“Suzlon Energy Limited Earnings Conference Call”

August 1, 2011

Moderator: Ladies and gentlemen, good day and welcome to the Q1 FY'12 earnings conference call of Suzlon Energy Limited. We have with us on the call today Mr. Tulsi Tanti, CMD and the senior management team of Suzlon Energy. As a reminder for the duration of this conference all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions at the end of today's presentation. If you should need assistance during this conference, please signal an operator by pressing "*" and then "0" on your touchtone telephone. Please note that this conference is being recorded. I would now like to hand the conference over to Mr. Tulsi Tanti. Thank you and over to you sir.

Tulsi Tanti: Thank you very much. A very good afternoon to everyone. Thank you for making the time to join us. I am joined today by Mr. Kirti Vagadia, our group corporate finance head, Mr. Robin Banerjee, our CFO, and our investor relations team. I would like to share some thoughts on our Q1 results then we will be happy to take any question you have. As you will appreciate, our business is cyclical by the nature and that means Q1 is historically our lowest quarter therefore we are extremely pleased to report significant progress on all our operational parameters. Indeed this is one of the best quarter one performance since FY08. Compared to the same quarter, one year ago our EBIT has improved from the negative Rs. 672 Crores in Q1 FY'11 to Rs. 379 Crores in Q1 FY'12. Our EBIT margin is healthy at 8% in line with our guidance. We have achieved a gross profit margin of 35%, one of the best in the industries today. Our order book stands at solid $6.63 billion, this equates to an order intake of 518 MW since our last announcement. We have achieved 17% of our revenue guidance in Q1. We have 80% order coverage for FY'12 guidance. We maintain our guidance for the full year. Our operating fleet of 17,000 MW continues to operate at 97% of time. Looking at other recent developments, the demand in the market for our new product the Suzlon S9X suite and the REpower 3XM is very good. It was also a matter of great pride for us to have the honorable minister for New and Renewable Energy for the Indian government, Dr. Farooq Abdullah to formally commission the first S97 in Rajasthan just last week. There has also been important development regarding both REpower and Hansen. On REpower, the squeeze out process continues as planned and we announced a few days ago that the valuation of the remaining 5% is €63 million. On Hansen we have said for some time now that if the price were right then we would consider selling our 26% stake. The price, that we were offered, was at 96% premium, which I am sure you would agree in this financial environment this is a very positive result for us and that equates to around £115 million, which will enable us to further optimize our balances and our preferred supply status with Hansen will continue. Now, I would like to take any questions you may have. Thank you very much.

Moderator: Thank you. We will now begin the question and answer session. The first question is from Indrajeet Bhatia Macquarie Capital, please go ahead.

Indrajeet Bhatia: Two key questions from my side. First one is on this entire concern regarding how the outlook of Indian market would behave if this proposed direct tax code comes in because currently most of the sales happen in India basically because of the tax advantage, which is available, so what is your sense if this actually becomes the reality, what would be the impact on order inflows for the company and what could be the market size of India. That is one and we have seen slight sluggishness in order inflows in the last one or two quarters even this quarter order inflows in India is not higher compared to last year so would you want to comment on that?

Tulsi Tanti: Indian market continues to be very strong because each and every state government now positively and very aggressively is interested to build the capacity for two reasons; one, most of the states have power deficit and second thing is gradually the government is realizing it is adding lot of value for the economic and social growth of the state, so there is a positive support coming and regulatory framework is now well established across the country and the momentum will continue. As far as DTC is concerned, there will be some impact but we do not see that impact because in the current financial year nearly 70% of the business is not linked with the tax break, the 30% some of the retail investors and other things they are doing investment on that, so that 30% market will be replaced more by the IPP customers and that demand part is very good, because now the awareness and importance of the REC mechanism and also the GBI and other things are getting good supports and other things and the large IPP investor is looking at great long-term opportunity rather than just short-term and that is why the available resources and keeping in mind the execution capability of the country. We strongly believe the market growth will continue and more and more IPP business is expanding. Today we are getting good enquiry of so many IPP investors and we are trying and growing them more efficiently so that they can continue to focus on that. Another new trend that we have observed in the market is that so many of our customers have invested in wind projects based on the tax but now some of the companies have good liquidity and they are going from relatively small to medium IPP concept also, so that advantage is increasing and some of the corporates are also looking to grow in a more IPP, a very good long-term investment is there and secured revenue, so this is creating a good excitement in IPP market. The second is out of 30%, 15% is the captive market. We strongly believe that it will continue irrespective of the tax break because the reason is very simple, compared to the commercial tariff rate the cost of energy from wind for the captive purpose is very, very lucrative, it is not affecting their investment IRR and the other things, so that will continue. From the order intake point of view, some of the observation is very clear, in the last quarter and Q1, intake of the order is less but we have to understand because lot of order book commitment we have for current financial year, it is more than 800 MW where we have to deliver, so we are building the capacity based on that and at the same time we are expanding some more capacity and currently more than 700-800 MW is on the negotiation pipeline and we feel very comfortable for the current year order intake point of view and at the same time we are concentrating to build the order book for the next financial year.

