transferring the above described plot of land in favor of any other third party. The matter is currently pending and the next date of hearing has been fixed for June 7, 2010.
5. Sarjan Realities Limited (“**Sarjan**”), a Promoter Group company, has filed a Tenancy Revision Application No. 204 /2010 dated May 6, 2010 under Section 76 of the Bombay Tenancy and Agricultural Land Act, 1948, as amended (“**BTAL Act**”), in the court of the Maharashtra Revenue Tribunal, Mumbai in respect of certain land situated at Block No. 348, village Jamgaon, Tehsil Sinnar (admeasuring area H-04, 17 Acre), challenging an order passed by the Deputy Collector, Niphad sub-division (“**Deputy Collector, Niphad**”). Sarjan had appealed to the Deputy Collector, Niphad against an order passed by the Tehsildar, Sinnar under Section 84(c) of the BTAL Act, dated January 8, 2010, invalidating the sale of the above-mentioned plot of land by Sarjan to the Company and directing that the plot of land be vested in the Government. On appeal, the Deputy Collector, Niphad refused to accept the contentions of Sarjan for restoring the possession of the above described plot of land to the Company and dismissed the appeal, thereby upholding the order of the Tehsildar. The matter is currently pending.

In addition, 11 other Tenancy Revision Applications have been filed by Sarjan under Section 76 of the BTAL Act before the Maharashtra Revenue Tribunal, Mumbai, challenging the orders passed by the Deputy Collector, Niphad. The Deputy Collector, Niphad has by order in connection with each of these Tenancy Revision Applications, directed for vesting of several plots of land acquired by Sarjan in the villages of Jamgaon, Ghorwad, Jaiprakashnagar (all such plots of land being located in the Tehsil, Sinnar), to the Government of India on the grounds that the Company has used the above-mentioned plots of land for non-industrial purposes in contravention of the applicable provisions of the BTAL Act.

Litigation outside India

1. On March 22, 2010, the Company commenced arbitration proceedings against Kaydon Corporation (“**Kaydon**”), in the International Centre for Dispute Resolution, titled Suzlon Energy Limited v. Kaydon Corporation, ICDR No. 50 198 T0022410. The arbitration relates to Kaydon’s supply of custom made bearings to the Company for use in its S-88 wind turbine generator. The Company alleges that the bearings are defective and seeks damages in the amount of approximately \$50 million. On April 21, 2010, Kaydon filed a counterclaim for payment due on certain shipments of bearings and for cancellation of orders. On May 21, 2010, Suzlon submitted an answer to the counterclaim setting out its defenses. Currently no tribunal chair has been appointed with respect to the arbitration proceedings and no procedural hearing has been scheduled.
2. The legal representative of Ventus de Nicaragua S.A. (“**Vensa**”), a company based in Nicaragua, has commenced an arbitration in Miami against Suzlon Energy, AS demanding immediate payment of commission amounting to approximately USD1,000,000. In January 2006 Suzlon Energy, AS had entered into a commission agreement with Vensa. The commission agreement is subject to the laws of Florida and the venue is arbitration in Miami. Vensa was entitled to commission, if Suzlon Energy, AS, with support from Vensa, completed the sale of Project Amayo in Nicaragua. Such payment of commission was to be made subsequent to Suzlon Energy, AS being fully paid by the purchaser. However, the purchaser as of the date of this Letter of Offer date paid only 85% of the amount due and

payable to Suzlon Energy, AS, as a result of which Suzlon Energy, AS has contended that it is not required to pay the commission of USD1,000,000 to Vensa.

GOVERNMENT AND OTHER APPROVALS

The Company has received the necessary consents, licenses, permissions and approvals from the Government of India and various governmental agencies required for the present business of the Company and to undertake the Issue and no further material approvals are required for carrying on its present activities. In addition, except as mentioned in this section titled “Government and Other Approvals”, as on the date of this Letter of Offer, there are no pending regulatory and government approvals and no pending material renewals of licenses or approvals in relation to the activities undertaken by the Company or in relation to the Issue.

For further details in connection with the regulatory and legal framework within which the Company operates, please refer to the section titled “Regulations and Policies” of this Letter of Offer.

A. Approvals for the Issue

The Company has received or sought the following approvals relating to the Issue:

1. The Board of Directors has, pursuant to a resolution adopted at its meeting held on May 29, 2010, authorized the Issue. The Rights Issue Committee has determined the terms of the Issue pursuant to its resolution dated May 31, 2010.
2. In-principle approval from the BSE dated May 31, 2010.
3. Application for in-principle approval has been made to the NSE on May 31, 2010.

B. Incorporation Details

1. Certificate of Incorporation dated April 10, 1995 issued by the Registrar of Companies to the Company.
2. Certificate of Commencement of Business dated April 25, 1995 issued by the Registrar of Companies to the Company.

C. Pending Applications

(a) *Regulatory and Government Approvals*

1. Application for renewal of consent from the Pollution Control Committee of Daman, Diu and Dadra Nagar Haveli under Section 25 of Water (Prevention and Control of Pollution) Act, 1974 dated April 21, 2010 in connection with the 50 Kva D.G. set.
2. Consent from the Pollution Control Committee of Daman, Diu and Dadra Nagar Haveli under Section 21 of Air (Prevention and Control of Pollution) Act, 1981 dated April 21, 2010 in connection with the 50 Kva D.G. set.

(b) *Applications for Certification*

1. TUEV-Nord. certification for the wind turbine Suzlon S64/1.25MW/50Hz – LTV, dated February 19, 2010.
2. TUEV-Nord. certification for the wind turbine Suzlon S88 MkI 50Hz LTV, dated May 12, 2010.
3. DNV certification for design evaluation for the wind turbine Suzlon S82V3 1.5MW LTV, dated April 7, 2010.

4. Recertification of Type Certificate TC-GL-020A-2007 for the wind turbine Suzlon S52 based on, Rev. 2, dated September 21, 2009 from GL.

STATUTORY AND OTHER INFORMATION

Authority for the Issue

The Issue is being made pursuant to a resolution adopted under Section 81(1) of the Companies Act by the Board of Directors at its meeting held on May 29, 2010. The Rights Issue Committee has determined the terms of the Issue pursuant to its resolution dated May 31, 2010. The Rights Issue Committee in its meeting held on May 31, 2010 determined the Issue Price as Rs.63 per Equity Share and the Rights Entitlement as two Equity Shares for every 15 fully paid-up Equity Share(s) held on the Record Date. The Issue Price has been arrived in consultation with the Lead Managers.

The issue and allotment of the Equity Shares to resident and Non-resident Equity Shareholders and other eligible applicants in the Issue is under the automatic route pursuant to Circular 1 of 2010.

Prohibition by the SEBI

Neither the Company, the Promoters, the Promoter Group entities, the Directors, persons in control of the Promoter (if the Promoter is a body corporate), director or person in control are debarred or prohibited from accessing the capital markets, under any order or direction passed by the SEBI or any other authority or restrained from buying, selling or dealing in securities under any order or direction passed by the SEBI.

None of the Directors are associated with the securities market in any manner, the SEBI has not initiated action against any entities of the Directors.

Further none of the Company, the Promoters, the Group Companies and relatives of the Promoters have been declared willful defaulters by the RBI or any other authority and no violations of securities laws have been committed by them in the past and no proceedings in relation to such violations are currently pending against them.

Eligibility for the Issue

The Company is an existing company registered under the Companies Act, whose Equity Shares are listed on the BSE and the NSE. It is eligible to make the Issue under the ICDR Regulations and is in compliance with the provisions specified in Part E of Schedule VIII to the ICDR Regulations.

The Company is eligible to make a fast track issuance in accordance with Regulation 10(1) of the ICDR Regulations as explained below:

Regulation	Condition	Eligibility
10(1)(a)	The Equity Shares have been listed on any recognized stock exchange having nationwide trading terminals for a period of at least three years immediately preceding the reference date.	Yes
10(1)(b)	The average market capitalization of public shareholding of the Company is at least Rs.5,000 crores.	Yes
10(1)(c)	The annualized trading turnover of the Equity Shares during six calendar months immediately preceding the month of the reference date has been at least two% of the weighted average number of Equity Shares listed during such six months' period.	Yes
10(1)(d)	The Company has redressed at least 95% of the complaints received from the investors until the end of the quarter immediately preceding the month of the reference date.	Yes
10(1)(e)	The Company has been in compliance with the terms of its Listing Agreements for a period of at least three years immediately preceding the reference date; provided that if the Company has not complied with the provision of the Listing Agreement relating to composition of its Board of Directors, for any quarter during the last three years immediately preceding the reference date, but is compliant with such provisions at the time of filing of this Letter of Offer with the Stock Exchange, and adequate disclosures are made in the Letter of Offer about such non-compliances during the three years immediately preceding the reference date, it shall be deemed as compliance with	Yes

Regulation	Condition	Eligibility
	the condition.	
10(1)(f)	The impact of auditors' qualifications, if any, on the audited accounts of the Company in respect of those financial years for which such accounts are disclosed in this Letter of Offer does not exceed five% of the net profit or loss after tax of the Company for the respective years.	Yes
10(1)(g)	No show-cause notices have been issued or prosecution proceedings initiated by the SEBI or pending against the Company or its Promoters or whole time directors as on the reference date.	Yes
10(1)(h)	The entire shareholding of the Promoter Group of the Company is held in dematerialized form on the reference date.	Yes

Disclaimer Clause

AS REQUIRED, A COPY OF THIS LETTER OF OFFER HAS BEEN SUBMITTED TO THE SEBI. IT IS TO BE DISTINCTLY UNDERSTOOD THAT THE SUBMISSION OF THIS LETTER OF OFFER TO THE SEBI SHOULD NOT IN ANY WAY BE DEEMED OR CONSTRUED THAT SUCH SUBMISSION HAS BEEN CLEARED OR APPROVED BY THE SEBI. THE SEBI DOES NOT TAKE ANY RESPONSIBILITY EITHER FOR THE FINANCIAL SOUNDNESS OF ANY SCHEME OR THE PROJECT FOR WHICH THE ISSUE IS PROPOSED TO BE MADE OR FOR THE CORRECTNESS OF THE STATEMENTS MADE OR OPINIONS EXPRESSED IN THIS LETTER OF OFFER. THE SOLE GLOBAL COORDINATOR AND LEAD MANAGER, CITIGROUP GLOBAL MARKETS INDIA PRIVATE LIMITED AND THE LEAD MANAGER, SBI CAPITAL MARKETS LIMITED HAVE CERTIFIED THAT THE DISCLOSURES MADE IN THIS LETTER OF OFFER ARE GENERALLY ADEQUATE AND ARE IN CONFORMITY WITH THE SEBI (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009 IN FORCE FOR THE TIME BEING. THIS REQUIREMENT IS TO FACILITATE INVESTORS TO TAKE AN INFORMED DECISION FOR MAKING INVESTMENT IN THE PROPOSED ISSUE.

IT SHOULD ALSO BE CLEARLY UNDERSTOOD THAT WHILE THE COMPANY IS PRIMARILY RESPONSIBLE FOR THE CORRECTNESS, ADEQUACY AND DISCLOSURE OF ALL RELEVANT INFORMATION IN THE LETTER OF OFFER, THE LEAD MANAGERS ARE EXPECTED TO EXERCISE DUE DILIGENCE TO ENSURE THAT THE COMPANY DISCHARGES ITS RESPONSIBILITY ADEQUATELY IN THIS BEHALF AND TOWARDS THIS PURPOSE THE SOLE GLOBAL COORDINATOR AND LEAD MANAGER, CITIGROUP GLOBAL MARKETS INDIA PRIVATE LIMITED AND THE LEAD MANAGER, SBI CAPITAL MARKETS LIMITED, HAVE FURNISHED TO THE SEBI A DUE DILIGENCE CERTIFICATE DATED MAY 31, 2010, WHICH READS AS FOLLOWS:

- I. WE HAVE EXAMINED VARIOUS DOCUMENTS INCLUDING THOSE RELATING TO LITIGATION LIKE COMMERCIAL DISPUTES, PATENT DISPUTES, DISPUTES WITH COLLABORATORS ETC. AND OTHER MATERIALS MORE PARTICULARLY REFERRED TO IN THE ANNEXURE HERETO IN CONNECTION WITH THE FINALIZATION OF THE LETTER OF OFFER PERTAINING TO THE ISSUE.**
- II. ON THE BASIS OF SUCH EXAMINATION AND THE DISCUSSIONS WITH THE COMPANY, ITS DIRECTORS AND OTHER OFFICERS, OTHER AGENCIES, INDEPENDENT VERIFICATION OF THE STATEMENTS CONCERNING THE OBJECTS OF THE ISSUE, PROJECTED PROFITABILITY, PRICE JUSTIFICATION AND THE CONTENTS OF THE DOCUMENTS MENTIONED IN THE ANNEXURE AND OTHER PAPERS FURNISHED BY THE COMPANY, WE CONFIRM THAT:**
 - (A) THIS LETTER OF OFFER FILED WITH THE SEBI IS IN CONFORMITY WITH THE DOCUMENTS, MATERIALS AND PAPERS RELEVANT TO THE ISSUE;**
 - (B) ALL THE LEGAL REQUIREMENTS CONNECTED WITH THE SAID ISSUE AS ALSO THE REGULATIONS, GUIDELINES, INSTRUCTIONS, ETC. FRAMED/ISSUED BY THE SEBI, THE GOVERNMENT OF INDIA AND ANY**

OTHER COMPETENT AUTHORITY IN THIS BEHALF HAVE BEEN DULY COMPLIED WITH; AND

- (C) THE DISCLOSURES MADE IN THE LETTER OF OFFER ARE TRUE, FAIR AND ADEQUATE TO ENABLE THE INVESTORS TO MAKE A WELL INFORMED DECISION AS TO THE INVESTMENT IN THE PROPOSED ISSUE AND SUCH DISCLOSURES ARE IN ACCORDANCE WITH THE REQUIREMENTS OF THE COMPANIES ACT, 1956, THE SEBI (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009 AND OTHER APPLICABLE LEGAL REQUIREMENTS.**
- III. WE CONFIRM THAT BESIDES OURSELVES, ALL THE INTERMEDIARIES NAMED IN THE LETTER OF OFFER ARE REGISTERED WITH THE SEBI AND THAT UNTIL DATE SUCH REGISTRATION IS VALID. WE CONFIRM THAT NONE OF THE INTERMEDIARIES NAMED IN THE LETTER OF OFFER HAVE BEEN DEBARRED FROM FUNCTIONING BY ANY REGULATORY AUTHORITY.**
- IV. WE HAVE SATISFIED OURSELVES ABOUT THE WORTH OF THE UNDERWRITERS TO FULFIL THEIR UNDERWRITING COMMITMENTS. – NOT APPLICABLE**
- V. WE CERTIFY THAT WRITTEN CONSENT FROM PROMOTERS HAS BEEN OBTAINED FOR INCLUSION OF THEIR SPECIFIED SECURITIES AS PART OF PROMOTERS' CONTRIBUTION SUBJECT TO LOCK-IN AND THE SPECIFIED SECURITIES PROPOSED TO FORM PART OF PROMOTERS' CONTRIBUTION SUBJECT TO LOCK-IN, SHALL NOT BE DISPOSED / SOLD / TRANSFERRED BY THE PROMOTERS DURING THE PERIOD STARTING FROM THE DATE OF FILING THE DRAFT RED HERRING PROSPECTUS/ DRAFT PROSPECTUS WITH THE SEBI UNTIL THE DATE OF COMMENCEMENT OF LOCK-IN PERIOD AS STATED IN THE DRAFT RED HERRING PROSPECTUS/ DRAFT PROSPECTUS. – NOT APPLICABLE**
- VI. WE CERTIFY THAT REGULATION 33 OF THE SEBI (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009, WHICH RELATES TO SPECIFIED SECURITIES INELIGIBLE FOR COMPUTATION OF PROMOTERS CONTRIBUTION, HAS BEEN DULY COMPLIED WITH AND APPROPRIATE DISCLOSURES AS TO COMPLIANCE WITH THE SAID REGULATION HAVE BEEN MADE IN THE DRAFT RED HERRING PROSPECTUS/ DRAFT PROSPECTUS. – NOT APPLICABLE**
- VII. WE UNDERTAKE THAT SUB-REGULATION (4) OF REGULATION 32 AND CLAUSE (C) AND (D) OF SUB-REGULATION (2) OF REGULATION 8 OF THE SEBI (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009 SHALL BE COMPLIED WITH. WE CONFIRM THAT ARRANGEMENTS HAVE BEEN MADE TO ENSURE THAT PROMOTERS' CONTRIBUTION SHALL BE RECEIVED AT LEAST ONE DAY BEFORE THE OPENING OF THE ISSUE. WE UNDERTAKE THAT AUDITORS' CERTIFICATE TO THIS EFFECT SHALL BE DULY SUBMITTED TO THE SEBI. WE FURTHER CONFIRM THAT ARRANGEMENTS HAVE BEEN MADE TO ENSURE THAT PROMOTERS' CONTRIBUTION SHALL BE KEPT IN AN ESCROW ACCOUNT WITH A SCHEDULED COMMERCIAL BANK AND SHALL BE RELEASED TO THE COMPANY ALONG WITH THE PROCEEDS OF THE PUBLIC ISSUE. – NOT APPLICABLE**
- VIII. WE CERTIFY THAT THE PROPOSED ACTIVITIES OF THE COMPANY FOR WHICH THE FUNDS ARE BEING RAISED IN THE PRESENT ISSUE FALL WITHIN THE 'MAIN OBJECTS' LISTED IN THE OBJECT CLAUSE OF THE MEMORANDUM OF ASSOCIATION OR OTHER CHARTER OF THE COMPANY AND THAT THE ACTIVITIES WHICH HAVE BEEN CARRIED OUT UNTIL NOW ARE VALID IN TERMS OF THE OBJECT CLAUSE OF ITS MEMORANDUM OF ASSOCIATION.**

- IX. WE CONFIRM THAT NECESSARY ARRANGEMENTS HAVE BEEN MADE TO ENSURE THAT THE MONEYS RECEIVED PURSUANT TO THE ISSUE ARE KEPT IN A SEPARATE BANK ACCOUNT AS PER THE PROVISIONS OF SECTION 73(3) OF THE COMPANIES ACT, 1956 AND THAT SUCH MONEYS SHALL BE RELEASED BY THE SAID BANK ONLY AFTER PERMISSION IS OBTAINED FROM ALL THE STOCK EXCHANGES MENTIONED IN THE LETTER OF OFFER. WE FURTHER CONFIRM THAT THE AGREEMENT ENTERED INTO BETWEEN THE BANKERS TO THE ISSUE AND THE COMPANY SPECIFICALLY CONTAINS THIS CONDITION.**
- X. WE CERTIFY THAT A DISCLOSURE HAS BEEN MADE IN THE LETTER OF OFFER THAT THE INVESTORS SHALL BE GIVEN AN OPTION TO GET THE SHARES IN DEMAT OR PHYSICAL MODE. WE CONFIRM THAT AGREEMENTS HAVE BEEN ENTERED INTO WITH THE DEPOSITORIES FOR DEMATERIALIZATION OF THE SPECIFIED SECURITIES OF THE COMPANY.**
- XI. WE CERTIFY THAT ALL THE APPLICABLE DISCLOSURES MANDATED IN THE SEBI (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009 HAVE BEEN MADE IN ADDITION TO DISCLOSURES WHICH, IN OUR VIEW, ARE FAIR AND ADEQUATE TO ENABLE THE INVESTOR TO MAKE A WELL INFORMED DECISION.**
- XII. WE CERTIFY THAT THE FOLLOWING DISCLOSURES HAVE BEEN MADE IN THE LETTER OF OFFER:**
- (A) AN UNDERTAKING FROM THE COMPANY THAT AT ANY GIVEN TIME, THERE SHALL BE ONLY ONE DENOMINATION FOR THE EQUITY SHARES OF THE COMPANY; AND**
- (B) AN UNDERTAKING FROM THE COMPANY THAT IT SHALL COMPLY WITH SUCH DISCLOSURE AND ACCOUNTING NORMS SPECIFIED BY THE SEBI FROM TIME TO TIME.**
- XIII. WE CONFIRM THAT THE COMPANY IS ELIGIBLE TO MAKE FAST TRACK ISSUE IN TERMS OF REGULATION 10 OF THE SEBI (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009. THE FULFILMENT OF THE ELIGIBILITY CRITERIA AS SPECIFIED IN THAT REGULATION, BY THE COMPANY, HAS ALSO BEEN DISCLOSED IN THE LETTER OF OFFER.**
- XIV. WE CONFIRM THAT ALL THE MATERIAL DISCLOSURES IN RESPECT OF THE COMPANY HAVE BEEN MADE IN THE LETTER OF OFFER AND CERTIFY THAT ANY MATERIAL DEVELOPMENT IN THE COMPANY OR RELATING TO THE ISSUE UP TO THE COMMENCEMENT OF LISTING AND TRADING OF THE SPECIFIED SECURITIES OFFERED THROUGH THIS ISSUE SHALL BE INFORMED THROUGH PUBLIC NOTICES/ ADVERTISEMENTS IN ALL THOSE NEWSPAPERS IN WHICH PRE-ISSUE ADVERTISEMENT AND ADVERTISEMENT FOR OPENING OR CLOSURE OF THE ISSUE HAVE BEEN GIVEN.**
- XV. WE CONFIRM THAT THE ABRIDGED LETTER OF OFFER CONTAINS ALL THE DISCLOSURES AS SPECIFIED IN THE SEBI (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009.**
- XVI. WE CERTIFY THAT AS PER THE REQUIREMENTS OF FIRST PROVISOR TO SUB-REGULATION (4) OF REGULATION 32 OF THE SEBI (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009, CASH FLOW STATEMENT HAS BEEN PREPARED AND DISCLOSED IN THE RED HERRING PROSPECTUS AND / OR PROSPECTUS. – NOT APPLICABLE**

- XVII. WE UNDERTAKE TO COMPLY WITH THE REGULATIONS PERTAINING TO ADVERTISEMENT IN TERMS OF THE SEBI (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009 WHILE MAKING THE ISSUE.**
- XVIII. WE ENCLOSE A NOTE EXPLAINING HOW THE PROCESS OF DUE DILIGENCE HAS BEEN EXERCISED BY US IN VIEW OF THE NATURE OF CURRENT BUSINESS BACKGROUND OR THE COMPANY, SITUATION AT WHICH THE PROPOSED BUSINESS STANDS, THE RISK FACTORS, PROMOTERS EXPERIENCE, ETC.**
- XIX. WE ENCLOSE A CHECKLIST CONFIRMING REGULATION-WISE COMPLIANCE WITH THE APPLICABLE PROVISIONS OF THE SEBI (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009, CONTAINING DETAILS SUCH AS THE REGULATION NUMBER, ITS TEXT, THE STATUS OF COMPLIANCE, PAGE NUMBER OF THE LETTER OF OFFER WHERE THE REGULATION HAS BEEN COMPLIED WITH AND OUR COMMENTS, IF ANY.**

The filing of this Letter of Offer does not, however, absolve the Company from any liabilities under Section 63 or Section 68 of the Companies Act or from the requirement of obtaining such statutory or other clearances as may be required for the purpose of the proposed Issue. The SEBI further reserves the right to take up, at any point of time, with the Lead Managers any irregularities or lapses in this Letter of Offer.

