



“Suzlon Energy Limited Q4 FY12 Earnings Conference Call”

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**MODERATORS: MR. TULSI TANTI – CHAIRMAN & MANAGING DIRECTOR,
SUZLON ENERGY LIMITED
MR. KIRTI VAGADIA – HEAD, GROUP, CORPORATE
FINANCE – SUZLON ENERGY LIMITED
MR. VIKAS RATHEE – HEAD, CORP FINANCE & M&A,
SUZLON ENERGY LTD.**

Moderator

Ladies and gentlemen, good day and welcome to the Suzlon Energy Limited Q4 FY12 earnings conference call. The duration of this conference will be for a period of one hour and all participants lines will be in the listen only mode and there will be an opportunity for you to ask questions at the end of today's presentation. Should you need assistance during the conference call, please signal an operator by pressing "*" and then "0" on your touchtone telephone. Please note that this conference is being recorded. At this time I would like to hand the conference over to Chairman and Managing Director Mr. Tulsi Tanti. Thank you and over to you sir.

Tulsi Tanti

Thanks. Good afternoon and welcome to our year ended investor call. I am joined by my Finance and Investor relations team and our Group CFO – Kirti Vagadia. I would like to make some brief remark followed by our CFO, we will then be happy to answer any questions you may have. The marketplace remained the extremely volatile and competitive in FY12, with many external forces / factors coming into the play, including depreciating of the rupee and the high interest rate in India. Despite this renewable energy continues to remain an area of the long-term focus across the world. We believe the cost competitiveness is the key to long-term sustainability of the wind energy and wind companies. The wind energy today is increasingly becoming cost competitive against the conventional fuel energy in the world. Over the FY12, as the management team, we have been focusing very hard on doing what we said we would. Strengthening the business fundamentals, reducing the cost, driving orders, reducing the new technology and the product, delivering the best in class service, maintaining availability or uptime above the industry's average, identifying and leveraging the synergy between Suzlon and REpower. I believe our full year result speaks for them and I would like to share some highlights at the micro level. The guidance achieved with the revenue of 21,000 crores, year-on-year our growth is 81%. The best in class EBIT the margin of 5.5%, the best in class gross margin of 33%, the robust order book of US\$7.5 billion, the cash profit of 418 crores or approximately US\$75 million. Unfortunately due to our high interest burden, the FOREX impact and some other non-cash items we posted a net loss of Rs.479 crores for the FY12.

Looking ahead of this financial year, our order backlog is giving us the good visibility for this year and into the next year. The sector is independently forecast by the MAKE Consultancy Group to grow at the over 20% for the current financial year. We are targeting year-on-year growth of around 30% which we believe is achievable given our order book position and our market position in high margin, high growth countries. So we have said our guidance for this year at Rs 27,000 crores to 28,000 crores with 6% EBIT margin. I am happy to say that we already have 85% from order coverage for this guidance. Now I would like to hand over to Kirti Vagadia – our Group CFO.

Kirti Vagadia

Thank you Tulsi Bhai and Good afternoon everybody. I think chairman has provided very clear explanation of the highlights of our last financial year. Now I would like to share some comments on issues which I believe that will be of interest to you all. First let me deal with