Moderator: Thank you. The next question is from Jigar Shah from Kim Eng Securities, please go ahead.

Jigar Shah: My question pertains to the competition in the local market and your market share. From whatever we hear from some of your competitors etc., is that there is lot of price undercutting that is happening, recently I heard that one of your global competitor in India is offering products almost 20% below your price, so how do you see the impact of that in your margin or the industry margin going forward and how do you, manage to grow your market share or maintain it in that situation?

Tulsi Tanti: I think we are extremely competitive in Indian market because as you know the large manufacturing base not for the domestic market but for international market has also well established supply chain in Indian market so we are very cost competitive in larger volume perspective. Secondly, 15 years of experience in Indian market and it is a very complex market, it is not conventional business model, which is available globally and global players were there in India before us also and it has required a huge capital investment in advance to invest in wind resources and also to build capacities, so this is the momentum which we have in the in the last 15 years, we have a great pipeline at the lowest cost production capacity and large capacity is there. So, we will remain very, very competitive and we are not concerned about that but we are closely watching all the activities of our competition because in the global market there is not much margin available so most of the turbine companies are very much interested and attracted in Indian market. At the same time what we are bringing is a business model, which is fully integrated business model, which we will continue at the same time we are focusing in to bringing the equipment itself, which is the normal international, which some of the companies are bringing that model, so we have now started and offering equipment sales and based on the large production capacity and we have a surplus capacity and we have a very competitive edge, so we can able to offer if somebody has their own sites and their infrastructure and everything, so we can give them, so we are bringing that model very positively and also we are introducing very soon the REpower product in Indian markets also in equipment sales point of view so we are bringing the dual approach so that will help us continue position very, very strongly, but we should not forget at the same time Indian market will continuously grow higher and higher for the next five years, so there is a space for everybody and we should not be worried about that and we are quite confident and comfortable with maintaining our 50% plus market share at least for the next five years, we will remain very, very competitive with the 50% plus market share. Even in this financial year also you will see that at the end of the year our market share will be higher than 50%.

Jigar Shah: Irrespective of the impact of DTC can you say that the market in India in terms of volume will grow by 20-25% even in the next year?

Tulsi Tanti: Yes, there is no problem. If we are able to build more capacity, the demand is there. Current demand constraint is less. How much capacity we can be able to build and expand the size of the market that will be a major challenge, execution challenge is higher than the demand, so we are comfortable on that front.

Jigar Shah: How is the China market shaping up, we recently heard that there is a major slowdown or drying up of new wind market business in China?

Tulsi Tanti: China market at this moment is not growing but the size of the market is the largest of the world and nearly 30% size of the global business in China, which is nearly 16,000 MW to 18,000 MW and it will remain for the next one decade because the need of energy is very high and resources in China are good. The market is very, very competitive because there are so many players in China market and the government is the buyer so, that is the biggest limitation but still we are competing very efficiently in the China market by bringing down the localization to almost 90% and at the same time we are bringing a lot of technological aids and bringing cost optimization so that we remain competitive in China market. We do not see much more growth for us in a higher percentage but whatever the size of the market is, we will maintain our market share positions continuously for the next five years. We are going to bring the new turbine, which is S88 2.25 MW specially developed for the Chinese market with using 90% of the vendors from China and other things and Chinese market price is nearly 4000 RMB per KW and today we are offering that price and after that price also we are making reasonably good profits, so our competitive edge in the China market will remain bullish.