Disclaimer of the Company and the Lead Managers

The Company and the Lead Managers accept no responsibility for statements made otherwise than in this Letter of Offer or in any advertisement or other material issued by the Company or by any other persons at the instance of the Company and anyone placing reliance on any other source of information would be doing so at his own risk.

The Company and the Lead Managers shall make all information available to the Equity Shareholders and no selective or additional information will be available for a section of the Equity Shareholders in any manner whatsoever including at presentations or in research or sales reports, after the filing of this Letter of Offer with the Stock Exchanges.

No dealer, salesperson or other person is authorized to give any information or to represent anything not contained in this document. You must not rely on any unauthorized information or representations. This Letter of Offer is an offer to sell only the Equity Shares and rights to purchase the Equity Shares offered hereby, but only under circumstances and in jurisdictions where it is lawful to do so. The information contained in this Letter of Offer is current only as of its date.

Investors who invest in the Issue will be deemed to have represented to the Company and the Lead Managers and their respective directors, officers, agents, affiliates and representatives that they are eligible under all applicable laws, rules, regulations, guidelines and approvals to acquire Equity Shares, and are relying on independent advice/evaluation as to their ability and quantum of investment in this Issue.

Disclaimer with respect to Jurisdiction

This Letter of Offer has been prepared under the provisions of Indian laws and the applicable rules and regulations thereunder. Any disputes arising out of the Issue will be subject to the jurisdiction of the appropriate courts in Mumbai, India only.

Selling Restrictions

The distribution of this Letter of Offer and the issue of Equity Shares on a rights basis to persons in certain jurisdictions outside India may be restricted by legal requirements prevailing in those jurisdictions. Persons into whose possession this Letter of Offer may come are required to inform themselves about and observe such restrictions.

Neither the delivery of this Letter of Offer nor any sale hereunder, shall under any circumstances, create any implication that there has been no change in the Company's affairs from the date hereof or that the information contained herein is correct as of any time subsequent to this date.

No action has been taken or will be taken to permit a public offering of the Equity Shares or rights to purchase Equity Shares to occur in any jurisdiction, or the possession, circulation, or distribution of this Letter of Offer or any other material relating to the Company, the Equity Shares or rights to purchase Equity Shares in any jurisdiction where action for such purpose is required, except that this Letter of Offer has been filed with the SEBI. Accordingly, the Equity Shares or rights to purchase Equity Shares may not be offered or sold, directly or indirectly, and none of this Letter of Offer or any offering materials or advertisements in connection with the the Equity Shares or rights to purchase Equity Shares may be distributed or published in or from any country or jurisdiction except under circumstances that will result in compliance with any applicable rules and regulations of any such country or jurisdiction. Investors are advised to consult their legal counsel prior to accepting any provisional allotment of Equity Shares, applying for excess Equity Shares or rights to purchase Equity Shares or making any offer, sale, resale, pledge or other transfer of the the Equity Shares or rights to purchase Equity Shares.

This Letter of Offer and its accompanying documents are being supplied to you solely for your information and may not be reproduced, redistributed or passed on, directly or indirectly, to any other person or published, in whole or in part, for any purpose.

The rights to purchase Equity Shares and the Equity Shares have not been, and will not be, registered under the Securities Act or under any securities laws of any state or other jurisdiction of the United States and may not be offered, sold, resold, allotted, taken up, exercised, renounced, pledged, transferred or delivered, directly or indirectly, within the United States or to or by U.S. persons (as defined in Regulation S). The Issue to which this Letter of Offer relates is not, and under no circumstances is to be construed as, an offering of any shares or rights for sale in the United States or as a solicitation therein of an offer to buy any of the said shares or rights. Accordingly, this Letter of Offer and the CAF should not be forwarded to or transmitted in or into the United States at any time. Any person who acquires Rights Entitlements or Equity Shares will be deemed to have declared, warranted and agreed, by accepting the delivery of this Letter of Offer, that it is not and that at the time of subscribing for the Equity Shares or the Rights Entitlements, it will not be, in the United States and is not a U.S. person (as defined in Regulation S).

The Rights Entitlement may not be transferred or sold to any U.S. Person.

The rights to purchase Equity Shares and the Equity Shares have not been approved or disapproved by the U.S. Securities and Exchange Commission, any state securities commission in the United States or any other U.S. regulatory authority, nor have any of the foregoing authorities passed upon or endorsed the merits of the offering of the rights to purchase Equity Shares, the Equity Shares or the accuracy or adequacy of this Letter of Offer. Any representation to the contrary is a criminal offence in the United States.

Neither the Company nor any person acting on behalf of the Company will accept a subscription or renunciation from any person, or the agent of any person, who appears to be, or who the Company or any person acting on behalf of the Company has reason to believe is, in the United States. Any envelope containing a CAF and post-marked from the United States will not be accepted. Similarly, any CAF in which the exercising holder or subscribing applicant requests Equity Shares to be issued in registered form or credited to a Securities Account and gives an address in the United States will not be accepted. The Company reserves the right to treat as invalid any CAF which: (i) appears to the Company or its agents to have been executed in or dispatched from the United States or from a U.S. person; (ii) does not include the relevant certifications; or (iii) where the Company believes acceptance of such CAF may infringe applicable legal or regulatory requirements; and the Company shall not be bound to allot or issue any Equity Shares or Rights Entitlement in respect of any such CAF.

Any payment made in respect of any CAF that does not meet the foregoing criteria will be returned without interest.

Any person in the United States or U.S. person outside the United States who obtains a copy of this Letter of Offer or its accompanying documents is required to disregard it.

In addition, until the expiration of the 40-day period beginning on the date on which the Company will allot and issue the Equity Shares, an offer to sell or a sale of, or subscription for, the rights to purchase Equity Shares or the Equity Shares within the United States by a broker/dealer (whether or not it is participating in the Issue) may violate the registration requirements of the Securities Act.

None of the rights to purchase Equity Shares or the Equity Shares have been, or will be, registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States and, accordingly, the rights to purchase Equity Shares and the Equity Shares may not be offered, sold, resold, allotted, taken up, exercised, renounced, pledged, or otherwise transferred or delivered except in an offshore transaction in accordance with Rule 904 of Regulation S.

Each purchaser of the rights to purchase Equity Shares and/or the Equity Shares will be deemed to have represented and agreed as follows (terms defined in Regulation S have the same meanings when used herein):

- (a) the purchaser (i) is, and the person, if any, for whose account it is acquiring such rights to purchase Equity Shares and/or the Equity Shares is, outside the United States and is not a U.S. person, and (ii) is acquiring the rights to purchase Equity Shares and/or the Equity Shares in an offshore transaction meeting the requirements of Regulation S;
- (b) the purchaser is aware that the rights to purchase Equity Shares and the Equity Shares have not been and will not be registered under the Securities Act and are being distributed and offered outside the United States to non-U.S. persons in reliance on Regulation S; and
- (c) the purchaser acknowledges that the Company, the Lead Managers, their affiliates and others will rely upon the truth and accuracy of the foregoing representations and agreements.

Each person who exercises rights to purchase Equity Shares and subscribes for Equity Shares or excess Equity Shares, or who purchases rights to purchase Equity Shares or Equity Shares shall do so in accordance with the restrictions set out below.

European Economic Area Restrictions

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (2003/71/EC) (each, a “**Relevant Member State**”), the Lead Managers have represented and agreed that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the “**Relevant Implementation Date**”), they have not made and will not make an offer of the Rights Entitlement or the Equity Shares which are the subject of this Issue contemplated by this Letter of Offer to the public in that Relevant Member State prior to the publication of a prospectus in relation to the Rights Entitlement or the Equity Shares which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, all in accordance with the Prospectus Directive, except that it may, with effect from and including the Relevant Implementation Date, make an offer of the Rights Entitlement or the Equity Shares to the public in that Relevant Member State:

- (a) to legal entities which are authorized or regulated to operate in the financial markets or, if not so authorized or regulated, whose corporate purpose is solely to invest in securities;
- (b) to any legal entity which has two or more of (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than €43,000,000 and (3) an annual net turnover of more than €50,000,000, as shown in its last annual or consolidated accounts;
- (c) to fewer than 100 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the Lead Managers; or

- (d) in any other circumstances falling within Article 3(2) of the Prospectus Directive, provided that no such offer of the Rights Entitlement or the Equity Shares shall require the Company or the Lead Managers to publish a prospectus pursuant to Article 3 of the Prospectus Directive or a supplement prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression an “offer” in relation to any Rights Entitlement or Equity Shares in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Rights Entitlement and the Equity Shares to be offered so as to enable an investor to decide to purchase or subscribe for the Equity Shares, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State and the expression “Prospectus Directive” means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State.

In the case of any Equity Shares being offered to a financial intermediary as that term is used in Article 3(2) of the Prospectus Directive, the Lead Managers have agreed to use their reasonable endeavors, by the inclusion of appropriate language in relevant offer documents, to procure that such financial intermediary will be deemed to have represented, acknowledged and agreed that the Rights Entitlement or Equity Shares acquired by them in the Issue have not been acquired on a non-discretionary basis on behalf of, nor have they been acquired with a view to their offer or resale to, persons in circumstances which may give rise to an offer of any Rights Entitlement or Equity Shares acquired by it in the Issue to the public other than their offer or resale in a Relevant Member State to qualified investors as so defined who are not financial intermediaries or in circumstances in which the prior consent of the Lead Managers has been obtained to each such proposed offer or resale.

Each subscriber for or purchaser of Rights Entitlement or Equity Shares acquired by it in the Issue located within a Member State of the European Economic Area will be deemed to have represented, acknowledged and agreed that it is a “qualified investor” within the meaning of Article 2(1)(e) of the Prospectus Directive. The Company, the Lead Managers and their affiliates, and others will rely upon the truth and accuracy of the foregoing representation, acknowledgement, and agreement. Notwithstanding the above, a person who is not a qualified investor and who has notified the Lead Managers of such fact in writing may, with the consent of the Lead Manager, be permitted to subscribe for or purchase Equity Shares in the Issue.

United Kingdom

The Lead Managers have represented, warranted and undertaken to the Company that:

- (1) it has complied and will comply with all applicable provisions of FSMA with respect to anything done by it in relation to the Issue in, from or otherwise involving the United Kingdom; and
- (2) it has only communicated or caused to be communicated and will only communicate or cause to be communicated in the United Kingdom any invitation or inducement to engage in investment activity (within the meaning of Section 21 of FSMA) received by it in connection with the issue or sale of the Rights Entitlement and the Equity Shares in the Issue in circumstances in which Section 21(1) of FSMA does not apply to the Company.

Investment by NRIs and FIIs

Investments by NRIs and FIIs in the Equity Shares are subject to certain restrictions. For details, please see the section titled “Regulations and Policies” of this Letter of Offer.

Designated Stock Exchange

The Designated Stock Exchange for the purposes of the Issue will be the NSE.

Disclaimer Clause of the BSE

The BSE has given vide its letter dated May 31, 2010, permission to the Company to use the BSE's name in this Letter of Offer as one of the stock exchanges on which this Company's securities are proposed to be listed. As the proposed Issue is in terms of Regulation 10(1) of the ICDR Regulations, no draft letter of offer has been filed with the BSE and hence no scrutiny of the same has been carried out by the BSE for any purpose. Further, the BSE's permission to use the name of the BSE as stated above, does not in any manner:

- (i) warrant, certify or endorse the correctness or completeness of any of the contents of this Letter of Offer; or
- (ii) warrant that the Company's securities issued pursuant to the Issue will be listed or that the securities of the Company will continue to be listed on the BSE; or
- (iii) take any responsibility for the financial or other soundness of the Company, its Promoters, its management or any scheme or project of the Company;

and it should not for any reason be deemed or construed that this Letter of Offer has been cleared or approved by the BSE. Every person who desires to apply for or otherwise acquires any securities of the Company may do so pursuant to independent inquiry, investigation and analysis and shall not have any claim against the BSE whatsoever by means of any loss which may be suffered by such person consequent to or in connection with such subscription/acquisition whether by reason of anything stated or omitted to be stated herein or for any other reason whatsoever.

Dematerialized Dealing

The Company has entered into tri-partite agreements dated August 6, 2005 and July 19, 2005 with Karvy Computershare Private Limited and each of the NSDL and the CDSL respectively, and its Equity Shares are currently traded on the BSE and the NSE under the ISIN INE040H01021.

Filing

This Letter of Offer has been filed with the Stock Exchanges and a copy has been filed with the SEBI, as per the requirement under Regulation 6(4) of the ICDR Regulations. All the legal requirements applicable until the date of filing this Letter of Offer with the Stock Exchanges has been complied with.

Listing

The existing Equity Shares are listed on the BSE and the NSE. The Company had made applications to the BSE and the NSE dated May 31, 2010, seeking "in-principle" approval for the listing of the Equity Shares issued pursuant to the Issue. The Company has received such approval from the BSE pursuant to letter no. DCS/PREF/JA/IP-RT/206/10-11 dated May 31, 2010. The Company will apply to the Stock Exchanges for final approval for the listing and trading of the Equity Shares.

If the permission to deal in and for an official quotation in respect of the Equity Shares to be issued pursuant to the Issue is not granted by either of the Stock Exchanges, the Company shall forthwith repay, without interest, all the subscription money received from the Equity Shareholders and/or other eligible applicants pursuant to this Letter of Offer. If there is delay in the refund of such subscription money by more than eight days after the Company becomes liable to repay the subscription money (i.e., 15 days after the Issue Closing Date), the Company and every Director of the Company who is an officer in default shall be jointly and severally liable to repay the money with interest for the delayed period, at the rates stipulated under sub-sections (2) and (2A) of Section 73 of the Companies Act.

Consents

Consents in writing of the Directors, the Auditors, the Lead Managers, the Legal Counsels, the Registrar to the Issue, the Monitoring Agency and the Bankers to the Issue and experts to act in their respective capacities have been obtained and such consents have not been withdrawn up to the time of delivery of this Letter of Offer to the Designated Stock Exchange.

SNK & Co. and S.R. Batliboi & Co., Chartered Accountants, the joint Auditors of the Company, have given their written consent for the inclusion of their report in the form and content appearing in this Letter of Offer and such consent and report have not been withdrawn up to the time of delivery of this Letter of Offer to the Designated Stock Exchange.

Expert Opinion

Other than as disclosed in the section titled “Financial Statements” beginning on page F-1 of this Letter of Offer, no expert opinion has been obtained by the Company in relation to the Issue.

Expenses of the Issue

The Issue related expenses include, *inter alia*, Issue management fees, printing and distribution expenses, legal fees, advertisement expenses and registrar and depository fees. Expenses related to the Issue will be borne by the Company.

The Company intends to utilize approximately Rs.10 crores from the gross proceeds of the Issue towards the Issue expenses.

An estimated breakdown of the Issue expenses is set forth in the table below:

Activity Expense	Estimated Amount (Rs.in crores)	Percentage of total Issue expenses (%)	Percentage of total Issue size (%)
Fees of the Lead Managers, Registrar to the Issue, Bankers to the Issue, legal advisor, for other professional services and statutory fees	2.45	25	0.19
Advertising, traveling and marketing expenses	1.65	17	0.13
Printing and stationery expenses	5.9	59	0.45
Total	10.00	100	0.76

Previous Issues by the Company

The Company has not undertaken any public or rights issue during the last five years except as disclosed below in this Letter of Offer.

In Fiscal 2006, the Company completed an initial public offering through the 100% book building process, in accordance with the SEBI Guidelines. The initial public offering was of 29,340,000 Equity Shares for cash at a price of Rs.510 per Equity Share (including a share premium of Rs.500 per Equity Share) aggregating Rs.14,963,400,000 consisting of a fresh issue of 26,762,680 Equity Shares by the Company and an offer for sale of 2,577,320 Equity Shares by Citicorp International Finance Corporation Inc. The issue closed on September 29, 2005. Pursuant to the public issue, 26,762,680 Equity Shares were issued and allotted on October 13, 2005 and the Equity Shares were listed on the BSE and the NSE with effect from October 19, 2005.

Other than the initial public offering in Fiscal 2006, the Company issued 11,386,000 Equity Shares at a price of Rs.1,917 per Equity Share, including a premium of Rs.1,907 per Equity Share to qualified institutional buyers (as defined under the SEBI Guidelines), aggregating Rs.2,182.69 crores, in reliance upon Chapter XIII-A of the SEBI Guidelines in Fiscal 2008 (the “QIP”). Pursuant to the QIP, the Equity Shares were issued and allotted on December 20, 2007.

Outstanding Debentures/Bonds and Preference Shares

The Company has not issued any debentures, bonds or preference shares except as disclosed below of this Letter of Offer and mentioned in the section titled “Capital Structure” of this Letter of Offer.

The Company has in Fiscal Years 2008 and 2010 issued the June 2012 Bonds, June 2012 New Bonds, October 2012 Bonds, October 2012 New Bonds and New Bonds. In Fiscal 2010, the Company completed an offering of

14,600,000 GDRs representing 58,400,000 Equity Shares at an offer price of U.S.\$7.40 per GDR. As on the date of this Letter of Offer, an aggregate amount of U.S.\$479.039 million and 1,092,704 GDRs remained outstanding for the Bonds and the GDRs, respectively. For further details of the Bonds and the GDRs, see the section titled “Capital Structure” of this Letter of Offer.

Option to Subscribe

Other than as disclosed in the section titled “Capital Structure” of this Letter of Offer, the Company has not given any person any option to subscribe for the Equity Shares.

In case of those Equity Shareholders or applicants who have opted to receive the Equity Shares in dematerialized form using electronic credit under the depository system, advice regarding their credit of the Equity Shares shall be given separately.

In case of those Equity Shareholders or applicants who have opted to receive the Equity Shares in physical form and in respect of which the Company issues letters of allotment, the corresponding Share Certificates will be delivered within three months from the date of allotment thereof or such extended time as may be approved by the Central Government under Section 113 of the Companies Act or other applicable provisions, if any. Allottees are requested to preserve such letters of allotment, which will subsequently be exchanged for the Share Certificates. For further details, see “—Option to receive Equity Shares in Dematerialized Form” below under the section titled “Terms and Procedure of the Issue” of this Letter of Offer.

Stock Market Data for the Equity Shares

As the Company’s Equity Shares are actively traded on the BSE and the NSE, the Company’s stock market data has been given separately for each of these Stock Exchanges.

The high and low of the closing prices of the Equity Shares on the BSE and the NSE in the three Fiscal Years preceding the date of filing of this Letter of Offer and the number of Equity Shares traded on the days the high and low prices were recorded are set out below:

BSE

Fiscal Year	High (Rs.)	Date of High	Volume on date of high (No. of Equity Shares)	Low (Rs.)	Date of Low	Volume on date of low (No. of Equity Shares)	Average price for the Fiscal year* (Rs.)
2008	454.7**	January 8, 2008	2,591,090**	190.4**	April 2, 2007	878,215**	302.6
2009	318.4	May 20, 2008	5,385,430	33.3	March 12, 2009	6,922,689	152.2
2010	136.8	June 4, 2009	33,044,516	46.6	April 1, 2009	16,624,394	85.2

(Source: BSE website)

*The average price has been computed based on the average of the daily closing prices of the Equity Shares.

** Price and volume up to January 20, 2008 adjusted for a 1:5 stock split on January 21, 2008.

NSE

Fiscal Year	High (Rs.)	Date of High	Volume on date of high (No. of Equity Shares)	Low (Rs.)	Date of Low	Volume on date of low (No. of Equity Shares)	Average price for the Fiscal year* (Rs.)
2008	454.6**	January 8, 2008	7,163,030**	190.5**	April 2, 2007	2,407,810**	302.7
2009	318.5	May 20, 2008	14,602,395	33.3	March 12, 2009	20,824,838	152.2
2010	136.9	June 4, 2009	103,440,331	46.6	April 1, 2009	42,682,811	85.2

(Source: NSE website)

*The average price has been computed based on the average of the daily closing prices of the Equity Shares.

** Price and volume up to January 20, 2008 adjusted for a 1:5 stock split on January 21, 2008.

The high and low of the closing prices of the Equity Shares on the BSE and the NSE in the six months immediately preceding the date of filing of this Letter of Offer and the number of Equity Shares traded on the days the high and low prices were recorded are set out below:

BSE

Month	High (Rs.)	Date of High	Volume on date of high (No. of Equity Shares)	Low (Rs.)	Date of Low	Volume on date of low (No. of Equity Shares)	Average price for the month* (Rs.)
November 2009	78.5	November 30, 2009	22,703,320	55.2	November 4, 2009	32,715,348	69.0
December 2009	90.8	December 29, 2009	11,535,751	79.3	December 4, 2009	10,769,685	84.0
January 2010	94.8	January 11, 2010	8,313,015	73.2	January 27, 2010	11,214,934	86.7
February 2010	78.6	February 1, 2010	11,123,730	68.6	February 25, 2010	2,905,733	72.8
March 2010	80.5	March 5, 2010	18,776,630	71.9	March 31, 2010	2,652,560	75.0
April 2010	75.2	April 7, 2010	4,485,230	67.9	April 29, 2010	4,071,698	72.1

(Source: BSE website)

*The average price has been computed based on the average of the daily closing prices of the Equity Shares.

NSE

Month	High (Rs.)	Date of High	Volume on date of high (No. of Equity Shares)	Low (Rs.)	Date of Low	Volume on date of low (No. of Equity Shares)	Average price for the month* (Rs.)
November 2009	78.8	November 30, 2009	89,588,525	55.2	November 4, 2009	92,646,383	69.0
December 2009	90.8	December 29, 2009	32,072,861	79.3	December 4, 2009	35,534,520	84.0
January 2010	94.8	January 11, 2010	27,231,662	73.2	January 27, 2010	35,182,648	86.7
February 2010	78.6	February 1, 2010	32,099,103	68.4	February 25, 2010	15,051,124	72.8
March 2010	80.5	March 5, 2010	52,212,155	71.9	March 31, 2010	9,496,457	75.0
April 2010	75.2	April 7, 2010	15,711,003	67.9	April 29, 2010	15,661,236	72.0

(Source: NSE website)

*The average price has been computed based on the average of the daily closing prices of the Equity Shares.