Quarter 4. We did in fact post negligible cash loss in last quarter of FY12 and that loss is primarily due to lower volume in Quarter 4 in Suzlon Wind, which was lower by about 280 MW as compared to what we have planned. Of this 280 MW about 100 MW was delayed due to delay of casting components as a result of strike at SE Forge foundry unit in Coimbatore. I am happy to note that the production in foundry unit has now restarted. In addition to about 180 MW deliveries to US and Brazil were postponed to Quarter 1 of FY13 from last quarter of FY12 that is due to some unforeseen events as a result, fixed overhead were under absorbed leading to a loss in Q4. However I would like to reiterate here that we are in essence a project company and need to be seen on an annualized basis rather than on a quarterly basis. There is a lot of interest understandably in our FCCB obligations. Recently I have made a statement on this topic mainly that we are in advance stage of closing of new facility with our senior secured lenders towards raising lines of \$300 million. We are very confident of our plans and our lenders and bondholders continue to be fully aligned and totally supportive of our plans and actions. We also gave notice that we were asking our bondholders, with many of whom, we have constructive and close relationship, for an extension of a period up to 45 days in order to allow for any procedural delay. The bondholders will vote on this on 11th June 2012. I am happy to reiterate that it remains our intention to meet our FCCB obligation in full and on time. The Chairman has shared our highlights of the last financial year already. Looking ahead in order to take the business to the next stage of recovery, we have set five clear priorities for us. Number-one is ensuring that all the elements of business work extremely hard and that we deliver our guidance, effectively realizing synergies between Suzlon and REpower is the central component of this. Number two addressing our near term repayment obligation such as FCCB, number three is reducing our interest cost, number four is further reducing our working capital intensity and number five is balancing our debt more efficiently across the Group. I believe that by focusing on these issues we will significantly strengthen our balance sheet and restore the real value to the business. Before we move onto the questions I think I should remind those all on the call that there has been a change in schedule VI by Ministry of corporate affairs and we have detailed key items in our investors/analyst presentation in the previous format for clarity. Now on behalf of the Chairman, I would like to invite you all for questions if any you have. Thank you.

Moderator

Thank you very much sir. We will now begin the question and answer session. We have the first question from the line of Charanjeet Singh from HSBC, please go ahead.

Charanjeet Singh

Can you provide some visibility on the term period of the loan which is being raised from the banks to repay the FCCB and also some visibility on high yield bonds which you planned to raise on the foreign business and if you can comment on any sort of discussions and agreement that you will need to have with REpower lenders before you issue these bonds.

Kirti Vagadia

On first, this is something where we will comeback shortly with the period that is the tenure of the facility. Right now I can say that it is something which is not putting us any near-term repayment obligations for at least next 18 months. Point number two on high yield bonds, that

continues to be our action item for FY13 and we continue to work looking for opportunities of raising high-yield bonds. We are right now in the process of completing operational part of it because there are many stakeholders where we need to take operational permissions. So that part we are working on right now. So far as REpower's bankers, I do not think we need any permission for high yield bond for that. Does that answer your question Charanjeet?

Charanjeet Singh

Yes thanks very much. Probably I have 2-3 questions if I may. One is if you can give some visibility on the average interest paid for FY13 especially in the light of this re-financing and changes to the schedule VI and then also some visibility on the assets sales which you are planning in FY13 if you are planning any and to Mr. Tanti if we can get some info on if there is a likely extension of AD and in GBI this year.

Kirti Vagadia

So far as your average interest rate for FY12 is concerned it was closer to between 12 - 13% and as far as FY13 is concerned it is a function of timing of certain steps on balance sheet we are taking. Right now it will be safe if all the steps are same where it was in FY12 then probably it is safe to assume that there will be a reduction of at least 150 basis points without considering the impact of balance sheet strengthening steps. So far as my non-critical asset sales is concerned we are planning to raise something between \$100 million to \$200 million from sale of non-critical assets during this financial year and we will share the details of those where we are in advance stage of completing the transactions. You will please appreciate that these are commercially very sensitive transactions and it impacts our negotiating capability if we divulge the information prematurely.

Tulsi Tanti

And the second question regarding the AD and the GBI, currently the Ministry of renewable MNRE is working on that and the proposal from the Government is there to reinstate both the things and that process is going on. We are expecting somewhere in July and August some decision will come on that part. There is a high probability of the GBI is there so there is no doubt and there is a lot of consensus in the Government is there. But for AD may or may not be but we have to see there is a possibility, it looks good because both the things are going simultaneous and we are expecting some positive result in July or August.

Moderator

Thank you. The next question is from the line of Rosita D'Souza from Elara Capital. Please go ahead.

Rosita D'Souza

Today there was a news item saying that ICRA has cut down your credit rating is it going to have any impact on your negotiating power as far as new facility is concerned if you are planning to prepay the bond holders?

Kirti Vagadia

Yes it is unfortunate that there is a downward revision in our rating but we don't foresee any impact of the downgrade on our bondholder's discussion or our senior secure lenders discussion.