Jigar Shah: My next question pertains to REpower. You mentioned last time that there is a significant potential of increasing profit margin once the integration happens both from a point of view of cost savings and other optimization, so can you give us some idea on how much and from when this improvement will get reflected in our financials?

Kirti Vagadia: Basically all efforts are on in that direction, but due to certain legal constraints I would not prefer to quantify the benefit as well as I would not comment on timing of it.

Jigar Shah: Okay, you would not be able to even make a comment as to when you will be able to like completely integrate whatever is pending to be done; I mean when do you expect to close that?

Kirti Vagadia: I think you can make obvious assumption that after completion of squeezing.

Moderator: Thank you. The next question is from Bhavin Vithlani from Enam Securities, please go ahead.

Bhavin Vithlani: Couple of housekeeping questions; one is could you help us with the breakup on the cost on variable as well as fixed for the Suzlon Wind and we have seen a drop in the other expenditure so could we see this as a trend or was this a one-off expenditure. Secondly on the REpower, what has been observed is that there has been a certain spurt in the volumes on the offshore, could you help us with the sales volume on REpower and what has been the breakup between onshore and offshore installations. Third question is on the Caparo could you give us an update on Caparo order, what has been installed in the current quarter and what do you expect installation from Caparo in the current quarter and last question is given the current quarter results would you believe that there is a chance of surpassing your top level of your guidance and would you like to upgrade your guidance given the current quarter's performance?

Samir: I will answer your first question on OpEx. Basically the cost has been coming down, some of the cost if I would compare with Y-O-Y basis like consultancy charges were 50 Crores last Q1 and this year it is about 35 Crores, quality assurance expenses have come down 23 to 18 and a few more in terms of store and others have come down from 38 to 27, so we have seen some downward trend but as far as the fixed costs are concerned, we are now actually stabilizing, they have come down substantially, and we are still doing some work on discretionary basis to reduce a few more but, you see that this year we are expecting a jump in volume so there is a limitation to how much you can trend it down and ultimately it is the volumes that will give operating efficiency than leverage so that that will then help in terms of margins.

Bhavin Vithlani: Could you also give a breakup between freight and warranty provisions?

Samir: Yes, basically Q1 this year was about 100 Crores between freight and warranty provisions out of the 409.

Bhavin Vithlani: What was it last year?

Samir: It was about 55 to 60 Crores.

Bhavin Vithlani: REpower the breakup between volumes and the other…

Samir: REpower quarterly breakup we will provide you little later but annually offshore is expected to be about 20% of revenue.

Bhavin Vithlani: What was it last year?

Samir: Last year I think it was something closer to about 7-8%.

Bhavin Vithlani: On the update on the Caparo order?

Tulsi Tanti: 100 MW is under construction but Samir will give you the actual information of how many MWs is installed and another 400 MW allocation has been completed and that we will start the construction activity and everything and 500 MW, our plan is to commission by March 31st. Regarding the guidance, we would like to maintain guidance what we have given and we would like to deliver that guidance at the end of the year and there is no currently any such plan to change the guidance in upward direction so we would like to maintain the guidance.

Bhavin Vithlani: The key question what one gets from the investor with respect to the FCCB, which is due to redemption in the next fiscal, so could you share your views on the same?

Kirti Vagadia: Basically FCCB definitely is falling due in June and October next financial year. If you see our current year operating cash flow as well as Hansen stake sale plus receivable from one large customer in US then all put together plus improving operating performance in next year also, we are confident on making that payment out of these all resources.

Bhavin Vithlani: When do you expect the Edison receivables to come through?

Kirti Vagadia: We are confident to receive that in current financial year.

Bhavin Vithlani: Any timeframe, would it be Q2 or Q3?

Kirti Vagadia: I think, let us keep it in Q3 or Q4.

Bhavin Vithlani: Last time you updated that Edison is actually scouting for financial closure where the turbines are already installed so any update on the financial closure for Edison?

Kirti Vagadia: Right now I think there is no further update on that but definitely as soon as we have further update on this we will share with you.

Moderator: Thank you. The next question is from Venketesh V from Citigroup, please go ahead.

Venketesh V: Congratulations on a good set of numbers. You got this 100 MW order from Orient Green power. We were just a little curious why you got this order because the sister concern Shriram EPC also makes wind turbines, so any specific reason why you got this order?