The closing price on the BSE and the NSE on May 28, 2010 the trading day immediately preceding the day on which the Rights Issue Committee met to finalize the Issue Price, was Rs.61.05 and Rs.61.05, respectively.

Except as disclosed in the section titled “Capital Structure” of this Letter of Offer, there have not been any transactions in the Equity Shares by the Promoters, the directors of the corporate Promoter and the Promoter Group entities during the six months preceding the date of filing of this Letter of Offer.

IMPORTANT

- The Issue is pursuant to a resolution adopted by the Board of Directors at its meeting held on May 29, 2010. The Rights Issue Committee has determined the terms of the Issue pursuant to its resolutions dated May 31, 2010.

- The Issue is applicable to those Equity Shareholders whose names appear (i) as beneficial owners in the list to be furnished by the Depositories on the Record Date in respect of the Equity Shares held in the electronic form; and (ii) in the Register of Members of the Company at the close of business hours on the Record Date in respect of the Equity Shares held in physical form, in each case, after giving effect to any valid share transfers up to the Record Date, i.e., June 10, 2010.
- Your attention is drawn to the section titled “Risk Factors” of this Letter of Offer.
- Please ensure that you have received the CAF with this Letter of Offer/Abridged Letter of Offer.
- Please read this Letter of Offer and the instructions contained therein and in the CAF carefully before completing the CAF. The instructions contained in the CAF are an integral part of the Letter of Offer/Abridged Letter of Offer and must be carefully followed. An application is liable to be rejected for any non-compliance with the provisions contained in the Letter of Offer/Abridged Letter of Offer or the CAF.
- All enquiries in connection with this Letter of Offer or the CAF should be addressed to the Registrar to the Issue, quoting the registered folio number/the DP ID number, the client ID number, the CAF serial number and the name of the first Equity Shareholder as mentioned in the CAF.
- All information shall be made available to the investors by the Lead Managers and the Company, and no selective or additional information will be made available by them for any section of the investors in any manner whatsoever including at presentations or in research or sales reports.
- The Lead Managers and the Company shall update this Letter of Offer and keep the public informed of any material changes until the listing and commencement of trading of the Equity Shares.

Issue Schedule

Issue Opening Date:	June 18, 2010
Last date for receiving requests for split forms:	June 25, 2010
Issue Closing Date:	July 2, 2010

The Board of Directors will have the right to extend the Issue Closing Date for such period as it may determine from time to time but not exceeding 30 days from the Issue Opening Date.

Investor Grievances and Redressal System

The Company has adequate arrangements for the redressal of investor complaints in compliance with the corporate governance requirements under the Listing Agreements. The Investors’ Grievance Committee currently comprises Mr. Pradip Kumar Khaitan (Chairman), Mr. Tulsi R. Tanti and Mr. Girish R. Tanti, and its broad terms of reference include:

- Redressal of Shareholder and investor complaints including, but not limited to, transfer of Equity Shares and issue of duplicate Share Certificates, non-receipt of balance sheet, non-receipt of declared dividends, etc.; and
- Monitoring transfers, transmissions, dematerialization, rematerialization, splitting and consolidation of shares issued by the Company.

Status of Complaints

- (a) Total number of complaints received from the date of listing, *i.e.*, October 19, 2005 until the end of Fiscal 2006: 1048
- (b) Total number of complaints received during Fiscal 2007: 223

- (c) Total number of complaints received during Fiscal 2008: 124
- (d) Total number of complaints received during Fiscal 2009: 138
- (e) Total number of complaints received during Fiscal 2010: 40
- (f) Status of the complaints: All the investor complaints/grievances received as on March 31, 2010 have been disposed of.
- (g) Time normally taken for disposal of various types of investor complaints: Not more than one month.

Investor Grievances arising out of the Issue

Any investor grievances arising out of the Issue will be handled by Karvy Computershare Private Limited, the Registrar to the Issue. The Registrar to the Issue will have a separate team of personnel handling post-Issue correspondence.

The agreement between the Company and the Registrar to the Issue provides for retention of records with the Registrar to the Issue for a period of at least one year from the last date of dispatch of the allotment advice/Share Certificates/demat credit/refund orders to enable the Registrar to the Issue to redress grievances of investors.

All grievances relating to the Issue may be addressed to the Registrar to the Issue giving full details such as the registered folio number, name and address, contact number(s), e-mail ID, number of Equity Shares applied for, serial number of the CAF, subscription amount paid on the application and the name of the bank and the branch where the application was deposited, along with a photocopy of the acknowledgement slip. In case of renunciation, the same details of the renouncee should be furnished.

The average time taken by the Registrar to the Issue or the SCSB in case of ASBA Applicants for attending to routine grievances will be seven to ten days from the date of receipt. In case of non-routine grievances, where verification by other agencies is involved, the Registrar to the Issue shall endeavor to attend to them as expeditiously as possible. The Company undertakes to resolve the investor grievances in a time bound manner.

Investors may contact the Company Secretary and Compliance Officer in case of any pre-Issue/post -Issue related problems such as non-receipt of allotment advice/Share Certificates/demat credit/refund orders, etc. The contact details of the Company Secretary and Compliance Officer are as follows:

Mr. Ashok Jangid
Vice President & Company Secretary
Suzlon Energy Limited
One Earth, Hadapsar
Pune 411 028, India
Tel: +91 20 4012 2000
Fax: +91 20 4012 2100
E-mail: investors@suzlon.com

All grievances relating to the ASBA process may be addressed to the SCSB, giving complete details such as the name and address of the ASBA Applicant, the number of Equity Shares applied for, the Application Money paid on the CAF and the Designated Branch or the collection center of the SCSB where the CAF was submitted by the ASBA Applicant.

Changes in Auditors during the last three years

There have been no changes in the Auditors of the Company in the last three years.

Capitalization of Reserves or Profits

Other than as disclosed in the section titled “Capital Structure” of this Letter of Offer, the Company has not capitalized any of its reserves or profits in the last five years.

Revaluation of Fixed Assets

There has been no revaluation of the Company’s fixed assets in the last five years. For further details, see the section titled “Financial Statements” beginning on page F-1 of this Letter of Offer.

Minimum Subscription

If the Company does not receive the minimum subscription of 90% of the Issue, or the subscription level falls below 90%, after the Issue Closing Date on account of cheques being returned unpaid or withdrawal of applications, the Company shall refund the entire subscription amount received within 15 days from the Issue Closing Date. If there is delay in the refund of the subscription amount by more than eight days after the Company becomes liable to pay the subscription amount (*i.e.*, 15 days after the Issue Closing Date), the Company will pay interest for the delayed period, as prescribed under sub-sections (2) and (2A) of Section 73 of the Companies Act.

Subscription to the Issue by the Promoters and the Promoter Group

The Lending Promoter has undertaken by a letter dated May 31, 2010: (a) to apply for Equity Shares being offered pursuant to the Issue to the extent of its full Rights Entitlement; (b) to apply for any Equity Shares renounced in its favor by any other Promoter and/or Promoter Group (and together with the Equity Shares subscribed pursuant to (a) above, the “**Promoter Entitlement**”); and (c) to apply for any additional Equity Shares in the Issue only to the extent of any undersubscribed portion of the Issue, subject to applicable law, to ensure that at least 90% of the Issue is subscribed (and together with the Promoter Entitlement, the “**Promoter Shares**”), up to such an aggregate amount so as to discharge the Company’s liability towards the outstanding amount of the Promoter’s Loan (including any accrued interest until allotment). In addition, the other members of the Promoter and Promoter Group have undertaken by a letter dated May 31, 2010 to renounce their Rights Entitlement in favor of the Lending Promoter.

Subscription for Equity Shares over and above their Rights Entitlement, if allotted, may result in an increase in their percentage shareholding above their current percentage shareholding. Such acquisition by them of additional Equity Shares shall (i) not result in a change of control of the management of the Company; and (ii) be exempt from the applicability of Regulations 11 and 12 of the Takeover Code in terms of the proviso to Regulation 3(1)(b)(ii) of the Takeover Code. The subscription by the Promoters and/or members of the Promoter Group for the Equity Shares in the Issue will be in continuous compliance with the minimum public shareholding requirement specified under Clause 40A of the Listing Agreements and the Company will take such steps as may be necessary to ensure compliance with Clause 40A of the Listing Agreements. As such, other than meeting the requirements indicated in the section titled “Objects of the Issue” of this Letter of Offer, there is no other intention or purpose for the Issue, including any intention to delist the Company, even if, as a result of any allotment in the Issue to the Promoters and/or members of the Promoter Group, the shareholding of the Promoters and/or Promoter Group in the Company exceeds their current shareholding. The Promoters and/or members of the Promoter Group intend to subscribe for any undersubscribed portion as per the provisions of applicable law. For further details of undersubscription and allotment to the Promoters and Promoter Group, see the section titled “Terms and Procedure of the Issue” of this Letter of Offer.

The Company has availed certain Promoter Loans from the Lending Promoter. For details on the utilization of the Promoter Loans please see the section titled “Objects of the Issue” of this Letter of Offer.

SECTION VII - ISSUE RELATED INFORMATION

TERMS AND PROCEDURE OF THE ISSUE

The Equity Shares proposed to be issued on rights basis are subject to the terms and conditions contained in this Letter of Offer, the CAF (enclosed with this Letter of Offer), the Memorandum, the Articles, approvals from the GoI and the RBI, if applicable, the provisions of the Companies Act, the ICDR Regulations, other regulations issued by the SEBI, notifications and regulations for issue of capital and for listing of securities issued by the GoI and/or other statutory authorities and bodies from time to time, FEMA, the Listing Agreements, the terms and conditions as stipulated in the allotment advice or letters of allotment or Share Certificate and any other law, rules or regulations as applicable and introduced from time to time.

Authority for the Issue

The Issue is being made pursuant to a resolution adopted at a meeting of the Board of Directors under Section 81(1) of the Companies Act held on May 29, 2010. The Rights Issue Committee has determined the terms of the Issue pursuant to a resolution dated May 31, 2010.

Basis for the Issue

The Equity Shares are being offered for subscription to those existing Equity Shareholders whose names appear as beneficial owners as per the list to be furnished by the Depositories in respect of the Equity Shares held in electronic form and on the register of members of the Company in respect of the Equity Shares held in physical form at the close of business hours on the Record Date, i.e., June 10, 2010, fixed in consultation with the Designated Stock Exchange.

Rights Entitlement

As your name appears as a beneficial owner in respect of the Equity Shares held in the electronic form or appears in the register of members as an Equity Shareholder as on the Record Date, you are entitled to the number of Equity Shares specified in Block I of Part A of the enclosed CAF.

The eligible Equity Shareholders are entitled to two Equity Share(s) for every 15 fully paid-up Equity Share(s) held on the Record Date.

I General Terms of the Issue

1. Market Lot

The market lot for Equity Shares in dematerialized mode is one. In case of holding of Equity Shares in physical form, the Company would issue to the allottees one certificate for the Equity Shares allotted to each folio (“**Share Certificate**”). In respect of the Share Certificates, the Company will, upon receipt of a request from an Equity Shareholder, split such Share Certificate into smaller denominations within ten working days from the receipt of the request from such Equity Shareholder. The Company shall not charge a fee for splitting any of the Share Certificates.

INVESTORS MAY PLEASE NOTE THAT THE EQUITY SHARES CAN BE TRADED ON THE STOCK EXCHANGES IN DEMATERIALIZED FORM ONLY.

2. Nomination Facility

In terms of Section 109A of the Companies Act, a nomination facility is available in case of Equity Shares. The applicant can nominate any person by completing the relevant details in the CAF in the space provided for this purpose.

A sole Equity Shareholder or the first Equity Shareholder, along with other joint Equity Shareholders, being individuals, may nominate any person(s) who, in the event of the death of the sole holder or all the joint-

holders, as the case may be, shall become entitled to the Equity Shares. A person, being a nominee, who becomes entitled to the Equity Shares by reason of the death of the original Equity Shareholder(s), shall be entitled to the same advantages to which he would be entitled if he were the registered holder of the Equity Shares. A nomination shall stand rescinded upon the sale of the Equity Shares by the person nominating. A transferee will be entitled to make a fresh nomination in the manner prescribed. When the Equity Shares are held jointly by two or more persons, the nominee shall become entitled to receive the amount only on the demise of all the joint-holders. Fresh nominations can be made only in the prescribed form available on request at the Registered Office or with such other person at such addresses as may be notified by the Company.

Only one nomination will be applicable for one folio. Hence, if an Equity Shareholder has already registered a nomination with the Company, no further nomination needs to be made for the Equity Shares to be allotted in the Issue under the same folio. However, new nominations, if any, by an Equity Shareholder shall operate in supersession of any previous nomination.

In case the allotment of Equity Shares is in dematerialized form, there is no need to make a separate nomination for such Equity Shares to be allotted in the Issue. Nominations registered with the respective Depository Participant of the applicant will prevail. If the applicants wish to change the nomination, they are requested to inform their respective Depository Participants.

3. *Joint-Holders*

Where two or more persons are registered as the holders of any Equity Shares, they shall be deemed to hold such Equity Shares as joint-holders with benefits of survivorship, subject to the provisions contained in the Articles.

4. *Minimum Subscription*

If the Company does not receive the minimum subscription of 90% of the Issue, or the subscription level falls below 90%, after the Issue Closing Date on account of cheques being returned unpaid or withdrawal of applications, the Company shall refund the entire subscription amount received within 15 days from the Issue Closing Date. If there is delay in the refund of the subscription amount by more than eight days after the Company becomes liable to pay the subscription amount (i.e., 15 days after the Issue Closing Date), the Company will pay interest for the delayed period, as prescribed under sub-sections (2) and (2A) of Section 73 of the Companies Act.

5. *Subscription to the Issue by the Promoters and the Promoter Group*

The Lending Promoter has undertaken by a letter dated May 31, 2010: (a) to apply for Equity Shares being offered pursuant to the Issue to the extent of its full Rights Entitlement; (b) to apply for any Equity Shares renounced in its favor by any other Promoter and/or Promoter Group (and together with the Equity Shares subscribed pursuant to (a) above, the “**Promoter Entitlement**”); and (c) to apply for any additional Equity Shares in the Issue only to the extent of any undersubscribed portion of the Issue, subject to applicable law, to ensure that at least 90% of the Issue is subscribed (and together with the Promoter Entitlement, the “**Promoter Shares**”), up to such an aggregate amount so as to discharge the Company’s liability towards the outstanding amount of the Promoter’s Loan (including any accrued interest until allotment). In addition, the other members of the Promoter and Promoter Group have undertaken by a letter dated May 31, 2010 to renounce their Rights Entitlement in favor of the Lending Promoter.

Subscription for Equity Shares over and above their Rights Entitlement, if allotted, may result in an increase in their percentage shareholding above their current percentage shareholding. Such acquisition by them of additional Equity Shares shall (i) not result in a change of control of the management of the Company; and (ii) be exempt from the applicability of Regulations 11 and 12 of the Takeover Code in terms of the proviso to Regulation 3(1)(b)(ii) of the Takeover Code. The subscription by the Promoters and/or members of the Promoter Group for the Equity Shares in the Issue will be in continuous compliance with the minimum public shareholding requirement specified under Clause 40A of the Listing Agreements and the Company will take such steps as may be necessary to ensure compliance with Clause 40A of the Listing Agreements. As such, other than meeting the requirements indicated in the section titled “Objects of the Issue” of this Letter of Offer,

there is no other intention or purpose for the Issue, including any intention to delist the Company, even if, as a result of any allotment in the Issue to the Promoters and/or members of the Promoter Group, the shareholding of the Promoters and/or Promoter Group in the Company exceeds their current shareholding. The Promoters and/or members of the Promoter Group intend to subscribe for any undersubscribed portion as per the provisions of applicable law. For further details of undersubscription and allotment to the Promoters and Promoter Group, see the section titled “Terms and Procedure of the Issue” of this Letter of Offer.

6. ***Notices***

All notices to the Equity Shareholders required to be given by the Company shall be published in one English national daily newspaper with wide circulation, one Hindi national daily newspaper with wide circulation and one regional language newspaper with wide circulation at the place where the Registered Office is situated and/or will be sent by registered post or speed post to the registered holders of the Equity Shares at their address in India registered with the Registrar to the Issue from time to time.

7. ***Listing and trading of the Equity Shares***

The Company’s existing Equity Shares are currently traded on the BSE and the NSE under the ISIN INE040H01021. The fully paid-up Equity Shares proposed to be issued pursuant to the Issue shall be listed and admitted for trading on the BSE and the NSE under the existing ISIN. All steps for the completion of the necessary formalities for listing and commencement of trading of the Equity Shares allotted pursuant to the Issue shall be taken within seven working days of the finalization of the basis of allotment. The Company has made applications to the BSE and the NSE seeking “in-principle” approval for the listing of the Equity Shares issued pursuant to the Issue in accordance with Clause 24(a) of the Listing Agreements pursuant to letters dated May 31, 2010 and has received such approval from the BSE pursuant to letter no. DCS/PREF/JA/IP-RT/206/10-11 dated May 31, 2010. The Company will also apply to the Stock Exchanges for final approval for the listing and trading of the Equity Shares. No assurance can be given regarding the active or sustained trading in the Equity Shares or the price at which the Equity Shares offered under the Issue will trade after listing on the Stock Exchanges.

8. ***Offer to Non-resident Applicants***

General permission has been granted to any person resident outside India to purchase equity shares offered on a rights basis, including additional equity shares, by an Indian company in terms of the FEMA and Regulation 6 of the FEM Securities Regulations. However, the general permission referred to above is subject to the restrictions described in the section titled “Regulations and Policies” of this Letter of Offer and restrictions on investments by OCBs described below.

Applications received from Non-resident applicants for the allotment of Equity Shares shall, *inter alia*, be also subject to the conditions imposed from time to time by the RBI under FEMA in relation to the receipt and refund of Application Money, allotment of Equity Shares, issue of allotment advice/letters of allotment/Share Certificates and payment of dividends.

The Board of Directors may, in its absolute discretion, agree to such terms and conditions as may be stipulated by the RBI or any other regulatory authority while approving the allotment of Equity Shares, payment of dividend, etc., to Non-resident applicants. The Equity Shares purchased on a rights basis by Non-residents shall be subject to the same conditions, including restrictions in relation to repatriation, as are applicable to the original Equity Shares against which the Equity Shares are issued on a rights basis.

Pursuant to Circular No. 14 dated September 16, 2003 issued by the RBI, OCBs have been derecognized as an eligible class of investors and the RBI has subsequently issued the Foreign Exchange Management (Withdrawal of General Permission to Overseas Corporate Bodies) Regulations, 2003, as amended. Accordingly, OCBs shall not be eligible to subscribe for the Equity Shares. The RBI has however clarified in A.P. (DIR Series) Circular No. 44, dated December 8, 2003, that OCBs which are incorporated and are not under any adverse notice of the RBI will be considered for undertaking fresh investments as incorporated Non-resident entities.

Thus, OCBs desiring to participate in the Issue must obtain prior approval from the RBI. On providing such approval to the Company at its Registered Office, the OCB shall receive the Letter of Offer and the CAF.

In case of a change in the status of Equity Shareholders from resident to Non-resident, a new demat account shall be opened by such Equity Shareholders. **DETAILS OF SEPARATE COLLECTION CENTERS FOR THE APPLICATIONS OF NON-RESIDENT APPLICANTS IN THE ISSUE SHALL BE PRINTED ON THE CAF.**

The distribution of this Letter of Offer and the issue of Equity Shares on a rights basis to persons in certain jurisdictions outside India may be restricted by legal requirements prevailing in those jurisdictions. The Company is making the issue of Equity Shares on a rights basis to the Equity Shareholders and the Letter of Offer, Abridged Letter of Offer and the CAFs will be dispatched only to those Equity Shareholders who have a registered address in India. Any person who acquires Rights Entitlements or Equity Shares will be deemed to have declared, warranted and agreed, by accepting the delivery of this Letter of Offer, that it is not and that at the time of subscribing for the Equity Shares or the Rights Entitlements, it will not be, in the United States.

9. *No Offer in the United States*

The Rights Entitlement and the Equity Shares are not intended to be offered or sold to persons in the United States or to U.S. persons (as defined under Regulation S) outside the United States. Please refer to the section titled “Statutory and Other Information” beginning of this Letter of Offer for further information. The Company and the Lead Managers reserve absolute discretion in determining whether to allow such participation as well as the identity of the persons who may be allowed to do so.

The Rights Entitlement and the Equity Shares are being offered and sold only outside the United States to non-U.S. persons in offshore transactions in reliance on Regulation S. The offering to which this Letter of Offer relates is not, and under no circumstances is to be construed as, an offering of any shares or rights to sale in the United States, the territories or possessions thereof, or a solicitation therein of an offer to buy any of the said shares or rights. Accordingly, this Letter of Offer and the CAF should not be dispatched or forwarded to or transmitted in or to, the United States at any time.

10. *Utilization of Issue Proceeds*

The Board of Directors declares that:

- (a) All monies received out of the Issue shall be transferred to a separate bank account.
- (b) Details of all moneys utilized out of the Issue shall be disclosed under an appropriate separate head in the balance sheet of the Company indicating the purpose for which such moneys have been utilized.
- (c) Details of all unutilized moneys out of the Issue, if any, shall be disclosed under an appropriate separate head in the balance sheet of the Company indicating the form in which such unutilized moneys have been invested.

The primary object of the Issue is to discharge, to the extent possible, the Promoter Loans availed by the Company from the Lending Promoter. For details on the utilization of the Promoter Loans please see the section titled “Objects of the Issue” of this Letter of Offer.

11. *Undertakings by the Company*

- (a) The complaints received in respect of the Issue shall be attended to by the Company expeditiously and satisfactorily.
- (b) All steps for completion of the necessary formalities for listing and commencement of trading on all the Stock Exchanges where the Equity Shares are to be listed will be taken within seven working days of finalization of the basis of allotment.