- Rosita D'Souza** Post your announcement about a week ago on repayment FCCB and the negotiations, has there any update on that post that because it has been a week now?
- Vikas Rathee** From our perspective I think when there is something more to report on that we will obviously make a statement. It is a material enough event from our perspective. As of the current point in time we continue to make progress but we obviously can't go out and make statements in every stage of the progress, you can understand that.
- Rosita D'Souza** The other question I had on Edison, the markets were given to understand that the Edison proceeds were due whenever but unfortunately if you look at the Edison 10 K filing otherwise it says that the receivable is due not before 2013 February, what was the rational of the management of communicating that this receivable is due, I am sure there must be something to back that up.
- Kirti Vagadia** Yes there was a backup. First of all let me clarify that we never said that it is due, we always said that we expect to recover this money in particular period, this was on basis of a commercial discussion we had with the counterparty.
- Rosita D'Souza** As far as your guidance is concerned for the current year, can you break up in terms of volume split with respect to REpower and Suzlon Wind, how much you are expecting in each of the entity?
- Tulsi Tanti** For both the company almost is 50-50 is there, whether it is a top line on whether it is EBIT.
- Moderator** Thank you. The next question is from the line of Venkatesh B from Citigroup. Please go-ahead.
- Venkatesh B** My first question is why is the debt and the cash number different in the new Accounting Standards and the old Accounting Standards how the results are being represented because it looks like the debt numbers are lower, if you add the short-term borrowings and the long-term borrowings it does not add up to the old schedule. We have not seen this with other companies who are reporting even though other line item seems to be changing like things like receivables and all those things but debt and the cash number is usually broadly matching. So why is this changing in the case of Suzlon?
- Kirti Vagadia** Yes there are two reasons, let me explain first on the debt part. On debt whatever is the current maturity in next one-year we are required to show under other liabilities and that is why the current maturities are shown under other liabilities- so that is point number-one. So far as cash is concerned the small portion of restricted cash which is given for LCs or bank guarantee margins, those restricted cash are shown separately in other noncurrent assets and these are the two primary reasons for difference.

- Venkatesh B** So when the final annual report comes will it be possible to actually match it up with what was their numbers earlier, will the breakup be given there?
- Kirti Vagadia** Yes we can give that breakup.
- Venkatesh B** Now the second question is my calculations suggest that the Suzlon wind turbine business there has been order cancellations in the 4th Quarter. Can you please highlight what is the quantum of order cancellations and which are these orders which are got cancelled? I think it is on the international side.
- Kirti Vagadia** Yes it is close to 100 MW in China which we have preferred to takeout from our order backlog because of no movement for a certain period.
- Venkatesh B** Could you just give an update what is the current status on the Edison receivables that is the first part what is the current status on the Edison receivables and other than that if you actually look at you have put out a slide about net working capital, on that particular slide the receivables seems to have gone up significantly at the end of March 12, now you have receivables issues in Suzlon or REpower?
- Kirti Vagadia** Let me take first about specific customers you have asked about. The payment is falling due in February 2013 as we responded in earlier question. We were having commercial discussion with the customer for prepayment of those receivables, those discussions are still ongoing but it is safe for all of us to assume that it will come in February 2013 that is on part one. On your second question about receivable, let me clarify first of all that all receivables our current receivables of a group within Suzlon and REpower. The increase is primarily on account of a seasonality of business of lumpiness in particular quarter. There is nothing which is overdue or I would say that is sticky receivables. So all receivables our current receivables and it is going according to milestone of payment.
- Venkatesh B** Sorry to labor on this point about the Edison thing. The Edison's filing suggests that Suzlon had provided financing for the Windfarms, does not mention that these are payables from their side to you. So is it like you were actually financing the building of the Windfarm there and if you were financing, shouldn't there be the interest component also that they need to repay?
- Kirti Vagadia** There is an interest component and I am not aware about their definition for treating it as a financing, in our case it is what we have supplied as goods and we are to recover money for those goods supplied by us. Yes, there is interest portion attached to it.
- Moderator** Thank you. The next question is from the line of Ankush Mahajan from KR Choksey. Please go ahead.
- Ankush Mahajan** Can you tell us what are the reasons that this guidance for the EBIT margins have been down from 7% to 6% in FY 13?