Tulsi Tanti: The Orient Green group has a very clear strategic plan to de risk the portfolio in different states and also different products and other things, so irrespective of the in-house group products and everything and these are the two main project is coming in Karnataka and Gujarat where the infrastructure and everything, which we will be able to execute this project in this current financial year and this is a very lucrative project for them so that is why they have selected us.

Venketesh V: On REpower squeeze out, now the pricing that you need to give to the minority shareholders to come out, now it looks like a fairly simple thing that, you know, in the AGM it will get approved and it will happen but we keep getting client queries saying that even if one shareholder disagrees with the whole thing this will not go through, if you could clarify on this, is it like a done deal because you anyway hold a 95% stake, so if you give your vote will this go through or is there any problem, any scenario under which, you know, this can actually get stuck?

Kirti Vagadia: So far as our understanding of the law is concerned basically there is a fast track provision in German law, which gives you reasonable amount of surety if you are right on entire process that it can be completed in a defined time line.

Venketesh V: For example, if there is one minority shareholder who says this €142 or 143, which has been given is actually lower and he actually wants €200 then will the whole process get stalled?

Kirti Vagadia: No, I think it was the case previously but after 2009 the case is relating to valuation and as per my understanding goes separately outside the court, principal shareholder and such minority shareholder continue to fight on a valuation and squeeze out process cannot be stalled because of that reason.

Venketesh V: You have around 1255 MW of domestic order back log, 775 MW of export backlog; how much of this will you deliver on the export side and on the domestic side in this year, I mean is it like out of this 1255, I think 500 MW of Caparo goes next year and I think roughly 50 MW of Orient Green goes next year, so can we say 1255 minus 550 MW in domestic will happen this year?

Tulsi Tanti: Yes.

Venketesh V: And what about the export side other than the 246 MW odd you have in US, the remaining will happen this year?

Tulsi Tanti: The remaining about the US, Europe and South Africa and China is there. All is nearly 500-700 MW in a current financial year for the international market.

Venketesh V: Sir any update on the remaining, in the US order any movement, have they got any PPAs?

Tulsi Tanti: The team is still working and the PPAs are very low, but there are good possibilities because we have a firm order with the advance and customer is already working for their planning and everything and once they get their clarity and everything, after that we will execute, on today's date the project and order is extremely live.

Venketesh V: My last two questions. Firstly, how much MW of deliveries are you targeting for the second quarter in the Suzlon Wind turbine business and the second question is how may MWs of wind sites, you have ready as of now in terms of Wind resources where you can actually build up wind farms and how does it compare with some of your competitors in India like Gamesa, Vestas, Enercon and GE.

Tulsi Tanti: I think I do not have the right information about the competitions, pipelines and other things because that is more of intelligent information. So what, we can share with you is we have a sufficient good pipeline and continuously, we are building, for the next five years our business plan point of view that is a good sufficient based on the growth, what we are looking in the market, 20%-40% growth will continue in Indian market. So we have a good resource pipeline and same time we are doing good investment in all the states. If you know, Suzlon well established, well position in all the 8 states and competition is either concentrating one state or two states not more as of now and to build the pipeline, resource and everything, it is a very long process. So we are ahead of the competition in the building the pipeline and everything and we are continuously doing investments, so we are comfortable on the pipeline front as per our next five years business plan. And the second when you are saying the Q2 and other thing, I think we cannot go in the quarter by quarter guidance another thing. As you know we have given full-year guidance and we are quite comfortable to give you full-year guidance.

Venketesh V: Ok sir. Thank you very much and all the very the best.

Moderator: Thank you.. The next question is from the Rosita Dsouza from Elara Capital. Please go ahead.

Rosita Dsouza: I had a question on the Hansen stake sale, I just had a look at the annual report and I figured that the cost of investment as it shows in the books is about 959 Crores and the proceeds that you would get from selling this particular stake is about 830 Crores or so. Does it mean that the differential will be a hit in your profitability statement, when the sale actually happens?

Tulsi Tanti: Robin, can you answer?

Robin Banerjee: Sure. You are right. the carrying value of the assets as on 31st of March, was higher than the proceeds in which we have been able to sell and therefore; write down on the balance sheet as on 31st March 2011 and there would be a P&L implication impact on financial 2010-2011. That's correct.