- (c) The funds required for dispatch of refund orders/allotment advice/letters of allotment/Share Certificates by registered post shall be made available to the Registrar to the Issue.
- (d) Where refunds are made through electronic transfer of funds, a suitable communication shall be sent to the Equity Shareholders within 15 days of the Issue Closing Date specifying details of the Refund Bank, along with the amount and the expected date of the electronic credit of refund.
- (e) The refund orders/allotment advice/letters of allotment/Share Certificates to Non-residents shall be dispatched within the specified time.
- (f) Except as specified in the section titled “Capital Structure” of this Letter of Offer, no further issue of securities affecting the share capital of the Company shall be made until the Equity Shares issued/offered through the Issue are listed or until the Application Money is refunded on account of non-listing, undersubscription, etc.
- (g) In the event that the public shareholding falls below the minimum prescribed in the Listing Agreements, the Company will take such steps as may be necessary to restore the minimum public shareholding in accordance with the ICDR Regulations and undertakes to comply with such directions as may be issued by the Stock Exchanges.
- (h) The Company accepts full responsibility for the accuracy of information given in this Letter of Offer and confirms that to the best of its knowledge and belief, there are no other facts the omission of which makes any statement made in this Letter of Offer misleading and further confirms that it has made all reasonable enquiries to ascertain such facts.
- (i) All information shall be made available by the Lead Managers and the Company to the investors at large and no selective or additional information will be available for a section of the investors in any manner whatsoever including at road shows, presentations, in research or sales reports, etc.
- (j) In accordance with Clause 43A of the Listing Agreements, a statement shall be furnished to the Stock Exchanges on a quarterly basis indicating material deviations, if any, in the utilization of the proceeds of the Issue. This information shall also be published in the newspapers simultaneously with the interim or annual financial results, after such information has been placed before the Audit Committee of the Board of Directors in terms of Clause 49 of the Listing Agreements. In the event that the Monitoring Agency points out any deviation in the utilization of the proceeds of the Issue, or has given any other reservations/observations about the end use of the proceeds of the Issue, the Company shall inform the Stock Exchanges without any delay. This information shall, after review by the Audit Committee of the Board of Directors, be furnished to the Stock Exchanges as and when received, and shall simultaneously be published in the newspapers.
- (k) In accordance with Clause 49 of the Listing Agreements, the Company shall disclose to the Audit Committee of the Board of Directors, the uses/application of the proceeds of the Issue by major category, on a quarterly basis as a part of its quarterly declaration of financial results. Further, on an annual basis and until the full utilization of the proceeds of the Issue, the Company shall prepare a statement, which shall be certified by the Auditors of the Company, of the proceeds of the Issue utilized for purposes other than those specified in this Letter of Offer and place such statement before the Audit Committee of the Board of Directors. The Company shall also place before the Audit Committee of the Board of Directors, the report of the Monitoring Agency, without any delay.
- (l) The Company will make adequate arrangements to collect the ASBA applications and to consider them similar to the non-ASBA applications while finalizing the basis of allotment.

12. Impersonation

As a matter of abundant caution, attention of the applicants is specifically drawn to the provisions of sub-section (1) of Section 68A of the Companies Act, which is reproduced below:

“Any person who (a) makes in a fictitious name an application to a company for acquiring, or subscribing for, any shares therein, or (b) otherwise induces a company to allot, or register any transfer of, shares therein to him, or any other person in a fictitious name, shall be punishable with imprisonment for a term which may extend to five years.”

13. Caution

- Clubbing of folios/securities for the purpose of making a consolidated payment is not permitted.
- Cheques/demand drafts/pay orders should be payable at Hyderabad for the full amount. Outstation payment instructions or payments for less than the full amount will be rejected.
- Investors are advised not to close or transfer their demat accounts between the period of application until the time of allotment or receipt of credit in their account so as to avoid rejection of credit from the Depositories and resultant delay in receiving the intimation of allotment.

II Principal Terms and Conditions of the Issue of Equity Shares

1. Face Value

Each Equity Share shall have the face value of Rs.2.

2. Entitlement

An eligible Equity Shareholder is entitled to two Equity Share(s) for every 15 fully paid-up Equity Share(s) held on the Record Date.

3. Fractional Entitlements

For Equity Shares being offered on a rights basis under the Issue, if the shareholding of any of the Equity Shareholders is less than eight Equity Shares or is not in multiples of 15, the fractional entitlement of such Equity Shareholders shall be ignored. Equity Shareholders whose fractional entitlements are being ignored will be given preference in the allotment of one additional Equity Share each, if such Equity Shareholders have applied for additional Equity Shares.

Those Equity Shareholders holding less than eight Equity Shares and therefore entitled to zero Equity Shares under the Issue shall be dispatched a CAF with zero entitlement. Such Equity Shareholders cannot renounce their entitlement to apply for additional Equity Shares in favor of any other person. A CAF with zero entitlement will be non-negotiable/non-renunciability.

4. Additional Equity Shares

The Equity Shareholders are eligible to apply for additional Equity Shares over and above their Rights Entitlement provided such Equity Shareholders have applied for all the Equity Shares offered to them, without renouncing some or all of them.

The application for the additional Equity Shares shall be considered and allotment shall be made at the sole discretion of the Board of Directors, in consultation, if necessary, with the Designated Stock Exchange. Where the number of additional Equity Shares applied for exceeds the number of Equity Shares available for allotment, the allotment of additional Equity Shares shall be made on a fair and equitable basis, in consultation with the Designated Stock Exchange. See “—Basis of Allotment” below in this section titled “Terms and Procedure of the Issue” of this Letter of Offer.

If you desire to apply for additional Equity Shares, please indicate your requirement in the place provided for additional shares in Part A of the CAF. Renounees who have subscribed for all the Equity Shares renounced in their favor may also apply for additional Equity Shares.

5. *Issue Price*

Each Equity Share is being offered at a price of Rs.63 (including a premium of Rs.61 per Equity Share). The Issue Price has been arrived in consultation between the Company and the Lead Managers.

6. *Terms of Payment*

a. Payments other than by Lending Promoter

On application, the aggregate amount in respect of the Equity Shares applied for in the Issue at Rs.63 per Equity Share, which constitutes the full amount of the Issue Price, shall be payable (“**Application Money**”).

The Application Money will be applied as under:

	<u>Towards the Equity Share Capital</u>	<u>Towards the Share Premium Account</u>
On application	Rs.2 per Equity Share	Rs.61 per Equity Share

A separate cheque/demand draft/pay order in respect of the Application Money must accompany each CAF.

Payment should be made by cheque/demand draft/pay order drawn on any bank (including a co-operative bank) which is situated at and is a member or a sub-member of the bankers clearing house located at the center where the CAF is accepted. Outstation cheques/demand drafts/pay orders will not be accepted and CAFs accompanied by such outstation cheques/demand drafts/pay orders are liable to be rejected. Payments in cash in excess of the amount specified above will not be accepted. In case of ASBA Applicants, payment should be made in accordance with the procedure set out under “— Procedure for ASBA” below in this section titled “Terms and Procedure of the Issue” of this Letter of Offer.

Pursuant to the RBI Circular DBOD No. FSC BC 42/24.47.00/2003-04 dated November 5, 2003, the Stockinvest scheme has been withdrawn and accordingly, payment through Stockinvest will not be accepted in the Issue.

Where an applicant has applied for additional Equity Shares and is allotted a lesser number of Equity Shares than applied for, the excess Application Money paid shall be refunded. The excess Application Money will be refunded within 15 days from the Issue Closing Date, and if there is a delay beyond eight days from the stipulated period, the Company and every Director of the Company who is an officer in default shall be jointly and severally liable to repay the money with interest for the delayed period, at the rates stipulated under sub-sections (2) and (2A) of Section 73 of the Companies Act.

b. Lending Promoter

On application, the aggregate amount payable in respect of the Promoter Shares at Rs.63 per Equity Share shall be deemed to have been paid by the Lending Promoter up to such an aggregate amount so as to discharge the Company’s liability towards the outstanding amount of the Promoter’s Loan (including any accrued interest until allotment) without any further act, deed or thing.

7. *Mode of Payment of Dividend*

The Company will pay dividends to its Equity Shareholders in accordance with provisions of the Companies Act.

8. *Ranking of the Equity Shares*

The Equity Shares allotted pursuant to the Issue shall be subject to the Memorandum and the Articles and the Companies Act and shall rank *pari passu* in all respects with the existing Equity Shares, including in relation to dividend payment.

9. *Rights of the Equity Shareholders*

Subject to applicable laws, the Equity Shareholders shall have the following rights:

- Right to receive dividend, if declared;
- Right to attend general meetings and exercise voting powers; unless prohibited by law;
- Right to vote on a poll, either in person or by proxy;
- Right to receive offers for shares on a rights basis and be allotted bonus shares, if announced;
- Right to receive surplus on liquidation;
- Right of free transferability of shares; and
- Such other rights, as may be available to an equity shareholder of a listed public company under the Companies Act and its memorandum and articles of association and the terms of the Listing Agreements.

10. *Issue of Duplicate Share Certificates*

If any Share Certificate is mutilated or defaced or the pages for recording transfers of the Equity Shares are fully utilized, the Company against the surrender of such Share Certificate may replace the Share Certificate, provided that it shall be replaced only if the Share Certificate number and the distinctive numbers are legible.

If any Share Certificate is destroyed, stolen, lost or misplaced, then upon production of proof thereof to the satisfaction of the Company and upon furnishing such indemnity/surety and/or such other documents as the Company may deem adequate, a duplicate Share Certificate shall be issued.

III. *How to Apply?*

1. *Procedure for Application*

The CAF will be printed in black ink for all Equity Shareholders, with separate advice for Non-resident Equity Shareholders.

The CAF consists of four parts:

Part A: Form for accepting the Equity Shares offered and for applying for additional Equity Shares;

Part B: Form for renunciation of Equity Shares;

Part C: Form for application for Equity Shares by renounces; and

Part D: Form for request for split application forms.

2. *Options Available to the Equity Shareholders*

The CAF clearly indicates the number of Equity Shares that an Equity Shareholder is entitled to.

An Equity Shareholder will have the following five options:

- A. Apply for his Rights Entitlement in full;
- B. Apply for his Rights Entitlement in part (without renouncing the other part);

- C. Apply for his Rights Entitlement in full and apply for additional Equity Shares;
- D. Renounce his entire Rights Entitlement; or
- E. Apply for his Rights Entitlement in part and renounce the other part.

Options A and B: Acceptance of the Rights Entitlement

The Equity Shareholders may accept their Rights Entitlement and apply for the Equity Shares offered, either (i) in full or (ii) in part, without renouncing the other part, by completing Part A of the CAF. For details in relation to submission of the CAF and mode of payment, see “—Submission of Application and Modes of Payment for the Issue” below in this section titled “Terms and Procedure of the Issue” of this Letter of Offer.

Option C: Acceptance of the Rights Entitlement and Application for Additional Equity Shares

The Equity Shareholders are eligible to apply for additional Equity Shares, over and above their Rights Entitlement, provided that such Equity Shareholders have applied for all the Equity Shares offered to them without renouncing some or all of them in favor of any other person(s).

The application for the additional Equity Shares shall be considered and allotment shall be made at the sole discretion of the Board of Directors, in consultation, if necessary, with the Designated Stock Exchange. Where the number of Equity Shares applied for exceeds the number of Equity Shares available for allotment, the allotment of additional Equity Shares shall be made on a fair and equitable basis with reference to the number of Equity Shares held by the applicant on the Record Date. For details of the manner in which applications for additional Equity Shares shall be considered and allotment completed, see “—Basis of Allotment” below in this section titled “Terms and Procedure of the Issue” of this Letter of Offer.

If you desire to apply for additional Equity Shares, please indicate your requirement in the place provided for additional Equity Shares in Part A of the CAF.

Options D and E: Renunciation of the Rights Entitlement

As an Equity Shareholder, you have the right to renounce your entitlement to the Equity Shares, in full or in part, in favor of one or more persons. Your attention is drawn to the fact that the Company shall not allot and/or register any Equity Shares, in favor of:

- More than three persons, including joint holders;
- Partnership firms or their nominees;
- Minors;
- Hindu Undivided Families (HUFs); or
- Trusts or societies (unless registered under the Societies Registration Act, 1860 or the Indian Trusts Act, 1882 or any other law applicable to trusts and societies and is authorized under its constitution or bye-laws to hold equity shares of a company).

The person(s) in whose favor any Equity Shares are renounced should complete and sign Part C of the CAF and submit the CAF to the Bankers to the Issue on or prior to the Issue Closing Date along with the Application Money. Renounees need not be existing Equity Shareholders of the Company. Renounees who have subscribed for all the Equity Shares renounced in their favor may also apply for additional Equity Shares.

However, the right of renunciation is subject to the express condition that the Board of Directors shall be entitled, in its absolute discretion, to reject the request from the renounees for the allotment of Equity Shares without assigning any reason therefor.

Renunciation by and/or in favor of Non-residents

Any renunciation (i) from a resident Indian Equity Shareholder to a Non-resident, or (ii) from a Non-resident Equity Shareholder to a resident Indian, or (iii) from a Non-resident Equity Shareholder to a Non-resident is subject to the renouncer/renounee obtaining the necessary approvals, including from the RBI under FEMA, and such approvals should be attached to the CAF. **Applications not accompanied by the above approvals are liable to be rejected.**

No single FII can hold more than ten% of the Company's post-Issue paid-up share capital. In respect of an FII investing in the Equity Shares on behalf of its sub-accounts, the investment on behalf of each sub-account shall not exceed ten% of the total paid-up share capital of the Company or five% of the total paid-up share capital of the Company, in case such sub-account is a foreign corporate or an individual. Currently, the aggregate FII investment in the Company cannot exceed 49% of the Company's total paid-up capital. With the approval of the Board of Directors and the Equity Shareholders by way of a special resolution, the aggregate FII holding can go up to 100%. However, as on the date of this Letter of Offer, the Company has not obtained any approval from the Board of Directors or the Equity Shareholders to increase the FII limit to more than 49%

Pursuant to Circular No. 14 dated September 16, 2003 issued by the RBI, OCBs have been derecognized as an eligible class of investors and the RBI has subsequently issued the Foreign Exchange Management (Withdrawal of General Permission to Overseas Corporate Bodies (OCBs)) Regulations, 2003. Accordingly, the existing Equity Shareholders of the Company who do not wish to subscribe for the Equity Shares being offered but wish to renounce the same in favor of one or more persons shall not renounce the same (whether for consideration or otherwise) in favor of any OCB.

Procedure for Renunciation

(a) *To renounce the entire Rights Entitlement in favor of one renounee*

If you wish to renounce the Rights Entitlement indicated in Part A, in whole, please complete Part B of the CAF and send it to the renounee. In case of joint holding, all joint holders must sign Part B of the CAF. The renounee should complete and sign Part C of the CAF. In case of joint renounees, all joint renounees must sign Part C of the CAF.

Renounees shall not be entitled to further renounce their entitlement in favor of any other person.

(b) *To renounce a part of the Rights Entitlement or the entire Rights Entitlement to more than one person*

If you wish to either (i) accept the Rights Entitlement in part and renounce the balance or (ii) renounce the entire Rights Entitlement in favor of two or more renounees, the CAF must be first split into the requisite number of forms. For this purpose, you shall have to apply to the Registrar to the Issue. Please indicate your requirement of split application forms in the space provided for this purpose in Part D of the CAF and return the CAF to the Registrar to the Issue so as to reach them at the latest by the close of business hours on the last date for receiving requests for split application forms.

On receipt of the required number of split application forms from the Registrar to the Issue, the procedure as set out in paragraph (a) above will have to be followed.

In case the signature of the Equity Shareholder, who has renounced the Equity Shares, does not tally with the specimen registered with the Company, the application is liable to be rejected.

A summary of the options available to the Equity Shareholders is set out below. You may exercise any of the following options with regard to the Equity Shares offered, using the CAF:

Option	Description	Action Required
A.	Accept your Rights Entitlement in full	Complete and sign Part A. (All joint holders must sign)
B.	Accept your Rights Entitlement in part without	Complete and sign Part A. (All joint holders must sign)

Option	Description	Action Required
	renouncing the balance	
C.	Accept your Rights Entitlement in full and apply for additional Equity Shares	Complete and sign Part A including Block III relating to the acceptance of the Rights Entitlement and Block IV relating to additional Equity Shares. (All joint holders must sign)
D.	Renounce your Rights Entitlement in full to:	
	1. One person (Joint renounees are considered as one)	Complete and sign Part B (all joint holders must sign) indicating the number of Equity Shares renounced and hand it over to the renounee. The renounee must complete and sign Part C. (All joint renounees must sign)
	2. More than one person	<p>Complete and sign Part D (all joint holders must sign) requesting for split application forms. Send the CAF to the Registrar to the Issue, so as to reach the Registrar to the Issue on or prior to the last date for receiving requests for split application forms. Splitting will be permitted only once.</p> <p>Upon receipt of the split application form, take action as indicated below:</p> <ol style="list-style-type: none"> 1. Complete and sign Part B indicating the number of Equity Shares renounced and hand it over to the renounees. 2. Each of the renounees should complete and sign Part C for the Equity Shares accepted by them.
E.	Accept a part of your Rights Entitlement and renounce the balance to one or more person(s)	<p>Complete and sign Part D (all joint holders must sign) requesting for split application forms. Send the CAF to the Registrar to the Issue, so as to reach the Registrar to the Issue on or prior to the last date for receiving requests for split application forms. Splitting will be permitted only once.</p> <p>Upon receipt of the split application form, take action as indicated below:</p> <ol style="list-style-type: none"> 1. For the Equity Shares you wish to accept, complete and sign Part A. (All joint holders must sign) 2. For the Equity Shares you wish to renounce, complete and sign Part B indicating the number of Equity Shares renounced and hand it over to the renounees. 3. Each of the renounees should complete and sign Part C for the Equity Shares accepted by them.

3. *Change and/or Introduction of Additional Holders*

If you wish to apply for the Equity Shares jointly with any other person(s), not more than three, who is/are not already a joint holder(s) with you, it shall amount to a renunciation and the procedure for renunciation, as applicable, set out above will have to be followed. Even a change in the sequence of the names of joint holders shall amount to a renunciation and the procedure for renunciation, as applicable, set out above will have to be followed.

4. *Please note that:*

- Part A of the CAF must not be used by any persons other than those in whose favor the Issue has been made. If used, this will render the application invalid.
- While applying for or renouncing their Rights Entitlement, joint holders must sign in the same order and as per the specimen signatures registered with the Company.

- A request by an Equity Shareholder for a split application form should be made for a minimum of one Equity Shares or in multiples thereof and one split application form for the balance Equity Shares, if any.
- A request by an Equity Shareholder for a split application form should reach the Company on or prior to June 25, 2010.
- Only the person to whom the Letter of Offer and/or Abridged Letter of Offer has been addressed, and not the renounee(s), shall be entitled to renounce and apply for split application forms. Forms once split cannot be split further.
- Split forms will be sent to the applicants by post at the applicant's risk.
- In the case of a renunciation, the submission of the CAF to the Bankers to the Issue at the collecting branches specified on the reverse of the CAF together with Part B of the CAF duly completed shall be conclusive evidence of the right of the person applying for the Equity Shares to receive allotment of such Equity Shares.

For details on completing the CAF and other general instructions, please follow the instructions indicated on the reverse of the CAF. In addition, see “—General Instructions for Applicants” below in this section titled “Terms and Procedure of the Issue” of this Letter of Offer.

5. *Availability of Duplicate CAFs*

In case the original CAF is not received, or is misplaced by the Equity Shareholder/applicant, the Registrar to the Issue will issue a duplicate CAF on the request of the Equity Shareholder/applicant who should furnish the registered folio number/Depository Participant ID number and client ID number and his/her full name and address to the Registrar to the Issue. Please note that the request for a duplicate CAF should reach the Registrar to the Issue, within eight days from the Issue Opening Date. Please note that those who are making the application in the duplicate form should not utilize the original CAF for any purpose, including renunciation, even if it is received or found subsequently. If the Equity Shareholder/applicant violates any of these requirements, he/she shall face the risk of rejection of both the applications. The Company or the Registrar to the Issue will not be responsible for postal delays or loss, if any, of a duplicate CAF in transit.

6. *Application on Plain Paper*

An Equity Shareholder who has not received the original CAF nor is in a position to obtain a duplicate CAF may make an application to subscribe for the Issue on plain paper, along with a cheque drawn on a local bank or a demand draft/pay order payable at Hyderabad in favor of the Bankers to the Issue, crossed account payee only and marked “Suzlon Energy Limited – Rights Issue” (in the case of a resident Equity Shareholder or a Non-resident Equity Shareholder applying on a non-repatriation basis) or “Suzlon Energy Limited – Rights Issue NR” (in the case of a Non-resident Equity Shareholder applying on a repatriation basis) and send the same by registered post directly to the Registrar to the Issue, to reach the Registrar to the Issue on or prior to the Issue Closing Date. Applications on plain paper will not be accepted from any U.S. address.

An application on plain paper, duly signed by the Equity Shareholders, including any joint holders, in the same order as per the specimen recorded with the Company, should contain the following particulars:

- Name of the issuer, being Suzlon Energy Limited;
- Name and address of the Equity Shareholder, including any joint holders;
- Registered folio number/Depository Participant ID number and client ID number;
- Number of Equity Shares held as on the Record Date;
- Rights Entitlement;

- Number of additional Equity Shares applied for, if any;
- Total number of Equity Shares applied for;
- Total Application Money paid at Rs.63 per Equity Share;
- Particulars of the cheque/demand draft/pay order;
- Savings/Current Account Number and the name and address of the bank where the Equity Shareholder will be depositing the refund order. In case of Equity Shares allotted in demat mode, the bank account details will be obtained from the information available with the Depositories;
- The permanent account number (PAN) of the Equity Shareholder and where relevant, for each joint holder, irrespective of the total value of the Equity Shares applied for pursuant to the Issue. In terms of a SEBI circular dated June 30, 2008, Central and State Government officials and officials appointed by the court (e.g., official liquidators and court receivers) may be exempt from specifying their PAN for transacting in the securities market, subject to submitting sufficient documentary evidence in support of their claim for exemption, provided that such transactions are undertaken on behalf of the Central and State Government and not in their personal capacity. Additionally, in terms of a SEBI circular dated July 20, 2006, persons resident in the state of Sikkim have been exempted from the abovementioned requirement (subject to the Depository Participants collecting sufficient documentary evidence to verify that such persons are Sikkim residents);
-
- Signature of the Equity Shareholders to appear in the same sequence and order as they appear in the records of the Company; and
- Additionally, all applicants shall include the following:

“I/We understand that neither the Rights Entitlement nor the Equity Shares have been, and will be, registered under the United States Securities Act of 1933, as amended (the “US Securities Act”) or any United States state securities laws, and may not be offered, sold, resold or otherwise transferred within the United States or to the territories or possessions thereof or to, or for the account or benefit of, “U.S. Persons” (as defined in Regulation S under the US Securities Act). The Equity Shares referred to in this application are being offered in India but not in the United States of America. The offering to which this application relates is not, and under no circumstances is to be construed as, an offering of any shares or warrants or rights for sale in the United States, or the territories or possessions thereof, or as a solicitation therein of an offer to buy any of the said shares or warrants or rights. Accordingly, this application should not be forwarded to or transmitted in or to the United States at any time. None of the Company, the Registrar, the Lead Managers or any other person acting on behalf of the Company will accept subscriptions from any person, or the agent of any person, who appears to be, or who the Company, the Registrar, the Lead Managers or any other person acting on behalf of the Company has reason to believe is, a resident of the United States.