Rosita Dsouza: There is another question sir; that would be in the range of about 155 to 157 Crores or so.

Robin Banerjee: Actually, it is 216 Crores, that is the differential value, when the asset was carried in our books it was 81 GBP cents and the realization has been 66 cents and the difference, multiplied by the number of shares, 216 Crores, will be a write down in the carrying value of assets in March on the date, March 31 2011 balance sheet.

Rosita Dsouza: I had another question on SE Forge, at the end of day it's still not making any profitability for the company. Could you throw more light on the business prospect for SE Forge and what percentage of revenue comes from non Suzlon business?

Kirti Vagadia: Right, basically SE Forge, high CapEx investment and so far as volume is concerned, as soon as the volume increases, definitely it will start delivering profits. Right now the loss is primarily coming from depreciation and partly from interest. So its operations are able to cover part of the interests.

Rosita Dsouza: What is the loan book size on SE Forge books?

Kirti Vagadia: Loan is roughly about 500 Crores and so far as non Suzlon business is concerned, currently in current financial year, non Suzlon business is going to be about 25%-30%.

Rosita Dsouza: Alright. Thank you very much for taking my question.

Moderator: Thank you. The next question is from Lawrence Barter from Green Dragon Fund. Please go ahead.

Lawrence Barter: I have a two part question. The first is on a breakdown of your order book by key sales Markets now and what are you expecting forward in the future and how much sales from China, you are doing and how much manufacturing you are doing in China and if you could also add some light on ASP trends in the Indian market and elsewhere that would be good. Thank you.

Tulsi Tanti: So, Samir can you give the order book break down.

Samir: The order book break down in India is 1255 MW, North America is 277, 265 is China, Europe is 105, South America is 128, 2030 MWs. They are on my presentation slide 35 and

REpower order book is about 18, 044 Crores. So the group order book is 29, 291 Crores in value.

Lawrence Barter: Thank you, what about your selling prices you saying in India and elsewhere also, in China; are you saying those stabilizing or they continuing to fall.

Tulsi Tanti: Regarding the sales price, the market is very very competitive in the all geographic, and the capacity in the industry is higher, and it's there. So that's why it has remained in the pricing pressure. But, currently, the trend in particular when we are talking about China and India. I think price is very much stabilized, compared to last year, current year the Indian market price is more over the same. There is no pressure on the price and in the China market, price is after the last two years, it has gone down to nearly 4000 RMB per KW and I think it is a very low price in the market and it is in the bottom half you can say, and the market price is stabilized, but very competitive price environment still in the US market is there. The Europe market is quite stabilized and US still is a challenging market. Your second question on China, our product and capacity in China is a 600 MW. As per our business plan, we have to produce and we have to deliver the current financial year. It is a nearly 250-300 MW so; we can turn about to nearly 50%. China is more on our strategic initiatives and interest. We are focusing more on a global sourcing point of view and also, we are now establishing and starting work in expanding capacity in research and development area, to focus more and high-end value engineering benefit from China, and at the same time to compete in the market, to bring in right product and price structure with the Chinese market.

Lawrence Barter: Ok thank you and finally, very quickly, from post the sale of Hansen what is sourcing policy now for the gear boxes, will you buy any from China such as from China High Speed Transmissions and is there any movement towards direct drive technology.

Tulsi Tanti: Suzlon group including Repower, we are very much focused on a gearbox technology. The direct drive technology and the conversion of the energy, we strongly believe that the geared technology is the best, with the high priority of the cost of energy and reliability and life cycle cost. That is the very competitive product technology and we are concentrating very much on that and at the same time, the drive train cost and other things are substantially reduced and It is a very simple material of steel used by those drive train's compared to the direct drive. It is a very complex material and the rare earth material in the future, it will become price sensitive**.** So we are not concentrating on those products and technologies. So particularly, gearbox of Hansen, which we had a large capacity in India and China, so whatever our requirement for the global operations and sourcing point of view, we will remain very comfortable with the Hansen and Hansen will remain the preferred supplier for us both Suzlon and the REpower and we will continue to grow with the Hansen because reliability and product and quality, we know in depth and at the same time they have a low cost manufacturing base in India and China, but as a group strategy we are focused in the two supplies so two-third supply will remain and continues with the Hansen and one-third supply will come from other suppliers to mitigate the certain sourcing and the reliability risk.