I/We will not offer, sell or otherwise transfer any of the Equity Shares which may be acquired by us in any jurisdiction or under any circumstances in which such offer or sale is not authorized or to any person to whom it is unlawful to make such offer, sale or invitation except under circumstances that will result in compliance with any applicable laws or regulations. We satisfy, and each account for which we are acting satisfies, all suitability standards for investors in investments of the type subscribed for herein imposed by the jurisdiction of our residence.

I/We understand and agree that the Equity Shares may not be reoffered, resold, pledged or otherwise transferred except in an offshore transaction in compliance with Regulation S, or otherwise pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act.

I/We (i) am/are, and the person, if any, for whose account I/we am/are acquiring such rights to purchase Equity Shares and/or the Equity Shares is/are, outside the United States and is not a U.S. person, and (ii) is/are

acquiring the rights to purchase Equity Shares and/or the Equity Shares in an offshore transaction meeting the requirements of Regulation S.

I/We am/are aware that the rights to purchase Equity Shares and the Equity Shares have not been and will not be registered under the Securities Act and are being distributed and offered outside the United States to non-U.S. persons in reliance on Regulation S; and

I/We acknowledge that the Company, the Lead Managers, their affiliates and others will rely upon the truth and accuracy of the foregoing representations and agreements.”

Please note that Equity Shareholders who are making an application otherwise than on a CAF (i.e., on plain paper as stated above) shall not be entitled to renounce their rights and should not utilize the CAF for any purpose, including renunciation, even if it is received subsequently. If the Equity Shareholder does not comply with any of these requirements, he/she shall face the risk of rejection of both the applications and the Application Money received shall be refunded. However, the Company and/or any Director of the Company will not be liable to pay any interest whatsoever on the Application Money so refunded.

The Equity Shareholders are requested to strictly adhere to these instructions. Failure to do so could result in the application being rejected, with the Company, the Lead Managers and the Registrar to the Issue not having any liability to such Equity Shareholders.

7. Procedure for ASBA

This section is for the information of eligible Equity Shareholders proposing to apply for their (i) Rights Entitlement or (ii) Rights Entitlement and Equity Shares in addition to their Rights Entitlement through the ASBA process (each such Equity Shareholder, an “ASBA Applicant”). The Company and the Lead Managers are not liable for any amendments or modifications or changes in applicable laws or regulations, which may occur after the date of this Letter of Offer. ASBA Applicant are advised to make their independent investigations and ensure that the CAF is correctly completed, specifying the number of the bank account maintained with the Self Certified Syndicate Bank (“SCSB”) in which the Application Money will be blocked by the SCSB.

Self Certified Syndicate Banks

The list of banks that have been notified by SEBI to act as SCSBs for the ASBA process and details of the Designated Branches of SCSBs which shall collect the CAFs of ASBA Applicants are available at <http://www.sebi.gov.in>.

ASBA Applicants

To qualify as ASBA Applicants, eligible Equity Shareholders:

- are required to hold Equity Shares in dematerialized form as on the Record Date and apply for (i) their Rights Entitlement or (ii) their Rights Entitlement and Equity Shares in addition to their Rights Entitlement in dematerialized form;
- should not have renounced their Right Entitlement in full or in part;
- should not be renounees; and
- should apply through blocking of funds in bank accounts maintained with SCSBs.

CAF

ASBA Applicants will be required to select the ASBA option in Part A of the CAF only. Applications in electronic mode will only be available with SCSBs that provide for such facility. The ASBA Applicant shall

submit the CAF to the SCSB authorizing it to block an amount equivalent to the Application Money in the bank account maintained by such ASBA Applicant with the SCSB.

Acceptance of Rights Entitlement

You may accept your Rights Entitlement and apply for the Equity Shares offered, either in full or in part, without renouncing the balance, by completing Part A of the CAF, selecting the ASBA option in Part A of the CAF and submit the completed CAF to the SCSB before the close of banking hours on or prior to the Issue Closing Date.

Mode of payment

An ASBA Applicant agrees to block the entire amount equivalent to the Application Money by authorizing the Designated Branch of the SCSB to block such amount in a bank account maintained with an SCSB, the details of which are specified in the CAF (the “**ASBA Account**”).

Any amount equivalent to the Application Money paid in cash, by money order or by postal order, or a CAF of an ASBA Applicant accompanied by cash, draft, money order, postal order or any mode of payment other than blocked amounts in the SCSB bank accounts, shall not be accepted.

After verifying that sufficient funds are available in the ASBA Account, the SCSB shall block an amount equivalent to the Application Money. The SCSB shall keep the amount equivalent to the Application Money in the relevant ASBA Account blocked until withdrawal or rejection of the CAF or receipt of instructions from the Registrar to the Issue to unblock the Application Money.

In the event of withdrawal or rejection of a CAF, the Registrar to the Issue shall give instructions to the Controlling Branch to unblock the Application Money in the relevant ASBA Account, within one day of receipt of such instructions. The Application Money shall remain blocked in the ASBA Account until finalization of the basis of allotment in the Issue and consequent transfer of the Application Money to the separate bank account maintained by the Company, or until withdrawal or failure of the Issue or until rejection of the ASBA application, as the case may be.

Electronic Registration of applications

Upon receipt of the CAF, or the plain paper applications, as the case may be, the Designated Branch of the SCSBs shall register and upload the applications using the online facilities of the Stock Exchanges.

The Lead Managers, the Company and the Registrar to the Issue shall not take any responsibility for acts, mistakes, errors, omissions and commissions etc. in relation to applications accepted by SCSBs, applications uploaded by SCSBs, applications accepted but not uploaded by SCSBs or applications accepted and uploaded without blocking funds in the ASBA Accounts. It shall be presumed that for applications uploaded by SCSBs, the Issue Price has been blocked in the relevant ASBA Account.

At the time of registering each application, the Designated Branches of the SCSBs shall enter the information pertaining to the investor into the online system, including the following details:

- Name of the Equity Shareholder(s);
- Application Number;
- Permanent Account Number; and
- Depository Participant identification number and client identification number of the ASBA Applicant’s beneficiary account.

A system generated TRS will be given to the ASBA Applicant upon request as proof of the registration of the application. **It is the ASBA Applicant’s responsibility to obtain the TRS from the relevant Designated**

Branches of the SCSBs. The registration of the application by the Designated Branch of the SCSB does not guarantee that the Equity Shares applied for shall be allocated to the ASBA Applicant. Such TRS will be non-negotiable and by itself will not create any obligation of any kind.

The Stock Exchanges offer a screen-based facility for registering applications for this Issue which will be available on the terminals of Designated Branches during the Issue period. The permission given by the Stock Exchanges to use their screen-based facility should not in any way be deemed or construed to mean that the compliance with various statutory and other requirements by the Company, or the Lead Managers or the Designated Branches of the SCSBs have been cleared or approved by the Stock Exchanges; nor does it in any manner warrant, certify or endorse the correctness or completeness of compliance with the statutory and other requirements; nor does it take any responsibility for the financial or other soundness of the Company, the Promoters, management or any scheme or any scheme or project of the Company. The Designated Branches can also set up facilities for offline electronic registration of applications subject to the condition that they will subsequently upload the offline data file into the online facilities on a regular basis.

The SCSBs may reject the applications made through the ASBA process if the ASBA Account maintained with the SCSB as specified in the CAF does not have sufficient funds equivalent to the Application Money. Subsequent to the acceptance of the ASBA Applicant’s application by the Designated Branch, the Company will have a right to reject the application. For details of such technical grounds of rejecting the application of an ASBA Applicant, see “—Grounds for Technical Rejection under the ASBA Process” below in this section title “Terms and Procedure of the Issue” of this Letter of Offer.

Options available to the ASBA Applicants

A summary of options available to the ASBA Applicants is set out below. You may exercise any of the following options with regard to the Equity Shares offered, using the CAF:

Option	Description	Action Required
A.	Accept your Rights Entitlement in full	Complete and sign Part A. (All joint holders must sign)
B.	Accept your Rights Entitlement in part without renouncing the balance	Complete and sign Part A. (All joint holders must sign)
C.	Accept your Rights Entitlement in full and apply for additional Equity Shares	Complete and sign Part A including Block III relating to the acceptance of the Rights Entitlement and Block IV relating to additional Equity Shares. (All joint holders must sign)

An ASBA Applicant will need to select the ASBA option in the CAF and provide the necessary details. However, in cases where the ASBA option is not selected, but the CAF is tendered to the SCSB with the relevant details required under the ASBA option and the SCSB blocks the Applicant Money, then such CAF will be treated as if the ASBA option has been selected.

On selecting the ASBA option in the CAF, the ASBA Applicant confirms that he/she is an ASBA Applicant under the applicable provisions of the ICDR Regulations and is deemed to have authorized: (i) the SCSBs to do all acts as are necessary to make an application in the Issue, blocking or unblocking of funds in the ASBA Account and transfer funds to the Company’s account on receipt of instruction from the Registrar to the Issue after finalization of the basis of Allotment; and (ii) the Registrar to the Issue to issue instructions to the SCSBs to unblock the funds in the ASBA Account, upon finalization of the basis of Allotment.

Additional Equity Shares

You are eligible to apply for additional Equity Shares over and above your Rights Entitlement, provided that you have applied for your Rights Entitlement in full. Applications for additional Equity Shares shall be considered and allotment shall be made at the sole discretion of the Board of Directors, in consultation, if necessary, with the Designated Stock Exchange. See “—Basis of Allotment” below in this section titled “Terms and Procedure of the Issue” of this Letter of Offer.

Renunciation under the ASBA Process

Renounees cannot participate in the ASBA process. Eligible Equity Shareholders renouncing their Rights entitlement in whole or in part will not be eligible as ASBA Applicants.

Applications on Plain Paper

An ASBA Applicant who has neither received the original CAF nor is in a position to obtain the duplicate CAF may make an application to subscribe to the Issue on plain paper. The ASBA Applicants should submit their application on plain paper at a Designated Branch of an SCSB.

The application on plain paper, duly signed by the ASBA Applicants, including any joint holders, in the same order as per the specimen recorded with the Company, must be submitted at a Designated Branch on or before the Issue Closing Date and should contain the following particulars:

- Name of the issuer, being Suzlon Energy Limited;
- Name and address of the ASBA Applicant, including any joint holders;
- Registered folio number/ Depository Participant ID number and client ID number;
- Number of Equity Shares held as on the Record Date;
- Rights Entitlement;
- Number of Equity Shares applied for;
- Number of additional Equity Shares applied for, if any;
- Total number of Equity Shares applied for;
- Total Application Money paid at Rs.63 per Equity Share;
- Savings/Current Account Number and the name and address of the SCSB and the Designated Branch;
- The PAN of the ASBA Applicant and where relevant, for each joint holder, irrespective of the total value of the Equity Shares applied for pursuant to the Issue;
- In case of a Non-resident ASBA Applicant, NRE/ FCNR/ NRO A/c no., name and address of the SCSB and the Designated Branch;
- Authorizing such SCSB to block an amount equivalent to the amount payable on the application in such bank account maintained with the same SCSB.
- Additionally, all applicants shall include the following:

“I/We understand that neither the Rights Entitlement nor the Equity Shares have been, and will be, registered under the United States Securities Act of 1933, as amended (the “US Securities Act”) or any United States state securities laws, and may not be offered, sold, resold or otherwise transferred within the United States or to the territories or possessions thereof or to, or for the account or benefit of, “U.S. Persons” (as defined in Regulation S under the US Securities Act). The Equity Shares referred to in this application are being offered in India but not in the United States of America. The offering to which this application relates is not, and under no circumstances is to be construed as, an offering of any shares or warrants or rights for sale in the United States, or the territories or possessions thereof, or as a solicitation therein of an offer to buy any of the said shares or warrants or rights. Accordingly, this application should not be forwarded to or transmitted in or to the United States at any time. None of the Company, the Registrar, the Lead Managers or any other person acting on behalf of the Company will accept subscriptions from any person, or the agent of any person, who appears to be, or

who the Company, the Registrar, the Lead Managers or any other person acting on behalf of the Company has reason to believe is, a resident of the United States.

I/We will not offer, sell or otherwise transfer any of the Equity Shares which may be acquired by us in any jurisdiction or under any circumstances in which such offer or sale is not authorized or to any person to whom it is unlawful to make such offer, sale or invitation except under circumstances that will result in compliance with any applicable laws or regulations. We satisfy, and each account for which we are acting satisfies, all suitability standards for investors in investments of the type subscribed for herein imposed by the jurisdiction of our residence.

I/We understand and agree that the Equity Shares may not be reoffered, resold, pledged or otherwise transferred except in an offshore transaction in compliance with Regulation S, or otherwise pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act.

I/We (i) am/are, and the person, if any, for whose account I/we am/are acquiring such rights to purchase Equity Shares and/or the Equity Shares is/are, outside the United States and is not a U.S. person, and (ii) is/are acquiring the rights to purchase Equity Shares and/or the Equity Shares in an offshore transaction meeting the requirements of Regulation S.

I/We am/are aware that the rights to purchase Equity Shares and the Equity Shares have not been and will not be registered under the Securities Act and are being distributed and offered outside the United States to non-U.S. persons in reliance on Regulation S.

I/We acknowledge that the Company, the Lead Managers, their affiliates and others will rely upon the truth and accuracy of the foregoing representations and agreements.”

If an ASBA Applicant makes an application in more than one mode, i.e., both in the CAF and on plain paper, then both the applications may be liable to be rejected.

Last date of Application

The last date for submission of the duly completed CAF is July 2, 2010, i.e., the Issue Closing Date. The Board of Directors will have the right to extend the Issue Closing Date for such period as it may determine from time to time but not exceeding 30 days from the Issue Opening Date.

If the completed CAF is not received by the SCSB from an ASBA Applicant on or prior to the close of banking hours on the Issue Closing Date or such extended date as may be fixed by the Board of Directors, the offer contained in the Letter of Offer shall be deemed to have been declined and the Board of Directors shall be at liberty to dispose of the Equity Shares offered thereby, as provided under “—Basis of Allotment” below in this section titled “Terms and Procedure of the Issue” of this Letter of Offer.

Allotment in Dematerialized Form

ASBA APPLICANTS MAY PLEASE NOTE THAT THE EQUITY SHARES APPLIED FOR THROUGH THE ASBA PROCESS CAN ONLY BE ALLOTTED IN DEMATERIALIZED FORM AND TO THE SAME DEPOSITORY ACCOUNT IN WHICH THE EQUITY SHARES ARE HELD BY SUCH ASBA APPLICANT ON THE RECORD DATE.

General instructions for ASBA Applicants

- (a) Please read the instructions printed on the CAF carefully.
- (b) The application should be made on the printed CAF provided by the Company and should be completed in all respects. A CAF found incomplete with regard to any of the particulars required to be given therein, and/or which is not completed in conformity with the terms of this Letter of Offer, is liable to be rejected. The CAF must be completed in English.

- (c) The completed CAF should be submitted at the Designated Branch of the SCSB with which the ASBA Account is maintained and not to the Bankers to the Issue/Collection Branches (assuming that such Collection Branches are not SCSBs), the Company, the Registrar to the Issue or the Lead Managers.
- (d) The ASBA applicant or in the case of an application in joint names, each of the ASBA Applicants, should mention his/her PAN allotted under the IT Act. **CAFs without the PAN will be considered incomplete and are liable to be rejected.** In terms of a SEBI circular dated June 30, 2008, Central and State Government officials and officials appointed by the court (e.g., official liquidators and court receivers) may be exempt from specifying their PAN for transacting in the securities market, subject to submitting sufficient documentary evidence in support of their claim for exemption, provided that such transactions are undertaken on behalf of the Central and State Government and not in their personal capacity. Additionally, in terms of a SEBI circular dated July 20, 2006, persons resident in the state of Sikkim have been exempted from the abovementioned requirement (subject to the Depository Participants collecting sufficient documentary evidence to verify that such persons are Sikkim residents).
- (e) All payments will be made by blocking an amount equivalent to the Application Money in the ASBA Account. Payment by cheque/demand draft/pay order is not acceptable. In case payment is effected by cheque/demand draft/pay order, the application may be deemed invalid and the Application Money will be refunded without the payment of any interest thereon.
- (f) Signatures should be either in English, Hindi or in any other language specified in the Eighth Schedule to the Constitution of India. Signatures other than in English or Hindi, and thumb impressions, must be attested by a notary public or a special executive magistrate under his/her official seal. ASBA Applicants must sign the CAF as per the specimen signature recorded with the Company.
- (g) In case of joint holders, all joint holders must sign the relevant part of the CAF in the same order and as per the specimen signature(s) recorded with the Company. In case of joint applicants, reference, if any, will be made in the first applicant's name and all communication will be addressed to the first applicant.
- (h) All communication in connection with application for the Equity Shares, including any change in address of the ASBA Applicants should be addressed to the Registrar to the Issue, prior to the date of allotment in the Issue quoting the name of the first/sole ASBA Applicant, folio numbers and serial number of the CAF. Please note that any intimation for change of address of ASBA Applicants, after the date of allotment, should be sent to the respective Depository Participant.

Do's:

- (a) Ensure that the ASBA option is selected in Part A of the CAF and necessary details are completed.
- (b) In case of an application in physical mode, the ASBA Applicant shall submit the CAF/plain paper application at the Designated Branch of the SCSB. In case of an application in electronic form, the ASBA Applicant shall submit the CAF/plain paper application either through the internet banking facility available with the SCSB, or such other electronically enabled mechanism for making an applicant and blocking funds in the ASBA Account held with the SCSB. Electronic mode is only available with certain SCSBs and not all SCSBs and you should ensure that your SCSB offers such facility to you.
- (c) Ensure that the details of your Depository Participant and beneficiary account are correct and the beneficiary account is activated as Equity Shares will be allotted in the dematerialized form only.
- (d) Ensure that the CAFs/plain paper applications are submitted at the Designated Branch of the SCSB with whom the ASBA Account is maintained, the details of which have been provided in the CAF/plain paper application.
- (e) Ensure that you have mentioned the correct bank account number in the CAF/plain paper application.

- (f) Ensure that there are sufficient funds equivalent to the Application Money available in the ASBA Account before submitting the CAF/plain paper application to a Designated Branch of the SCSB.
- (g) Ensure that you have authorized the SCSB to block funds equivalent to the Application Money, in the ASBA Account.
- (h) Ensure that you receive an acknowledgement from the SCSB for your submission of the CAF/plain paper application in physical form.
- (i) Each applicant should mention their PAN number allotted under the IT Act.
- (j) Ensure that the name(s) given in the CAF/plain paper application is exactly the same as the name(s) in which the beneficiary account is held with the Depository Participant. In case the CAF/plain paper application is submitted in joint names, ensure that the beneficiary account is also held in same joint names and such names are in the same sequence in which they appear in the CAF/plain paper application.
- (k) Ensure that the demographic details such as the address, the bank account details for printing on refund orders and occupation (“**Demographic Details**”) are updated, true and correct, in all respects.

Don'ts:

- (a) Do not apply on a duplicate CAF/plain paper application after you have submitted a CAF/plain paper application to a Designated Branch of the SCSB.
- (b) Do not pay the Application Money by cheque, demand draft or pay order.
- (c) Do not send your physical CAFs/plain paper applications to the Lead Managers, the Registrar to the Issue, the Bankers to the Issue (assuming that such Bankers to the Issue are not SCSBs), to a branch of the SCSB which is not a Designated Branch or the Company.
- (d) Do not submit the GIR number instead of the PAN as the application is liable to be rejected on this ground.
- (e) Do not instruct your respective SCSBs to release the funds blocked under the ASBA process.

Grounds for Technical Rejection under the ASBA Process

In addition to the grounds listed under “— Grounds for Technical Rejections” below in this section title “Terms and Procedure of the Issue” of this Letter of Offer, applications under the ASBA process are liable to be rejected on the following grounds:

- (a) Application on a split CAF.
- (b) Application for Rights Entitlement or additional Equity Shares in physical form.
- (c) The Depository Participant ID and the Client ID mentioned in CAF/plain paper application not matching with the Depository Participant ID and the Client ID records available with the Registrar to the Issue.
- (d) Sending the CAF/plain paper application to the Lead Managers, the Registrar to the Issue, the Banker to the Issue, the Collection Branches (assuming that such Collection Branch is not a SCSB), to a branch of an SCSB which is not a Designated Branch of such SCSB or the Company.
- (e) A renounee applying under the ASBA process.
- (f) Insufficient funds in the ASBA Account.

- (g) Funds in the ASBA Account having been frozen pursuant to any regulatory order(s).
- (h) The ASBA Applicant not signing the CAF or the declaration therein.

Depository Account and Bank Account Details of ASBA Applicants

IT IS MANDATORY FOR ALL ASBA APPLICANTS TO RECEIVE THEIR EQUITY SHARES IN DEMATERIALIZED FORM. ALL ASBA APPLICANTS SHOULD MENTION THEIR DEPOSITORY PARTICIPANT'S NAME, DEPOSITORY PARTICIPANT IDENTIFICATION NUMBER AND BENEFICIARY ACCOUNT NUMBER IN THE CAF/PLAIN PAPER APPLICATION. ASBA APPLICANTS MUST ENSURE THAT THE NAME GIVEN IN THE CAF/PLAIN PAPER APPLICATION IS EXACTLY THE SAME AS THE NAME IN WHICH THE DEPOSITORY ACCOUNT IS HELD. IN CASE THE CAF IS SUBMITTED IN JOINT NAMES, IT SHOULD BE ENSURED THAT THE DEPOSITORY ACCOUNT IS ALSO HELD IN THE SAME JOINT NAMES AND ARE IN THE SAME SEQUENCE IN WHICH THEY APPEAR IN THE CAF.

ASBA Applicants should note that on the basis of name of the ASBA Applicant, the Depository Participant's name and identification number and the beneficiary account number provided in the CAF/plain paper application, the Registrar to the Issue will obtain from the Depository Demographic Details of the ASBA Applicant. Therefore, ASBA Applicants should complete their Depository Account details in the CAF/plain paper application carefully.

Such Demographic Details will be used for all correspondence with ASBA Applicants, including mailing of the letters intimating unblocking of the ASBA Accounts of the respective ASBA Applicants. The Demographic Details provided by the ASBA Applicants in the CAF will not be used for any other purposes by the Registrar to the Issue. Therefore, the ASBA Applicants are advised to update their Demographic Details available with their Depository Participants.

By signing the CAFs/plain paper applications, the ASBA Applicants will be deemed to have authorized the Depositories to provide, upon request, to the Registrar to the Issue, the required Demographic Details available on its records.

Unblocking of the ASBA Account

On the basis of instructions from the Registrar to the Issue, the SCSBs shall transfer the Application Money blocked in respect of each ASBA Applicant to the designated bank account maintained by the Company and shall unblock the excess amount, if any, in the ASBA Account of such ASBA Applicant. However, the Application Money may be unblocked in the ASBA Account prior to receipt of notification from the Registrar to the Issue by the Controlling Branch in relation to the finalization of the basis of allotment in the Issue in the event of withdrawal or failure of the Issue or a withdrawal or rejection of the CAF submitted by an ASBA Applicant, as the case may be.

Letters intimating allotment and unblocking of the ASBA Accounts will be mailed to the address of the ASBA Applicant specified in the Demographic Details received from the Depositories. ASBA Applicants may note that delivery of letters intimating the unblocking of the ASBA Account may get delayed if such documents, once sent to the address obtained from the Depositories are returned undelivered.

Note that any such delay shall be at the sole risk of the ASBA Applicants and none of the Company, the SCSBs or the Lead Managers shall be liable to compensate the ASBA Applicant for any losses caused to such ASBA Applicant due to any such delay or pay any interest for such delay.

Applications through ASBA under Power of Attorney

In case of applications made under the ASBA process pursuant to a power of attorney, a certified copy of the power of attorney must be submitted along with the CAF/plain paper application. Failing this, the Company reserves the right to accept or reject any CAF, without assigning any reason therefor.

The Company, in its absolute discretion, reserves the right to relax the above condition of simultaneous lodging of the power of attorney along with the CAF, subject to such terms and conditions that the Company and the Lead Managers may deem fit.

IV. Submission of Application and Modes of Payment for the Issue

1. For Resident Equity Shareholders or Applicants (other than ASBA Applicants)

- Equity Shareholders or applicants who are applying through the CAF and residing at places where the bank collection centers have been opened by the Company for collecting applications, are requested to submit, on or prior to the Issue Closing Date, the completed CAFs at the corresponding collection center, together with a cheque/demand draft/pay order payable at Hyderabad for the Application Money net of bank charges in favor of the Bankers to the Issue, crossed account payee only and marked “Suzlon Energy Limited – Rights Issue”.
- Equity Shareholders or applicants residing at places other than places where the bank collection centers have been opened by the Company for collecting applications, and Equity Shareholders who are applying on plain paper, are requested to send the completed CAF or plain paper application, as case may be, together with a cheque/demand draft/pay order payable at Hyderabad for the Application Money net of bank charges in favor of the Bankers to the Issue, crossed account payee only and marked “Suzlon Energy Limited – Rights Issue”, directly to the Registrar to the Issue, by registered post so as to reach the Registrar to the Issue on or prior to the Issue Closing Date. The Company or the Registrar to the Issue will not be responsible for postal delays or loss of applications in transit, if any.

2. For Non-resident Equity Shareholders or Applicants

Application with repatriation benefits

Non-resident Equity Shareholders or applicants applying on a repatriation basis are required to submit the completed CAF or the application on plain paper, as the case may be, along with payment in the following manner:

- By Indian Rupee drafts purchased from abroad and payable at Hyderabad or funds remitted from abroad (submitted along with a Foreign Inward Remittance Certificate); or
- By cheques/demand drafts/pay orders remitted through normal banking channels or out of funds held in Non-Resident External (“NRE”) Accounts or Foreign Currency Non-Resident (“FCNR”) Accounts maintained in Hyderabad with banks authorized to deal in foreign currency, along with documentary evidence in support of the remittance; or
- By Indian Rupee drafts purchased by debit to an NRE/FCNR Account maintained elsewhere in India and payable in Hyderabad.
- FIIs registered with SEBI must remit funds from special non-resident rupee deposit accounts.
- For Equity Shareholders applying through a CAF, the CAF is to be sent to the bank collection center specified in the CAF, along with cheques/demand drafts/pay orders for the Application Money payable at Hyderabad in favor of the Bankers to the Issue and marked “Suzlon Energy Limited – Rights Issue NR” and must be crossed account payee only.

A separate cheque/demand draft/pay order must accompany each CAF. Non-resident Equity Shareholders or applicants may note that where payment is made by demand drafts purchased from NRE/FCNR Accounts as the case may be, an account debit certificate from the bank issuing the demand draft confirming that the demand draft has been issued by debiting the NRE/FCNR Account should be enclosed with the CAF. In the absence of the above, the CAF shall be considered incomplete and is liable to be rejected.

In the case of NRIs who remit their Application Money from funds held in NRE/FCNR Accounts, refunds and other disbursements, if any, shall be credited to such accounts, details of which should be furnished in the appropriate columns in the CAF. In the case of NRIs who remit their Application Money through Indian Rupee demand drafts from abroad, refunds and other disbursements, if any, will be made in any convertible foreign currency at the rate of exchange prevailing at such time subject to the permission of the RBI and will be made net of bank charges or commission in U.S. Dollars, at the rate of exchange prevailing at such time. The Company will not be liable for any loss on account of exchange rate fluctuation for converting the Indian Rupee amount into any convertible foreign currency or for any collection charges charged by the applicant's bankers.

Payments through Non-Resident Ordinary ("NRO") Accounts will not be permitted.

Neither the Company nor the Registrar to the Issue will be responsible for postal delays or loss, if any, of the application in transit.

Application without repatriation benefits

In the case of Non-resident Equity Shareholders or applicants applying on a non-repatriation basis, in addition to the modes specified above, payment may also be made by way of cheques drawn on NRO Accounts maintained in Hyderabad or Indian Rupee demand drafts purchased out of an NRO Account maintained elsewhere in India but payable at Hyderabad. In such cases, the allotment of Equity Shares will be on a non-repatriation basis.

For Non-resident Equity Shareholders or applicants applying through a CAF, the CAF is to be sent to the bank collection center specified in the CAF along with cheques/demand drafts/pay orders for the Application Money drawn in favor of the Bankers to the Issue and marked "Suzlon Energy Limited – Rights Issue NR" payable at Hyderabad and must be crossed account payee only.

Non-resident Equity Shareholders or applicants may note that where payment is made by demand drafts purchased from NRE/FCNR/NRO Accounts, as the case may be, an account debit certificate from the bank issuing the demand draft confirming that the demand draft has been issued by debiting such NRE/FCNR/NRO Account should be enclosed with the CAF. Otherwise the application shall be considered incomplete and is liable to be rejected.

New demat accounts shall be opened for holders who have had a change in status from resident Indian to NRI.

Note:

- Non-resident Equity Shareholders or applicants may note that only such applications as are accompanied by payment in free foreign exchange shall be considered for allotment under the reserved category. The Non-resident Equity Shareholders or applicants who intend to make payment through NRO accounts shall use the form meant for resident Indian Equity Shareholders and shall not use the forms meant for reserved category.
- In case repatriation benefits are available, interest, dividend and sales proceeds derived from the investment in Equity Shares can be remitted outside India, subject to tax, as applicable, according to the IT Act.
- In case Equity Shares are allotted on a non-repatriation basis, the dividend and sale proceeds of the Equity Shares cannot be remitted outside India.
- The CAF duly completed together with the Application Money must be deposited with the Bankers to the Issue or any branches thereof indicated on the reverse of the CAF before the close of banking hours on or prior to the Issue Closing Date. A separate cheque/demand draft/pay order must accompany each CAF.

- In case of a CAF received from a Non-resident, allotment, refunds and other distributions, if any, will be made in accordance with the guidelines/rules prescribed by the RBI, as applicable at the time of making such allotment or remittance and subject to necessary approvals.

Last Date of Application

The last date for submission of the duly completed CAF is July 2, 2010, i.e., the Issue Closing Date. The Board of Directors will have the right to extend the Issue Closing Date for such period as it may determine from time to time but not exceeding 30 days from the Issue Opening Date.

If the CAF together with the Application Money is not received by the Bankers to the Issue or the Registrar to the Issue, as the case may be, on or prior to the close of banking hours on the Issue Closing Date or such extended date as may be fixed by the Board of Directors, the offer contained in the Letter of Offer shall be deemed to have been declined and the Board of Directors shall be at liberty to dispose of the Equity Shares offered thereby, as provided under “—Basis of Allotment” below in this section “Terms and Procedure of the Issue” of this Letter of Offer.

3. Procedure for Application by Mutual Funds

A separate application can be made in respect of each scheme of an Indian mutual fund registered with the SEBI and such applications shall not be treated as multiple applications. The applications made by asset management companies or custodians of a mutual fund should clearly indicate the name of the concerned scheme for which the application is being made.

V. Basis of Allotment

Subject to the provisions contained in this Letter of Offer, the Articles and the approval of the Designated Stock Exchange, the Board of Directors will proceed to allot the Equity Shares in the following order of priority:

- (a) Full allotment to those Equity Shareholders who have applied for their Rights Entitlement either in full or in part and also to the renounees who have applied for the Equity Shares renounced in their favor, in full or in part.
- (b) If the shareholding of any Equity Shareholders is less than eight or not in multiples of 15, then the fractional entitlements of such Equity Shareholders will be ignored, and such Equity Shareholders will be given preference in allotment of one additional Equity Share each if they have applied for additional Equity Shares. Allotment under this head shall be considered if there are any unsubscribed Equity Shares after allotment under (a) above or if any Equity Shares are available after consolidation of fractional entitlements. If the number of Equity Shares required for allotment under this head are more than the number of Equity Shares available after allotment under (a) above, the allotment will be made on a fair and equitable basis, in consultation with the Designated Stock Exchange. For details in relation to fractional entitlements, see “Principal Terms and Conditions of the Issue of Equity Shares—Fractional Entitlements” above in this section titled “Terms and Procedure of the Issue” of this Letter of Offer.
- (c) In case of Equity Shareholders who have applied for all the Equity Shares offered to them as part of the Issue and have also applied for additional Equity Shares, the allotment of such additional Equity Shares will be made as far as possible on a proportionate basis having due regard to the number of Equity Shares held by them on the Record Date, provided there is an unsubscribed portion after making full allotment under (a) and (b) above. The allotment of such Equity Shares will be at the sole discretion of the Board of Directors in consultation with the Designated Stock Exchange, as a part of the Issue and not as a preferential allotment.
- (d) In case of renounees who have applied for the Equity Shares renounced in their favor and have also applied for additional Equity Shares, provided there is an unsubscribed portion after making full allotment under (a), (b) and (c) above, the allotment of such additional Equity Shares will be made as

far as possible on a proportionate basis at the sole discretion of the Board of Directors in consultation with the Designated Stock Exchange, as a part of the Issue and not as a preferential allotment.

- (e) Allotment to any other person as the Board of Directors may, in its absolute discretion, deem fit provided there is surplus available after making full allotment under (a), (b), (c) and (d) above.

After taking into account allotment to be made under (a) and (b) above, if there is any unsubscribed portion, the same shall be deemed to be “undersubscribed” for the purposes of the proviso to Regulation 3(1)(b)(ii) of the Takeover Code which will be available for allocation under (c), (d) and (e) above.

The Lending Promoter has undertaken by a letter dated May 31, 2010: (a) to apply for Equity Shares being offered pursuant to the Issue to the extent of its full Rights Entitlement; (b) to apply for any Equity Shares renounced in its favor by any other Promoter and/or Promoter Group (and together with the Equity Shares subscribed pursuant to (a) above, the “**Promoter Entitlement**”); and (c) to apply for any additional Equity Shares in the Issue only to the extent of any undersubscribed portion of the Issue, subject to applicable law, to ensure that at least 90% of the Issue is subscribed (and together with the Promoter Entitlement, the “**Promoter Shares**”), up to such an aggregate amount so as to discharge the Company’s liability towards the outstanding amount of the Promoter’s Loan (including any accrued interest until allotment). In addition, the other members of the Promoter and Promoter Group have undertaken by a letter dated May 31, 2010 to renounce their Rights Entitlement in favor of the Lending Promoter.

Subscription for Equity Shares over and above their Rights Entitlement, if allotted, may result in an increase in their percentage shareholding above their current percentage shareholding. Such acquisition by them of additional Equity Shares shall (i) not result in a change of control of the management of the Company; and (ii) be exempt from the applicability of Regulations 11 and 12 of the Takeover Code in terms of the proviso to Regulation 3(1)(b)(ii) of the Takeover Code. The subscription by the Promoters and/or members of the Promoter Group for the Equity Shares in the Issue will be in continuous compliance with the minimum public shareholding requirement specified under Clause 40A of the Listing Agreements and the Company will take such steps as may be necessary to ensure compliance with Clause 40A of the Listing Agreements. As such, other than meeting the requirements indicated in the section titled “Objects of the Issue” of this Letter of Offer, there is no other intention or purpose for the Issue, including any intention to delist the Company, even if, as a result of any allotment in the Issue to the Promoters and/or members of the Promoter Group, the shareholding of the Promoters and/or Promoter Group in the Company exceeds their current shareholding. The Promoters and/or members of the Promoter Group intend to subscribe for any undersubscribed portion as per the provisions of applicable law. For further details of undersubscription and allotment to the Promoters and Promoter Group, see the section titled “Terms and Procedure of the Issue” of this Letter of Offer.

The Company expects to complete the allotment of Equity Shares within a period of 15 days from the Issue Closing Date in accordance with the Listing Agreements with the BSE and the NSE. In the event of oversubscription, allotment will be made within the overall size of the Issue. The Company shall retain no oversubscription.

Underwriting

The Company has not entered into any underwriting agreement with the Lead Managers in connection with the Issue.

VII. Allotment and Refund

The Company will issue and dispatch allotment advice/letters of allotment/Share Certificates/demat credit and/or letters of regret along with refund orders or credit the allotted securities to the respective beneficiary accounts, if any, within a period of 15 days from the Issue Closing Date. If the amount to be refunded is not paid within eight days from the day the Company becomes liable to pay it, the Company and every Director of the Company who is an officer in default shall be jointly and severally liable to repay the money with interest for the delayed period, at the rates stipulated under sub-sections (2) and (2A) of Section 73 of the Companies Act.

In case of those Equity Shareholders or applicants who have opted to receive the Equity Shares in dematerialized form using electronic credit under the depository system, advice regarding their credit of the Equity Shares shall be given separately.

In case of those Equity Shareholders or applicants who have opted to receive the Equity Shares in physical form and in respect of which the Company issues letters of allotment, the corresponding Share Certificates will be delivered within three months from the date of allotment thereof or such extended time as may be approved by the Central Government under Section 113 of the Companies Act or other applicable provisions, if any. Allottees are requested to preserve such letters of allotment, which will subsequently be exchanged for the Share Certificates.

The allotment advice/letters of allotment and refund orders exceeding Rs.1,500 will be sent by registered post to the sole/first applicant's registered address in India. Refund orders up to the value of Rs.1,500 will be sent under certificate of posting. Such refund orders will be payable at par at all places where the applications were originally accepted. The same will be marked "account payee only" and will be drawn in favor of the sole/first applicant. Adequate funds will be made available to the Registrar to the Issue for this purpose.

The Company shall ensure at par facility is provided for encashment of refund orders or pay orders at the places where applications are accepted.

In the case of Non-resident Equity Shareholders or applicants who remit their Application Money from funds held in NRE/FCNR Accounts, refunds and/or payment of interest or dividend and other disbursements, if any, shall be credited to such accounts, the details of which should be furnished in the CAF. Subject to the approval of the RBI, in case of Non-resident Equity Shareholders or applicants who remit their Application Money through Indian Rupee demand drafts purchased from abroad, refund and/or payment of dividend or interest and any other disbursement, shall be credited to such accounts and will be made net of bank charges or commission in U.S. Dollars, at the rate of exchange prevailing at such time. The Company will not be responsible for any loss on account of exchange rate fluctuations for conversion of the Indian Rupee amount into U.S. Dollars. The Share Certificate(s) will be sent by registered post to the address in India of the Non-resident Equity Shareholders or applicants.

Printing of Bank Particulars on Refund Orders

As a matter of precaution against possible fraudulent encashment of refund orders due to loss or misplacement, the particulars of the applicant's bank account are mandatorily required to be given for printing on refund orders. Bank account particulars will be printed on the refund orders, which can then be deposited only in the account specified. The Company will in no way be responsible if any loss occurs through these instruments falling into improper hands either through forgery or fraud.

Mode of making Refunds

The payment of refund, if any, will be through various modes in the following order of preference:

(a) ECS

Payment of refund would be done through ECS for applicants having an account at any centres where such facility has been made available. This mode of payment of refunds will be subject to availability of complete bank account details including the Magnetic Ink Character Recognition ("MICR") code as appearing on a cheque leaf, from the Depositories. The payment of refunds through ECS is mandatory for applicants that have bank accounts at any of the 68 centers notified by the SEBI (available on its website at www.sebi.gov.in), except where the applicant, being eligible, elects to receive refund through NEFT, direct credit or RTGS.

(b) NEFT

Payment of refund shall be undertaken through NEFT wherever the applicants' bank has been assigned the Indian Financial System Code ("IFSC"), which can be linked to the MICR code, if any, available

to that particular bank branch. The IFSC will be obtained from the website of the RBI as on a date immediately prior to the date of payment of refund, duly mapped with MICR codes. **Wherever the applicants have registered their nine-digit MICR code and their bank account number while opening and operating the demat account, the same will be duly mapped with the IFSC of that particular bank branch and the payment of refund will be made to the applicants through this method.**

(c) Direct Credit

Applicants that have bank accounts with the Bankers to the Issue shall be eligible to receive refunds through direct credit. Charges, if any, levied by the Bankers to the Issue for the same will be borne by the Company.

(d) RTGS

Applicants that have bank accounts at any of the 68 centers notified by the SEBI (available on its website at www.sebi.gov.in) and whose refund amount exceeds Rs.1,000,000, have the option to receive refund through RTGS. Such eligible applicants who indicate their preference to receive refund through RTGS are required to provide the IFSC, the type of account, the account number and the branch where the account is maintained, in the CAF. In the event the IFSC is not provided, refund shall be made through ECS. Charges, if any, levied by the Refund Bank for the same will be borne by the Company. Charges, if any, levied by the applicant's bank receiving the credit will be borne by the applicant.

(e) Please note that only applicants that have bank accounts at any of the 68 centers notified by the SEBI (available on its website at www.sebi.gov.in) and specified in (a) hereinabove are eligible to receive refunds through the modes detailed in (a), (b), (c) and (d) hereinabove. For all other applicants, including those who have not updated their bank particulars with the MICR code, the refund orders, if any, of value less than Rs.1,500 will be dispatched under certificate of posting and refund orders, if any, of at least Rs.1,500 will be dispatched through speed post or registered post. Such refunds will be made by cheques, demand drafts or pay orders and will be payable at par.

(f) In case of any category of applicants specified by the Board of Directors, crediting of refunds to the applicants in any other electronic manner permissible under the banking laws of India for the time being in force which is permitted by the Board of Directors from time to time.

For applicants opting for allotment in physical mode, bank account details as mentioned in the CAF shall be considered for electronic credit or printing of refund orders, as the case may be. Refund orders will be made by cheques, demand drafts or pay orders drawn on the Refund Bank and will be payable at par at places where the applications were received and will be marked account payee only and will be drawn in the name of the sole/first applicant. The bank charges, if any, for encashing such cheques, demand drafts or pay orders at other centers will be payable by the applicants.

Option to receive Equity Shares in Dematerialized Form

The Equity Shares in the Issue shall be allotted to the Equity Shareholders or applicants in dematerialized (electronic) form at the option of the relevant Equity Shareholder or applicant. The Company has entered into an agreement with the NSDL on August 6, 2005, and with the CDSL on July 19, 2005, which enables the investors to hold and trade in securities in dematerialized form, instead of holding the securities in the form of physical certificates.

In the Issue, the Equity Shareholders or applicants who have opted for Equity Shares in dematerialized form will receive their Equity Shares in the form of an electronic credit to their beneficiary account with a Depository Participant. Investors will have to give the relevant particulars for this purpose in the appropriate place in the CAF. CAFs that do not accurately contain this information will be issued the Equity Shares in physical form. No separate applications for Equity Shares in physical and dematerialized form should be made. If such applications are made, the application for Equity Shares in physical form will be treated as multiple applications

and is liable to be rejected. In case of partial allotment, allotment will be made in dematerialized form for the shares sought in dematerialized form and the balance, if any, may be allotted in physical form.

The Equity Shares in the Issue will be listed on the BSE and the NSE and can be traded on the Stock Exchanges in dematerialized form only.

The procedure for availing of the facility for allotment of Equity Shares in the Issue in dematerialized form is as set out below:

- (a) Open a beneficiary account with any Depository Participant (care should be taken that the beneficiary account should carry the name of the holder in the same manner as is exhibited in the records of the Company. In the case of joint holding, the beneficiary account should be opened carrying the names of the holders in the same order as recorded with the Company). In case of investors having various folios in the Company with different joint holders, the investors will have to open separate accounts for such holdings. *Those Equity Shareholders who have already opened such beneficiary accounts need not adhere to this step.*
- (b) For Equity Shareholders already holding Equity Shares in dematerialized form as on the Record Date, the beneficial account number shall be printed on the CAF. For those who open accounts later or those who change their accounts and wish to receive the Equity Shares by way of credit to such account, the necessary details of their beneficiary account should be completed in the space provided in the CAF. It may be noted that the allotment of the Equity Shares arising out of the Issue may be made in dematerialized form even if the original Equity Shares are not dematerialized. Nonetheless, it should be ensured that the depository account is in the name of the Equity Shareholder, or the joint holders, as the case may be, with the names appearing in the same order as in the records of the Company.
- (c) Responsibility for correctness of information (including the applicant's age and other details) completed in the CAF *vis-à-vis* such information with the applicant's Depository Participant, will rest with the applicant. Applicants should ensure that the names of the applicants and the order in which they appear in the CAF should be the same as registered with the applicant's Depository Participant.
- (d) Applicants must necessarily complete the details (including the beneficiary account number or client ID number) appearing in the CAF under the heading "Request for Shares in Electronic Form".
- (e) The Equity Shares allotted to an applicant in dematerialized form will be credited directly to the applicant's beneficiary account with the Depository Participant as provided in the CAF, and the Depository Participant will provide the applicant confirmation of such credit.
- (f) Non-transferable allotment advice/refund orders will be directly sent to the applicant by the Registrar to the Issue.
- (g) If incomplete/incorrect details are provided under the heading "Request for Shares in Electronic Form" in the CAF, the applicant will be issued the Equity Shares in physical form.
- (h) Renounees can also exercise the option to receive Equity Shares in dematerialized form by indicating in the relevant block and providing the necessary details about their beneficiary account.
- (i) It may be noted that Equity Shares in dematerialized form can be traded only on the Stock Exchanges that have electronic connectivity with the NSDL or the CDSL.
- (j) Dividend or other benefits with respect to the Equity Shares held in dematerialized form will be paid to those Equity Shareholders whose names appear in the list of beneficial owners given by the Depository Participant to the Company as on the Record Date.