Lawrence Barter: Okay thank you very much and all the best.

Moderator: Thank you. The next question is from Lokesh Garg from Kotak Institutional Equities. Please go ahead.

Lokesh Garg: Just wanted to you ask you in this quarter 437 MWs of execution, was that in part helped by the fact that last quarter which is Q4 FY'11 there was some part of business, which was ready to be delivered but for some last sort of constraints that you felt, were not able to deliver that?

Tulsi Tanti: That was the last quarter Q4 was 160 MW was there and out of that, nearly 90 plus 40 so 130 MWs is already covered in Q1, am I right Robin?

Robin: Yes, that is correct.

Lokesh Garg: I also wanted to take you sort of conceptual perspective on regulatory environment right now, while renewable purchase obligation and associated renewable energy certificates are in place already but, our observation is that several states have not implemented RPO obligations at least not to the extent that would be required to try significantly large capacity additions and in such a scenario how do you see the situation changing because RECs may not become common place until unless RPO obligations become strict and large?

Tulsi Tanti: The CERC is driving very very strongly, of course there is a process in the state level for implementation, but we have to understand in India any new legislation or new frame work take some time, at least 9 to 12 months to stabilize and to get momentum and for that industries has to work on everything, so we are continuously educating the whole implementation process to the state government, but the best part is there that the state government is very positive and very much interested because they need more and more energy and they believe that the wind is creating lot of social economic benefit for the states and that’s why they are very much interested to implement on a fast track. So it is timing process I do not see any other concern and very soon we will see that one by one, states will start implementing and that will stabilize in the next 6 to 9 months.

Lokesh Garg: Just a small question, you say states are quite keen I could understand that states which have wind power potential are quite keen but what about states like Haryana, Punjab or

Uttar Pradesh, which do not have potential and to the extent development of other farms would possibly be slow, so would they be as keen because they will ultimately end up penalizing their utilities or consumers with this extra burden so they will wish to postpone it as far as possible?

Tulsi Tanti: As you know the Prime Minister has to set the target 15%, the renewable has to come by 2020 and now that is very aggressive initiatives are going from the power sector to all the states and also the central regulatory process is also driving and the third MNRE is also taking good initiative from its state point of view to recognize this, but some of the states have good potential, like Solar energy is there, some of the states have bio or thermal; so that can be utilized but same time we are doing a good wind resources assessment and study of all the states, actually the complete wind studies have not be done and that's why we believe there is more research is required but, it is going, currently like we are working in Bengal and Punjab and we have also found some good potentialities there and the same time we have developed the right technology, which is extremely suitable for the low wind cycle and that is S97 turbine with a 100 meter tower or may be more than 100 meter tower also we can bring, so that will be the good technology supporting and also the framework and the state and we will be able to unlock the market in those states, like Tamil Nadu or like Gujarat but it may be to some extent some development will happen in those states also.

Lokesh Garg: Sir this also states that RECs can only be sold by developers, who do not take benefit of preferential tariff now what does that mean that something like Rs. 3.5 to Rs. 3.75 per kWh, which is the feed-in tariff available that cannot be availed of and they will have to sell the wind power in merchant market and REC in REC market?

Tulsi Tanti: We have to understand two different tracks are there, the IPP investor has one option either he go in FIT, then, they will not be able to get the REC certificate on that. If they are going in REC then they have to sell their energy into the pool rate and they are getting the huge upside of the next 20 years, the pool rate will go higher and higher as you know, let us understand the current environmental situation in India. We are extremely vulnerable in the power sector. The coal availability is the biggest concern, not only that; some of the plants are unable to produce the energy, irrespective of the CapEx investment. At the same time almost coal price has gone double in the last three to six months, that is why thermal pool rate will improve and change will be there. So that is what is giving a good motivation to the IPP customer that current pool rate is somewhere around Rs. 280 to Rs. 290, it will definitely increase as and when the fuel price will continuously go higher and higher, also the demand requirement at the same time the 12000 MWs of deficit in the system is there. If you really understand the economics of the overall power sector and the country's situations, the pool rate will be higher and at the same time REC rate will again go higher hence the demand supply is improving and because of that IPP customers will get the benefit in the next 20 years, they are not looking for at the rate what I am getting today, we have to see in the 20 years point of view what is my level, cost of the tariff is there versus what is the forecast of the next 20 years, Indian economic and fuel cost and the power sector of the country, all these put together if you really calculate all the effects, then it should be lucrative investment in India market.