VIII. General Instructions for Applicants (other than ASBA Applicants)

- (a) Please read the instructions printed on the CAF carefully.

- (b) Except as provided under “—Application on Plain Paper” above in this section titled “Terms and Procedure of the Issue” of this Letter of Offer, the application should be made on the printed CAF provided by the Company and should be completed in all respects. A CAF found incomplete with regard to any of the particulars required to be given therein, and/or which is not completed in conformity with the terms of this Letter of Offer, is liable to be rejected and the Application Money paid, if any, in respect thereof will be refunded without interest and after deduction of any bank commission and other charges. The CAF must be completed in English and the names of all the applicants, details of occupation, address, father’s/husband’s name must be completed in block letters.
- (c) The CAF together with a cheque/demand draft/pay order should be sent to the Bankers to the Issue/bank collection centers or to the Registrar to the Issue, as the case may be, and **not to the Company or the Lead Managers**. Applicants residing at places other than cities where the branches of the Bankers to the Issue have been authorized by the Company for collecting applications, will have to make payment by account payee cheques drawn on a local bank in Hyderabad or a demand draft/pay order payable at Hyderabad in favor of the Bankers to the Issue, crossed account payee only and send their application forms directly to the Registrar to the Issue, by **registered post** to reach them on or prior to the Issue Closing Date. If any portion of the CAF is detached or separated, such application is liable to be rejected.
- (d) The applicant or in the case of an application in joint names, each of the applicants, should mention his/her PAN allotted under the IT Act. **CAFs without the PAN will be considered incomplete and are liable to be rejected.** In terms of a SEBI circular dated June 30, 2008, Central and State Government officials and officials appointed by the court (e.g., official liquidators and court receivers) may be exempt from specifying their PAN for transacting in the securities market, subject to submitting sufficient documentary evidence in support of their claim for exemption, provided that such transactions are undertaken on behalf of the Central and State Government and not in their personal capacity. Additionally, in terms of a SEBI circular dated July 20, 2006, persons resident in the state of Sikkim have been exempted from the abovementioned requirement (subject to the Depository Participants collecting sufficient documentary evidence to verify that such persons are Sikkim residents).
- (e) **APPLICANTS MAY NOTE THAT FOR EQUITY SHARES HELD IN DEMATERIALIZED MODE, THE BANK ACCOUNT DETAILS WILL BE OBTAINED FROM THE DEPOSITORY PARTICIPANT. ACCORDINGLY, APPLICANTS SHOULD ENSURE THAT THEIR BANK ACCOUNT DETAILS ARE UPDATED WITH THE DEPOSITORIES.**
- (f) Applicants are advised to provide information as to their savings/current account number, nine-digit MICR code and the name of the bank and the branch with whom such account is held, in the CAF to enable the Registrar to the Issue to print the said details in the refund orders, if any, after the names of the payees.
- (g) The payment against the application should not be effected in cash if the amount to be paid is in excess of Rs.20,000. In case payment is effected in contravention of this, the application may be deemed invalid and the Application Money will be refunded, without payment of any interest thereon. Payment against the application if made in cash, subject to the conditions mentioned above, should be made only to the Bankers to the Issue.
- (h) Signatures should be either in English, Hindi or in any other language specified in the Eighth Schedule to the Constitution of India. Signatures other than in English or Hindi, and thumb impressions, must be attested by a Notary Public or a Special Executive Magistrate under his/her official seal. The Equity Shareholders must sign the CAF as per the specimen signature recorded with the Company.
- (i) In case of an application under power of attorney or by a body corporate or by a society, a certified true copy of the relevant power of attorney or relevant resolution or authority to the signatory to make the relevant investment under the Issue and to sign the application and a copy of the memorandum and articles of association and/or bye laws of such body corporate or society must be lodged with the

- Registrar to the Issue, giving reference of the serial number of the CAF. In case these papers are sent to any other entity besides the Registrar to the Issue, or are sent after the Issue Closing Date, then the application is liable to be rejected.
- (j) In case of joint holders, all joint holders must sign the relevant part of the CAF in the same order and as per the specimen signature(s) recorded with the Company. Further, in case of joint applicants who are renounees, the number of applicants should not exceed three. In case of joint applicants, reference, if any, will be made in the first applicant's name and all communication will be addressed to the first applicant.
- (k) Applications received from Non-residents, including from persons of Indian origin residing outside India, for the allotment of Equity Shares shall, *inter alia*, be subject to such conditions, as may be imposed from time to time by the RBI or any regulatory authority under FEMA and any other applicable law, rule or regulation in the matter of refund of Application Money, allotment of Equity Shares, subsequent issue and allotment of Equity Shares, export of the Share Certificates, etc. In case a Non-resident Equity Shareholder has specific approval from the RBI in connection with his shareholding, he should enclose a copy of such approval with the CAF.
- (l) All communication in connection with application for the Equity Shares, including any change in address of the Equity Shareholders should be addressed to the Registrar to the Issue, prior to the date of allotment in the Issue quoting the name of the first/sole applicant, folio numbers and serial number of the CAF. Please note that any intimation for change of address of Equity Shareholders, after the date of allotment, should be sent to the Registrar to the Issue in the case of Equity Shares held in physical form and to the respective Depository Participant, in case of Equity Shares held in dematerialized form.
- (m) Split application forms cannot be re-split.
- (n) Only the person or persons to whom Equity Shares have been offered, and not renounees, shall be entitled to obtain split application forms.
- (o) Applicants must write the serial number of their CAF on the reverse of the cheque/demand draft/pay order.
- (p) Only one mode of payment per application should be used. The payment must be either in cash (subject to the limits specified above) or by cheque/demand draft/pay order drawn on any of the banks, including a co-operative bank, which is situated at and is a member or a sub-member of the bankers clearing house located at the center indicated on the reverse of the CAF where the application is to be submitted.
- (q) A separate cheque/demand draft/pay order must accompany each CAF. Outstation cheques/demand drafts/pay order or post-dated cheques and postal/money orders will not be accepted and applications accompanied by such cheques/demand drafts/money orders or postal orders will be rejected. For details of the restriction on payment in cash, please refer to paragraph (g) above.
- (r) No receipt will be issued for the Application Money received. The Bankers to the Issue/Collecting Bank/Registrar to the Issue will acknowledge receipt of the same by stamping and returning the acknowledgment slip at the bottom of the CAF.

Grounds for Technical Rejections

Applicants are advised to note that applications are liable to be rejected on technical grounds, including the following:

- The Application Money paid does not tally with the amount payable in respect of the Equity Shares;
- In case of Equity Shares held in physical form, bank account details (for refund) are not given;

- The age of the first applicant is not given;
- The PAN is not given;
- In case of applications under powers of attorney or by limited companies, bodies corporate, trusts, etc., relevant documents are not submitted;
- If the signature of the existing Equity Shareholder does not match with the one given on the CAF, and for renouncees, if the signature does not match with the records available with their Depositories;
- If the applicant wishes to receive Equity Shares in dematerialized form, but the CAF does not have the applicant's depository account details;
- CAFs are not submitted by the applicants within the time prescribed as per the CAF and the Letter of Offer;
- Applications are not duly signed by the sole/joint applicants;
- Applications by OCBs unless accompanied by specific approval from the RBI permitting the OCBs to invest in the Issue;
- Applications accompanied by Stockinvest;
- In case no corresponding record is available with the Depositories that matches three parameters, namely, names of the applicants (including the order of names of joint holders), the Depository Participant's identity (DP ID) and the beneficiary's identity;
- Applications that do not include the certification set out in the CAF to the effect that the subscriber is not a U.S. Person and is purchasing the Equity Shares in an "offshore transaction" (as defined in Regulation S), and is authorized to acquire the Equity Shares in compliance with all applicable laws and regulations;
- Applications by ineligible Non-residents (including on account of restrictions or prohibition under applicable local laws) and where a registered address in India has not been provided;
- Applications where the Company believes that the CAF is incomplete or acceptance of such CAF may infringe applicable legal or regulatory requirements; or
- Multiple applications, including where an applicant submits a CAF and a plain paper application.

Disposal of CAFs and Application Money

The Board of Directors reserves its full, unqualified and absolute right to accept or reject any application, in whole or in part, and in each case without assigning any reason therefor.

In case an application is rejected in full, the whole of the Application Money received will be refunded. Wherever an application is rejected in part, the balance of the Application Money, if any, after adjusting any money due on the Equity Shares allotted, will be refunded to the applicant within 15 days from the Issue Closing Date.

For further instructions, please read the CAF carefully.

Important

- Please read the Letter of Offer and the CAF carefully before taking any action. The instructions contained in the CAF accompanying the Letter of Offer are an integral part of the conditions of the Letter of Offer and must be carefully followed; otherwise the application is liable to be rejected.
- All enquiries in connection with the Letter of Offer or the CAF and requests for split application forms must be addressed (quoting the registered folio number/DP ID, the client ID number, the serial number of the CAF and the name of the first Equity Shareholder as mentioned on the CAF and superscribed “Suzlon Energy Limited – Rights Issue” in case of resident Equity Shareholders and Non-resident Equity Shareholders applying on a non-repatriation basis or “Suzlon Energy Limited – Rights Issue NR” in case of Non-resident Equity Shareholders applying on a repatriation basis on the envelope) to the Registrar to the Issue, at the following address:

Karvy Computershare Private Limited

Plot No. 17-24, Vittal Rao Nagar, Madhapur

Hyderabad 500 081

Tel: +91 40 4465 5000

Fax: +91 40 2343 1551

Toll free: 1-800-3454 001

Email: einward.rif@karvy.com

Website: www.karvy.com

Contact Person: Mr. Murali Krishna

The Issue will be kept open for a minimum period of 15 days, but will not be kept open in excess of 30 days from the Issue Opening Date.

SECTION VIII - DESCRIPTION OF THE EQUITY SHARES

Set forth below is certain information relating to the Company's share capital, including brief summaries of certain provisions of the Memorandum and the Articles of the Company, the Companies Act, the SCRA, and certain other related legislation of India, all as currently in effect relating to the rights attached to the Equity Shares. The following description of the Company's share capital is subject in its entirety to the Memorandum, the Articles, the provisions of the Companies Act and other applicable provisions of Indian law.

General

The authorized share capital of the Company is Rs.445 crores divided into 222.5 crores Equity Shares of Rs.2 each. The Equity Shares are listed on the BSE and the NSE. As at the date of this Letter of Offer, 1,556,739,743 Equity Shares were issued and paid-up.

The Company's register of members is maintained at its Registered Office.

Dividends

Under the Companies Act, unless the board of directors recommends the payment of a dividend, the shareholders at a general meeting have no power to declare any dividend. The board of directors may also declare interim dividends that do not need to be approved by the shareholders. A company pays dividends recommended by the board of directors and approved by a majority of the shareholders at the annual general meeting of shareholders held within six months of the end of each fiscal year. Under the Listing Agreements, listed companies are required to declare and disclose their dividends on a per share basis only.

Subject to certain conditions laid down by Section 205 of the Companies Act, no dividend can be declared or paid by a company for any Fiscal Year except out of the profits of the company for that year and/or out of the undistributed profits of the company for any previous financial year(s), after providing for depreciation in a manner provided for in the Companies Act. Subject to certain conditions contained in the Companies Act, dividends may also be payable out of moneys provided by the Indian Government or State Government for payment of dividend in pursuance of a guarantee given by that government.

Pursuant to Article 191 of the Articles of the Company, the Equity Shareholders at a general meeting may declare a lower, but not higher, dividend than that recommended by the Board of Directors. Dividends on shares are generally declared as a percentage of the par value of such shares. The dividend recommended by the Board of Directors and approved by the Equity Shareholders at a general meeting is distributed and paid to Equity Shareholders in proportion to the paid-up value of their Equity Shares as on the record date for which such dividend is payable. In addition, as is permitted by Articles 194 of the Articles of the Company, the Board of Directors may declare and pay interim dividends. Under the Companies Act, dividends can only be paid in cash to shareholders listed on the register of shareholders on the date specified as the "book closure date" or "record date". Any dividend payable in cash, may be paid by cheque or warrant sent through post to the registered address of the shareholder entitled to the payment of the dividend or to such shareholder's order or banker or in case of joint shareholders, to the one first named in the register of shareholders. No shareholder is entitled to a dividend while any lien in respect of unpaid calls on any of his/her shares is outstanding.

The Equity Shares allotted pursuant to the Issue shall rank pari passu in all respects with the existing Equity Shares, including in relation to dividend payment.

Under the Companies Act, the amount of any interim dividend declared must be deposited in a separate bank account within five days from the date of the declaration of such dividend. Dividends must be paid to shareholders within 30 days of the annual general meeting where the resolution for declaration of dividend is approved and any dividend which remains unpaid or unclaimed after that period must be transferred within seven days to a special unpaid dividend account held at a scheduled bank. Any dividend which remains unpaid or unclaimed for seven years from the date of such transfer must be transferred to the Investor Education and Protection Fund established by the Indian Government pursuant to which no claim shall lie against the Company or said Fund. Directors may be held criminally liable for any default of the aforementioned provisions.

Under the Companies Act, and the Companies (Transfer of Profits to Reserves) Rules, 1975, as amended, a company may pay a dividend in excess of ten% of its paid-up capital in respect of any fiscal year out of the profits of that year after it has transferred to the reserves of the company a percentage of its profits for that year ranging between two and half% and ten% depending on the rate of dividend proposed to be declared in that year. The Companies Act and the Companies (Declaration of Dividend out of Reserves) Rules, 1975, as amended, further provide that, if the profit for a year is inadequate or absent, the dividend for that year may be declared out of the accumulated profits earned in previous years and transferred to reserves, subject to the following conditions: (i) the rate of dividend to be declared may not exceed the lesser of the average of the rates at which dividends were declared in the five years immediately preceding that year and ten% of paid-up capital; (ii) the total amount to be drawn from accumulated profits from previous years and transferred to reserves may not exceed an amount equivalent to ten% of paid-up capital and free reserves and the amount so drawn is first to be used to set off the losses incurred in the fiscal year before any dividend in respect of preference or equity shares is declared; and (iii) the balance of reserves after withdrawals must not be below 15% of paid-up share capital.

Any future dividends declared will be recommended by the Board of Directors and approved by the Equity Shareholders at their discretion and will depend on the financial condition, results of operations, capital requirements and surplus, contractual obligations and restrictions, the terms of the credit facilities and other financing arrangements of the Company at the time such dividend is considered, and other relevant factors.

Capitalization of Reserves and Issue of Bonus Shares

Article 202 of the Articles of the Company permits the Equity Shareholders in a general meeting to resolve, in certain circumstances, that certain amounts or assets standing to the credit of the share premium account or any reserves or other fund of the Company and available for dividend may be capitalized by (other than the amount standing to the credit of the share premium account or the capital redemption reserve account of the Company): (i) the issue and distribution as fully paid-up shares, debentures, debenture stock, bonds or obligations of the Company or (ii) crediting the shares of the Company which may have been issued and are not fully paid-up, with the whole or any part of the sum remaining unpaid thereon.

Any issue of bonus shares by a listed company would be subject to the regulation issued by SEBI. The relevant ICDR Regulations prescribe that no company shall, pending conversion of convertible debt securities, issue any equity shares by way of a bonus unless similar benefit is extended to the holders of such convertible debt securities, through reservation of equity shares in proportion to such convertible part of the convertible securities falling due for conversion. The bonus issue shares shall be made out of free reserves built out of the genuine profits or share premium collected in cash only. The bonus issue cannot be made unless the partly-paid shares, if any, are made fully paid-up. Further, for the issuance of such bonus shares, a company should not have defaulted in the payment of interest or principal in respect of fixed deposits, interest on existing debentures/bonds or principal on redemption of such debentures/bonds. The declaration of bonus shares in lieu of a dividend cannot be made. Further, a company should have sufficient reason to believe that it has not defaulted in respect of the payment of statutory dues of its employees, such as contributions to the provident fund, gratuities and/or bonuses. The issuance of bonus shares must be implemented within 15 days from the date of approval by the board of directors of a company when the articles of association of the company do not require such company to seek shareholders' approval for capitalization of profits or reserves for making bonus issues and, where shareholders' approval is required, the issue shall be completed within two months from the date of the meeting of the board of directors of a company where the issue was announced.

Pre-emptive Rights and Alteration of Equity Share Capital

Subject to the provisions of the Companies Act, the Company may increase its share capital by issuing new Equity Shares. In accordance with the provisions of Section 81 of the Companies Act, these new Equity Shares will be offered to existing shareholders listed on the members' register or the records of the Depository on the record date in proportion to the amount paid-up on those Equity Shares at that date. The offer will be made by notice specifying the number of Equity Shares offered and the date (being not less than 15 days from the date of the offer) after which the offer, if not accepted, will be deemed to have been declined. After such date, the Board of Directors may dispose of the Equity Shares offered in respect of which no acceptance has been

received in such manner as the Board of Directors may consider to be most beneficial to the Company. The offer is deemed to include a right exercisable by the person concerned to renounce the shares offered to him/her in favor of any other person.

Under the provisions of the Companies Act, new shares may be offered to any persons, whether or not those persons include existing shareholders, if a special resolution to that effect is adopted by the shareholders of the company in a general meeting or, where only a simple majority of shareholders present and voting have adopted the resolution, the Indian Government's permission has been obtained.

The Company's issued share capital may be, *inter alia*, increased by the exercise of warrants attached to any securities of the Company, or individually issued, entitling the holder to subscribe for the Company's shares, or upon the conversion of convertible debentures issued. The issue of any convertible debentures or the taking of any convertible loans, other than from the Indian Government and financial institutions, requires the approval of a special resolution of the Equity Shareholders.

The Company can also alter its share capital by way of a reduction of capital or by undertaking a buyback of shares under the Companies Act and the ICDR Regulations.

The Articles provide that the Company may in a general meeting, from time to time, increase its capital by the issue of new shares (Article 7), consolidate or sub-divide its share capital (Article 11), convert all or any of its fully paid-up Equity Shares into stock and re-convert that stock into fully paid-up Equity Shares and cancel the Equity Shares which have not been taken up by any person (Article 11). The Company may also from time to time by special resolution reduce its share capital (Article 10).

Article 13 of the Articles also provide that if at any time its share capital is divided into different classes of shares, the rights attached to any one class (unless otherwise provided by the terms of issue of the shares of that class) may be varied with the consent in writing of the holders of three-fourths in nominal value of the issued shares of that class, or with the sanction of a special resolution adopted at a separate meeting of the holders of the shares of that class.

Preference Shares

Preference share capital is that part of the paid-up capital of a company which fulfils the following requirements:

- (i) that with respect to dividend, it carries or will carry a preferential right to be paid a fixed amount or an amount calculated at a fixed rate; and
- (ii) that with respect to capital, it carries or will carry on a winding-up of the company a preferential right to be repaid the amount of the capital paid-up or deemed to have been paid-up.

Preference shares do not confer any further rights to participate in a company's profits or assets. Holders of preference shares are not entitled to vote at a general meeting except where the dividend due on such capital has remained unpaid:

- (1) in the case of cumulative preference shares, in respect of an aggregate period of not less than two years preceding the date of commencement of the meeting; and
- (2) in the case of non-cumulative preference shares, either in respect of a period of not less than two years ending with the expiry of the fiscal year immediately preceding the commencement of the meeting or in respect of an aggregate period of not less than three years comprised in the six years ending with the expiry of the fiscal year immediately preceding the commencement of the meeting.

Further, preference shareholders are also allowed to vote on any resolutions which directly affect the rights attached to their preference shares, such as a resolution for the winding up of a company or repayment or reduction of share capital.

Under the Companies Act, a company limited by shares may, if so authorized by its articles of association, issue redeemable preference shares, but (i) no such shares shall be redeemed except out of the profits of a company which would otherwise be available for dividends or out of the proceeds of a fresh issue of shares made for the purposes of the redemption; (ii) no such shares shall be redeemed unless they are fully paid; (iii) the premium, if any, payable on redemption shall have been provided for out of profits of a company or out of such company's securities premium account before the shares are redeemed; (iv) where any such shares are redeemed otherwise than out of the proceeds of a fresh issue, there shall, out of profits which would otherwise have been available for dividends, be transferred to a reserve fund, to be called the company's capital redemption reserve account, a sum equal to the nominal amount of the shares redeemed; and (v) the provisions of the Companies Act relating to the reduction of the share capital of a company shall apply as if the capital redemption reserve account were paid-up share capital of the company. A company is prohibited from issuing any preference shares which are irredeemable or are redeemable after the expiry of a period of 20 years from the date of their issue. Article 8 of the Articles of the Company permits the Company to issue preference shares which are, or at the option of the Company, liable to be redeemed.

General Meetings of Shareholders

There are two types of general meetings of shareholders:

- (i) annual general meetings; and
- (ii) extraordinary general meetings.

Under the Companies Act, a company must hold its annual general meeting each year within 15 months of the previous annual general meeting, and in any event not later than six months after the end of each accounting year unless extended by the Registrar of Companies at the company's request for any special reason for a period not exceeding three months.

The Board of Directors may in accordance with Article 102 of the Articles of the Company convene an extraordinary general meeting of Equity Shareholders when necessary or at the request of an Equity Shareholder or Equity Shareholders holding in the aggregate not less than ten% of the paid-up share capital of the Company (carrying a right to vote in respect of the relevant matter on the date of the deposit of the requisition).

A general meeting of the Equity Shareholders is generally convened by the Company Secretary of the Company in accordance with a resolution of the Board of Directors. Written notices convening a meeting setting out the date, place and agenda of the meeting must be given to members at least 21 clear days (excluding the days of mailing, and receipt, and such service shall be deemed to have been effected on the expiry of 48 hours after the same is posted) prior to the date of the proposed meeting. A general meeting may be called after giving shorter notice if consent is received from all Equity Shareholders in the case of an annual general meeting and from Equity Shareholders holding not less than 95% of the paid-up capital of the Company in the case of any other general meeting. Currently, the Company gives written notices to all members and, in addition, gives public notice of general meetings of Equity Shareholders in a daily newspaper of general circulation in the region of the Registered Office. General meetings are generally held at the Company's Registered Office. Article 106 provides that the quorum for a general meeting of the Company is five Equity Shareholders attending in person. Pursuant to Article 107, no business shall be transacted at any general meeting without the appropriate quorum.