Lokesh Garg: My last question related to this subject is essentially CERC recently came out with sort of tariff formula that suggested possibly 19% return for wind power developers and 24% for some time period so to avail of that what does the developers need to do, it would specify something like inter state sale and things like that, could you please clarify?

Tulsi Tanti: I think we are going in a more detail on these mechanisms so may be Samir will give you the updates offline and also if you need more details of this mechanism, we have a specialized person in our group, Mr. Chintan, who can give you all the details of current status and what will be the next 12 months, the change and how it will reshape the renewable and wind regulatory framework.

Lokesh Garg: Thanks a lot sir.

Moderator: Thank you. The next question is from Abhineet Anand from Antique Stock Broking. Please go ahead.

Abhineet Anand: Just first on the gross margin of Suzlon if I go through the last six, seven quarters it has been very varied from 27% to 38%, 37% out, so just wanted to have a what is the management guidance for the full year on Suzlon Wind GP and second if I reconciled REpower, the PAT that I get in the consolidated numbers are Rs.82 Crores while the reconciled numbers are Rs.112 Crores, can you just throw some light on that?

Tulsi Tanti: Regarding the gross profit margins we have given an annual guidance relating to that and for that if you want to achieve the 8% EBIT margin, it would be somewhere 32% to 35% on annual basis is required to maintained. We are quite comfortable with regard on annul basis, subsequent to the quarter, there are 2 variables are there, one is the volume and the second is the product, but overall the 2 Crores per MW in an annual basis we are expecting to maintain the margins. So it is well within our business plan and that will be our guidance and on the second question, Robin will you answer.

Robin: The difference, which you saw is due to interest on acquisition of the acquisition debt, taken for acquiring REpower that is about 35 Crores that is essential the difference between what you have been able to calculate what we have reported.

Abhineet Anand: Just one small question the 30 MWs that as slipped from Q4 to Q1, 130 has been done, when do expect the delivery of that and out of the 400 MW Caparo, what is the time line in terms of the quarter.

Robin: It will be in this quarter, Q2.

Abhineet Anand: The 30 MWs will happen in Q2 and in terms of the 400 MW Caparo that has been left in this year, which quarter, how would be phased?

Robin: That will be spread out during the year.

Abhineet Anand: Okay thanks sir.

Moderator: Thank you. The next question is from Mr. Pankaj Sharma from UBS Securities, please go ahead.

Pankaj Sharma: Sir one question on the new turbines, which you have the S9X series, how are they different from the S88 series and where do you see the majority markets for these kind of turbines and what are the other technologies you are currently working on, basically more of a broad questions on product development pipeline and the recent achievements, which you have made.

Tulsi Tanti: I think we have already given some of the good information in our investor presentation, but just I will give you three points. The three differentiations between S88 and 9X series, number one is the bigger rotor diameter so it can take care of the low wind sites and the more energy the output is there and second is with the tower height, it is higher somewhere it goes to 200 meter and if required, it can go beyond that also. Biggest technological change is that, it is the high end of the grid compliance requirements of the developed market that is taken care of in the product and we have optimized the material usage in the 9X series, so that we can bring down our cost substantially and the consumption of the steel like tower and other area we have also reduced it somewhere around 15% and the energy output between S88 versus the 9X series is nearly 15% more energy is produced, but same time the cost is also increasing, but overall we are unlocking a better margin on this product. When we are talking about the technology initiatives and everything, Suzlon and REpower, both the teams are working together for the next generation of the technology for the future and we would like to continue to invest on our innovation and technology, to bring down the cost of energy. In the next five years point of view our target is nearly 25% has to be reduced, the cost of energy through the technology and through the value engineering of sense and that is our long term plans we are working. So that we remain very very competitive in cost point of view and this 9X product is not just for the domestic market, but it is for the global market. As you know, recently we have got the 9X order from Canada and we are supplying those turbines in this financial year and we have also installed a prototype in Australia and some of the order negotiation and discussions is taking place in Australia, but yet we have not closed any order. In Brazil market also we have introduced this 9X product. The team is working and very soon we will come with some of the good order announcement from the project for the current financial year.

Pankaj Sharma: In this presentation, you highlight that you would typically have for this series, power the yields up by 14%-19% so this would resulted into like 14%-19% better PLF and better utilization on the same wind profile or like or do you need a special requirement to install these machines for the development side?

Tulsi Tanti: In the same site, if we are putting S88 versus the 9X it will give the 14%-19% higher independently on different wind regions and there is no special equipment or technology is required to be built and operate. Only we required some of the products and capacity closer to the site area, because of logistic constrains and we have a good products and capacity in different states and in one or two states, we are planning some capacity of the rotor blade production, so that we can reduce our logistics cost and at the same time we can utilize those sites.

Pankaj Sharma: Okay sir great thank you very much.

Moderator: Thank you. The next question is from Mr. Sandeep Tulsian from JM Financial, please go ahead.

Sandeep Tulsian: My first question is reading the installation of wind turbines for Techno Electric group about 100 MWs was due by June 2011 and how much of that has been installed and what is the progress on balance 100 MW, which is scheduled to be installed by December 2011.

Tulsi Tanti: The first 100 MW is well in advance stage most of project is already completed, but by 15 or 30th August, 100% project will be completed, the first 100 MW and for the second 100 MW point of view we are offering some different sites and that discussion is going on and it would finalize the second 100 MW plan.

Sandeep Tulsian: The reason I am asking this is we have read in recent media articles what you have quoted that you are facing some transmission capacity constraints in different states like Tamil Nadu, so are you really facing some similar kind of challenges in other states also?

Tulsi Tanti: As you know the Indian market demand is growing and same time the grid infrastructure appears very important and that is our biggest USP, as you know. We are continuously investing in a large substation and line, I think currently if you ask me, nearly 2,500 MWs substation and line is under construction in different states through Suzlon. We are continuously investing and the biggest bottle neck currently, compared to all other states is Tamil Nadu is the highest. Now after the change of the new government, there are six large substation and lines, TNEB has already planned out and they are rolling out very fast and out of that some of the substations and line will also be built again by the Suzlon; particularly a 400 KV line area and also we are building one substation in line-A a 400 KV requirement in Rajasthan, also one requirement in Gujarat, so we are working on that and we are continuously doing these investments. So that we will be able to, expand the capacity as far as the pipeline and the plan.

Sandeep Tulsian: Lastly we have taken a permission for raising about 5000 Crores via rights issue as I understand through various stake sales and the FCCB, which we have recently raised, if we having a comfortable cash position by end of the year, so what is the prime purpose for raising this additional funds of 5000 Crores.

Kirti Vagadia: I think this is standard Omni bus resolution, we have to take every year; so that gives you flexibility on raising, if you need in a future, there is no immediate plan right now on card.

Sandeep Tulsian: Okay sir thank you very much.

Moderator: Thank you. Ladies and gentleman due to time constrains that was the last question. I would now like to hand over the conference back to Mr. Tulsi Tanti for closing comments.

Tulsi Tanti: First of all I would like to thank and appreciate all the investors and analysts participation and giving us the opportunity to address. I would like to conclude, by reiterating on what I set out at the start of this call. When compared to our result one year ago we have demonstrated a significant progress on all parameters, we have achieved a major turnaround going from the loss in Q1 last year to the profit of Rs. 60 Crores this financial year the EBITDA and EBIT margins are significantly and its continuously improving. The gross margin improved despite of very competitive market environment and raising the commodity price. We are optimizing the gross margin through the technology and value engineering, so that we remain competitive irrespective of the commodity impact. We have a solid order book of $6.63 billion, which gives us a good visibility for the next 18 months and that is the good comfort we have, our highest priority for the current financial year FY12 is to concentrate on a more and more healthy order book, the cost optimization, deleveraging of the balance sheet, concluding the REpower squeeze out process as per the plan, the high focus on technology and innovations. We remain confident for the sector potential and for our position in the industry. As you know we are well positioned in the global market and we are extremely competitive in both the markets, developed market and developing market and at the same time we have cutting edge in the off shore market. I believe that we are back on track to sustainable and profitable growth in the future; thank you for joining us today's call thanks a lot.

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