A company intending to adopt a resolution relating to matters such as, but not limited to, the amendment of the objects clause of the memorandum of association, the issuing of shares with differential voting or dividend rights, a variation of the rights attached to a class of shares or debentures or other securities, a buyback of shares under the Companies Act or the giving of loans or the extending of guarantees in excess of limits prescribed under the Companies Act and guidelines issued thereunder, is required to have the resolution adopted by means of a postal ballot instead of transacting the business in the general meeting of the company. A notice to all shareholders shall be sent along with a draft resolution explaining the reasons thereof and requesting each shareholder to send his/her assent or dissent in writing on a postal ballot within a period of 30 days from the date of posting the notice. Postal ballot includes voting by electronic mode.

Voting Rights

At a general meeting upon a show of hands, every member holding shares and entitled to vote and present in person has one vote. Upon a poll, the voting rights of each shareholder entitled to vote and present in person or by proxy are in the same proportion as the capital paid-up on each share held by such shareholder bears to the total paid-up capital of a company. Voting is by a show of hands, unless a poll is ordered by the chairman of the meeting or demanded by a shareholder or shareholders holding at least ten% of the voting rights in respect of the resolution or by those holding shares on which an aggregate sum of not less than Rs.50,000 has been paid-up. In case of a tie vote, under Article 120 of the Articles of the Company, the chairman of the meeting has a casting vote.

Ordinary resolutions may be adopted by simple majority of those present and voting. Special resolutions require that the votes cast in favor of the resolution by those present and voting must be at least three times the votes cast against the resolution. Under the Companies Act, matters that require special resolution include amendments to the articles of association, a member's voluntary winding-up, dissolution, change in the name of a company, and the issue of shares to persons other than existing shareholders. Furthermore, under the Companies Act, the approval of a scheme of compromise or arrangement requires the approval of a majority in number representing at least 75% in value of the shareholders or creditors present and voting.

A shareholder may exercise his voting rights by proxy to be given in the form required by the Articles. The instrument appointing a proxy is required to be lodged with the Company at least 48 hours before the time of the meeting. A shareholder may, by a single power of attorney, grant a general power of representation regarding several general meetings of shareholders. Any shareholder of the Company may appoint a proxy. A corporate shareholder is also entitled to nominate a representative to attend and vote on its behalf at general meetings as if a member both by a show of hands and by a poll, subject to the necessary resolution having been adopted by the corporate shareholder. A proxy may not vote except on a poll and does not have a right to speak at meetings.

The Companies Act allows for a company to issue shares with differential rights as to dividends, voting or otherwise, subject to certain conditions prescribed under applicable law. In this regard, the laws require that, for a public company to issue shares with differential voting rights: (i) the company must have had distributable profits in accordance with the Companies Act for the three fiscal years preceding the years in which it was decided to issue such shares; (ii) the company must not have defaulted in filing annual accounts and annual returns for the three fiscal years immediately preceding the fiscal year in which the company proposes to issue such shares; (iii) the articles of association of the company must allow for the issuance of shares with differential voting rights; and (iv) the conditions as set forth in the Companies (Issue of Share Capital with Differential Voting Rights) Rules, 2001 must be complied with. The Company's Articles do not provide for issuance of Equity Shares with differential voting rights. Pursuant to the Listing Agreements, the Company is prohibited from issuing shares in any manner which may confer on any person superior rights as to voting or dividend compared to the rights on the Equity Shares that are already listed.

Postal Ballot

Under the provisions of the Companies Act, the Indian Government has framed rules for listed companies for voting by postal ballot instead of transacting the business in general meeting of the company, in case of resolutions including resolutions for alteration of the objects clause in the company's memorandum of association, buyback of shares, issue of shares with differential voting rights, a sale of the whole or substantially the whole of an undertaking of a company, giving loans and extending guarantees in excess of prescribed limits, change of the registered office of the company in certain circumstances and for variation in the rights attached to a class of shares or debentures or other securities. The resolution adopted by means of postal ballot shall be deemed to have been duly adopted at a general meeting physically convened. A notice to all the shareholders has to be sent along with a draft resolution explaining the reasons thereof and requesting them to send their assent or dissent in writing on a postal ballot within a period of 30 days from the date of posting the notice. Postal voting includes voting in electronic form.

Convertible Securities and Warrants

The Company, in accordance with the provisions of applicable law, may from time to time issue debt instruments that are partly and fully convertible into Equity Shares and warrants to purchase Equity Shares.

Register of Members and Record Dates

The Company is obliged to maintain a register of members at its registered office or, with the approval of its Equity Shareholders by way of a special resolution and with prior intimation to the RoC, at some other place in the same city. The register and index of beneficial owners maintained by a depository under the Depositories Act is deemed to be an index of members and register and index of debenture holders. The Company recognises as Shareholders only those persons who appear on its register of members and it cannot recognise any person holding any share or part of it upon any trust, express, implied or constructive, except as permitted by law.

In the case of shares held in physical form, the Company, through its registrar and share transfer agent, registers transfers of shares on the register of members upon lodgement of the duly stamped share transfer form executed by or on behalf of the transferor and by or on behalf of the transferee and duly completed in all respects, accompanied by a share certificate or, if there is no certificate, the letter of allotment in respect of shares transferred. In respect of the transfer of shares in dematerialised form, the depository transfers shares by entering the name of the purchaser in its books as the beneficial owner of the shares. In turn, the Company enters the name of the depository in its records as the registered owner of the shares. The beneficial owner is entitled to all the rights and benefits, as well as the liabilities, attached to the shares that are held by the depository. Transfer of beneficial ownership through a depository is exempt from any stamp duty but each depository participant may be subject to certain charges. A transfer of shares by way of share transfer form attracts stamp duty at the rate of 0.25% of the value of shares being transferred.

For the purpose of determining the Shareholders, the Company may, after giving not less than seven days' previous notice by advertisement in a newspaper circulating in the district where the Registered Office is situated, close the register for periods not exceeding in the aggregate 45 days in any one year or 30 days at any one time. In order to determine the shareholders entitled to dividends the Company keeps the register of members closed for approximately ten to 20 days, generally before the annual general meeting. Under the Listing Agreements, the Company may, upon at least seven working days' advance notice (or such advance notice as the stock exchanges may reasonably require) to such stock exchanges, set a record date and/or close the register of members in order to ascertain the identity of Shareholders. The trading of shares and the delivery of certificates in respect thereof may continue while the register of members is closed.

Under the Companies Act, the Company is also required to maintain a register of debenture holders.

Annual Reports and Financial Results

The Company's audited financial statements for the relevant Fiscal Year, the directors' report and the auditors' report (collectively the "**Annual Report**") must be laid before the annual general meeting. These also include certain other financial information of the Company, a corporate governance section and management's discussion and analysis and are sent to the Company's shareholders 21 days prior to the annual general meeting. Under the Companies Act, the Company must file three copies of its balance sheet and profit and loss account with the RoC within 30 days from the date of the relevant annual general meeting. Under the Listing Agreements, the Company is required to send its Annual Report to the BSE and the NSE. The Company must file an annual return with the RoC which includes a list of its shareholders, debentureholders, its indebtedness and other information within 60 days of the conclusion of its annual general meeting.

The Company must also publish its financial results in at least one English language daily newspaper circulating in the whole or substantially the whole of India and also in a newspaper published in the language of the region where the Registered Office is situated.

The Company files certain information online, including its annual report, interim financial statements, report on corporate governance, shareholding pattern statement, and such other statements, information or reports as may be specified by SEBI from time to time or in accordance with the requirements of its Listing Agreements.

Transfer of Shares

Following the introduction of the Depositories Act and the repeal of Section 22A of the SCRA, the equity shares of a public company became freely transferable, subject only to the provisions of Section 111A of the Companies Act. Since the Company is a public company, the provisions of Section 111A of the Companies Act will apply to it. In accordance with the provisions of Section 111A(2) of the Companies Act, if the Company without sufficient cause refuses to register a transfer of shares within two months from the date on which the instrument of transfer or intimation of transfer, as the case may be, is delivered, the transferee may file an appeal with the Indian company law board (the “**Company Law Board**”) and the Company Law Board can direct the Company to register such transfer.

Pursuant to Section 111A(3) of the Companies Act, if a transfer of shares contravenes any of the provisions of the SEBI Act or the regulations issued thereunder, the Sick Industrial Companies (Special Provisions) Act, 1985 or any other laws in India, the Company Law Board may, on an application made by the Company, a depository, a participant, an investor or the SEBI, within two months from the date of transfer of any shares or debentures held by a depository or from the date on which the instrument of transfer or the intimation of the transmission was delivered to the Company, as the case may be, direct the rectification of the register of records after such inquiry as it thinks fit. The Company Law Board may, at its discretion, issue an interim order suspending the voting rights attached to the relevant shares before making or completing its enquiry into the alleged contravention. Furthermore, the provisions of Section 111A of the Companies Act do not restrict the right of a holder of shares or debentures to transfer such shares or debentures and any person acquiring such shares or debentures shall be entitled to voting rights, unless the voting rights have been suspended by the Company Law Board. By the Companies (Second Amendment) Act, 2002, the Company Law Board is proposed to be replaced by the National Company Law Tribunal with effect from a date that is yet to be notified. Furthermore, the SICA is sought to be repealed by the Sick Industrial Companies (Special Provisions) Repeal Act, 2003, although the same is yet to be notified and hence not yet in force.

Shares held through depositories are transferred in the form of book-entries or in electronic form in accordance with the regulations laid down by the SEBI. These regulations provide the regime for the functioning of the depositories and the participants, and set out the manner in which the records are to be kept and maintained, and the safeguards to be followed in this system. Transfers of beneficial ownership of shares held through a depository are exempt from stamp duty. The Company has entered into an agreement for such depository services with the NSDL and the CDSL.

The SEBI requires that, for trading and settlement purposes, the Company’s shares be in book-entry form for all investors, except for transactions that are not made on a stock exchange and transactions that are not required to be reported to the stock exchange. The requirement to hold shares in book-entry form will apply to Bondholders when they acquire shares upon conversion. In order to trade in the shares in the Indian market, the converting Bondholder will be required to comply with the procedures above.

Pursuant to its Listing Agreements, in the event that the Company has not effected the transfer of shares within one month, or where the Company has failed to communicate to the transferee any valid objection to the transfer within the stipulated time period of one month, it is required to compensate the aggrieved party for the loss of opportunity caused by the delay.

Acquisition by the Company of its Own Shares

A company limited by shares or a company limited by guarantee and having a share capital is prohibited from acquiring its own shares unless the consequent reduction of capital is effected by an approval of at least 75% of its shareholders voting on the matter in accordance with the Companies Act and is also sanctioned by the High Court of Judicature having jurisdiction over the city where the company’s registered office is situated. Moreover, subject to certain conditions, a public company or a private company which is a subsidiary of a public company is prohibited from giving, whether directly or indirectly and whether by means of a loan, guarantee, the provision of security or otherwise, any financial assistance for the purpose of or in connection with a purchase or subscription made or to be made by any person of or for any shares in the company or its holding company.

Pursuant to Section 77A in the Companies Act, a company has been empowered to purchase its own shares or other specified securities out of its free reserves, the securities premium account or the proceeds of any fresh issue of shares or other specified securities (other than the kind of shares or other specified securities proposed to be bought back), subject to certain conditions, including:

- (i) the buyback should be authorized by the articles of association of the company;
- (ii) a special resolution should have been adopted in a general meeting of the company authorising the buyback (in case of a listed company, by means of a postal ballot);
- (iii) the buyback is for less than 25% of the total paid-up capital and free reserves, provided that the buyback of equity shares in any fiscal year shall not exceed 25% of the total paid-up equity share capital in that fiscal year;
- (iv) the ratio of the debt (including all amounts of unsecured and secured debt) owed by the company is not more than twice the capital and free reserves after such buyback;
- (v) all the shares or other specified securities for buyback are fully paid-up; and
- (vi) the buyback is in accordance with the SEBI (Buy Back of Securities) Regulations, 1998.

The second condition mentioned above would not be applicable if the buyback is for less than ten% of the total paid-up equity capital and free reserves of the company and provided that such buyback has been authorized by the board of directors of the company. Further, a company, after buying back its securities, is not permitted to buy back any securities for a period of 365 days from the buyback or to issue new securities for six months from the buyback date except by way of bonus issue or the conversion of warrants, preference shares or debentures into equity shares. Each buyback has to be completed within a period of 12 months from the date of the passing of the special resolution or the resolution of the board of directors, as the case may be. Further, the Articles permit the Company to buyback its shares.

A company buying back its securities is required to extinguish and physically destroy the securities bought back within seven days of the last date of completion of the buyback.

A company is also prohibited from purchasing its own shares or specified securities through any subsidiary company, including its own subsidiary companies, or through any investment company or group of investment companies (other than a purchase of shares in accordance with a scheme for the purchase or subscription of shares by trustees of, or for shares to be held by or for the benefit of employees of, the company) or if the company is defaulting on the repayment of deposit or interest, redemption of debentures or preference shares or payment of dividend to a shareholder or repayment of any term loan or interest payable thereon to any financial institution or bank, if the company is listed and wishes to buy back its shares or specified securities for the purpose of delisting its shares or specified securities or in the event of non-compliance with certain other provisions of the Companies Act.

The buyback of securities can be from existing security holders on a proportionate basis or from the open market or from odd lots or by purchasing securities issued to the employees of the company pursuant to a scheme of stock option or sweat equity.

Disclosure of Ownership Interest

The provisions of the Companies Act generally require beneficial owners of equity shares of Indian companies that are not holders on record to declare to the company details of the holder on record and the holder on record to declare the details of the beneficial owner. Any person who fails to make the required declaration within 30 days from the date beneficial interest in the shares is acquired may be liable for a fine of up to Rs.1,000 for each day the declaration is not made. Any charge, promissory note or other collateral agreement created, executed or entered into with respect to any share by the ostensible owner thereof, or any hypothecation by the ostensible owner of any share pursuant to which a declaration is required to be made under Section 187C of the Companies Act, shall not be enforceable by the beneficial owner or any person claiming through the beneficial

owner if such declaration has not been made. Failure to comply with Section 187C of the Companies Act will, *inter alia*, not affect the obligation of the Company to register a transfer of Equity Shares or to pay any dividends to the registered holder of any Equity Shares in respect of which this declaration has not been made.

Provisions on Squeeze Out of Minority Shareholders

Under the Companies Act, where an arrangement or contract involving a transfer of shares or any class of shares of a company to another company has, within four months after the making of the offer by such other company, been approved by holders holding not less than 90% in value of such class of shares (other than shares already held at the date of the offer by or by a nominee for, the transferee company or its subsidiary), the transferee company has the right to give notice to any dissenting shareholder, within a specified time and in a prescribed manner, that it desires to acquire its shares.

Unless the Company Law Board, upon an application made by a dissenting shareholder within a month of the aforementioned notice, orders otherwise, the transferee company has the right to acquire the shares of the dissenting shareholder on the same terms as those offered to the other shares to be transferred under the arrangement or contract.

Where, in pursuance of any such arrangement or contract, shares in a company are transferred to another company, and those shares, together with any other shares held by the transferee company (or its nominee or subsidiary company) in the transferor company, constitute not less than 90% in value of the shares, the transferee company is required to give notice of such fact to any remaining shareholders within a month of such transfer. Any such remaining shareholder may within three months of the notice given by the transferee company, require the transferee company to acquire its shares. Where such notice is given by such remaining shareholder, the transferee company is bound to acquire those shares on the same terms as provided for under the arrangement or contract for the transfer of the other shares of the transferor company or on such terms as may be agreed or on terms that the Company Law Board (upon an application of either the transferee company or the shareholder) thinks fit to order.

Liquidation Rights

Subject to the provisions of the Companies Act (including the rights of employees, the requirement to pay statutory dues and the rights of creditors as contained in Sections 529A and 530 thereof) and the rights of the holders of any other shares entitled by their terms of issue to preferential repayment over the shares, in the event of a company's winding-up, the holders of such shares are entitled to be repaid the amounts of capital paid-up or credited as paid-up on such shares or, in case of a shortfall, proportionately. All surplus assets after payments due to employees, statutory creditors, secured and unsecured creditors and preference shareholders belong to the holders of the equity shares in proportion to the amount paid-up or credited as paid-up on such shares respectively at the commencement of the winding-up.

Companies Bill

The Ministry of Corporate Affairs, Government of India, introduced the Companies Bill, 2009 (the "**Companies Bill**") in the Indian Parliament in August 2009. The Companies Bill seeks to replace the Companies Act and if the Companies Bill is enacted into law, it could alter some of the above-mentioned provisions of the Companies Act. However, it is uncertain whether the Companies Bill will be enacted into law in its current form or at all.

SECTION IX - OTHER INFORMATION

MATERIAL CONTRACTS AND DOCUMENTS FOR INSPECTION

The following contracts (not being contracts entered into in the ordinary course of business carried on by the Company or entered into more than two years before the date of this Letter of Offer) which are or may be deemed material have been entered into or will be entered into by the Company. These contracts, copies of which have been attached to the copy of this Letter of Offer, delivered to the Registrar of Companies for registration and also the documents for inspection referred to hereunder, may be inspected at the Registered Office of the Company situated at "Suzlon", 5, Shrimali Society, Near Shri Krishna Complex, Navrangpura, Ahmedabad 380009, India, from 10.00 a.m. to 6.00 p.m. on working days from the date of this Letter of Offer until the Issue Closing Date.

Material Contracts

1. Issue Agreement dated May 31, 2010 among the Company and the Lead Managers.
2. Agreement dated May 31, 2010 between the Company and the Registrar to the Issue.
3. Letter dated May 31, 2010 from the State Bank of India consenting to act as the Monitoring Agency.
4. MD Agreement dated July 30, 2008 with Mr. Tulsi R. Tanti, appointing him as the Managing Director of the Company for a term of three years commencing from April 1, 2008.
5. WTD Agreement dated July 30, 2008 with Mr. Girish R. Tanti, appointing him as Wholetime Director designated as Executive Director of the Company for a term of three years commencing from April 1, 2008.

Material Documents

1. The Memorandum and the Articles.
2. Certificate of Incorporation of the Company dated April 10, 1995.
3. Board of Directors resolution dated May 29, 2010 authorizing the Issue and related matters and the resolution of the Rights Issue Committee dated May 31, 2010 approving the terms of the Issue.
4. Auditor's Reports of SNK & Co. and S.R. Batliboi & Co., Chartered Accountants, the joint Auditors of the Company, for the Fiscal Years 2008 to 2010 on the consolidated and unconsolidated financial information of the Company as included in this Letter of Offer.
5. Copies of the annual reports of the Company for the Fiscal Years 2010, 2009, 2008, 2007 and 2006.
6. Consent of the joint Auditors of the Company for inclusion of their tax benefit statement in the form and context in which they appear in this Letter of Offer.
7. Consents of the Auditors, the Directors, the Company Secretary and Compliance Officer, the Lead Managers, the Legal Counsels to the Company, the Registrar to the Issue, the Bankers to the Issue and the Monitoring Agency, as referred to, in their respective capacities.
8. In-principle listing approvals dated May 31, 2010 from the BSE.
9. Tripartite Agreement among NSDL, the Company and the Registrar dated August 6, 2005.
10. Tripartite Agreement among CDSL, the Company and the Registrar dated July 19, 2005.
11. Due diligence certificate dated May 31, 2010 to the SEBI from the Lead Managers.
12. Prospectus dated October 3, 2005 filed by the Company with the Registrar of Companies, Gujarat at Ahmedabad.

13. Documents in connection with loans from the Lending Promoter:
 - a. Letter by the Company for receipt of loan amount of Rs.610 crores dated November 16, 2009 and letter for balance confirmation by Sanman Holdings Private Limited dated April 14, 2010.
 - b. Letter by the Company for receipt of loan amount of Rs.450 crores dated June 26, 2009.
 - c. Letter by the Company for receipt of loan amount of Rs.65 crores dated June 26, 2009.
 - d. Letter by the Company for receipt of loan amount of Rs.12 crores dated June 26, 2009.
 - e. Letter by the Company for receipt of loan amount of Rs.35 crores dated June 26, 2009.
 - f. Letter by the Company for receipt of loan amount of Rs.3 crores dated November 16, 2009.
 - g. Letter by SE Energy Park Limited for balance confirmation dated April 14, 2010.
 - h. Novation Agreement between SE Park Energy Limited, the Lending Promoter and the Company dated May 7, 2010.
 - i. The Auditors letter dated May 31, 2010.
14. Letter dated May 31, 2010 from the Lending Promoter.
15. Rupee term loan agreement dated February 5, 2010.
16. Working capital facility agreement dated February 5, 2010.
17. Foreign currency facility agreement dated November 27, 2009.

Any of the contracts or documents mentioned in this Letter of Offer may be amended or modified at any time if so required in the interest of the Company or if required by the other parties, without reference to the Equity Shareholders, subject to compliance with applicable law.

DECLARATION

We hereby certify that no statement made in this Letter of Offer contravenes any of the provisions of the Companies Act and the rules made thereunder. We further certify that all the legal requirements connected with the Issue as also the regulations, guidelines, instructions etc. issued by the SEBI, the Government of India or any other competent authority in this behalf have been duly complied with. We further certify that all the statements in this Letter of Offer are true and correct.

SIGNED BY THE DIRECTORS OF SUZLON ENERGY LIMITED

Tulsi R. Tanti
(Chairman and Managing Director)

Girish R. Tanti
(Executive Director)

Ajay Relan

Ashish Dhawan

Pradip Kumar Khaitan

V. Raghuraman

SIGNED BY THE CHIEF FINANCIAL OFFICER

Robin Banerjee

Date: May 31, 2010
Place: Mumbai

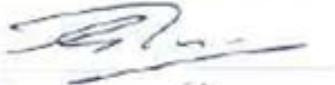
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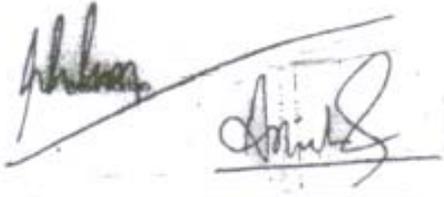
SIGNED BY THE DIRECTORS OF SUZLON ENERGY LIMITED



Jitendra R. Tanti
(Chairman and Managing Director)



Girish R. Tanti
(Executive Director)



Ashish Dhawan

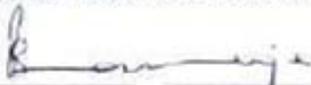


Pradip Kumar Khaitan



V. Raghuraman

SIGNED BY THE CHIEF FINANCIAL OFFICER



Robin Banerjee

Date: May 31, 2010

Place: Mumbai