- Tulsi Tanti** For the guidance whatever given, because we are targeting the almost 30% growth as a whole and secondly the market is extremely competitive. So we are doing the 6%, but we are quite confident to deliver better than 6%.
- Ankush Mahajan** 6% in terms of EBIT margins?
- Kirti Vagadia** Correct.
- Ankush Mahajan** And could you tell me what is the volume in terms of megawatts its a combined volume for the Suzlon Group that we are seeking to execute in FY13?
- Tulsi Tanti** Approximately, it is 4200 but it is an estimated number because you have to understand the REpower is also delivering the Megawatt based on POCM basis. So it's more important to focus on revenue rather than megawatt but estimated will be 4200.
- Ankush Mahajan** And what is total megawatt for the Suzlon Group in FY 12?
- Kirti Vagadia** See basically Tulsi bhai rightly mentioned that there is a POC revenue content in REpower revenue and it will be inappropriate for us to work on megawatts. I would suggest that you, see, out of total revenue you can take roughly about 1400 crores as a service revenue in last year and balance you can consider at about 6 crores a megawatts. That will give you indicative megawatt number.
- Ankush Mahajan** So 1400 is service revenue?
- Kirti Vagadia** 1400 crores roughly is the service revenue.
- Ankush Mahajan** Regarding these FOREX losses, how do you see these things in the next year, FOREX and this tax rates in FY13?
- Kirti Vagadia** On FOREX let me give you two different things, one on operational front I will be benefited on my receivable which you guys are talking about that is number-one and certainly on exports definitely my revenue will go in a positive side. So far as debt, I do have certain imports as well as certain payable to my creditors on that it will be negatively impacted. But if I net out both the things, then I will be benefited rather than at a loss, on the net basis, yes, the benefit is marginal but I will be benefited. On the loans and definitely you know that I have FCCB, it is denominated in foreign currency plus I do have foreign currency loans of about \$360 million. These are the two foreign exchange liabilities against that I have my REpower which is entirely a FOREX asset basically which is denominated in Euro. So that way I think we should be in the neutral on a long-term basis but on an annual basis we may have plus and minus according to timing of those liabilities and assets.
- Ankush Mahajan** Regarding the tax rate in next year?

- Kirti Vagadia** Tax rate so far as Suzlon is concerned probably we do not see any tax burden in current year. So far as REpower is concerned we expect to keep our tax rate at about 25% of our profit before tax.
- Moderator** Thank you. The next question is from the line of Lakshmi Narayan from Standard Chartered Securities. Please go-ahead.
- Lakshmi Narayan** Two questions first on REpower if you could tell us what were the megawatts delivered broken down into off-shore versus onshore and the second question is obviously you talked about some growth and EBIT margin guidance of 6%, if you could give numbers on free cash flow generation in fiscal 12 and what is your estimate for that for the next year?
- Kirti Vagadia** On your first question about breakup, my IR team will give you this detail offline of revenue bifurcation between offshore and onshore so far the group is concerned.
- Lakshmi Narayan** Second question was- what was free cash flow generation in fiscal 12 at consolidated entity level and where do we see that in fiscal 13?
- Kirti Vagadia** My cash profit for fiscal year 12 is 418 crores. Our operating cash generated during FY12 is about 838 crores in aggregate.
- Lakshmi Narayan** That is a free cash flow or cash flow from operations before cash.
- Kirti Vagadia** Cash flow from operating activities.
- Lakshmi Narayan** And how much was the CAPEX for 12?
- Kirti Vagadia** CAPEX was very small. In investing activity we have used is about 648 crores.
- Lakshmi Narayan** And that is mainly went into which area 640 crores?
- Kirti Vagadia** I think it is a combination of details and our IR team will provide you the details separately. I have a head line figure available right now with me.
- Lakshmi Narayan** One last question, you have mentioned that monetization of international assets is also one of the ways debt obligation. What international assets are we talking here and given the backdrop of several rumors about REpower asset being put to sale, etc., can you just clarify on this matter?
- Kirti Vagadia** First of all I never said about international asset, I have always maintained that we are talking about sales of non-critical assets and there must be some communication gap, we still maintain that we are talking about sale of non-critical assets. So far as rumors about REpower sale is

concerned, yes, we will say that it is speculative rumors. It is the most critical asset in the group and it is not for sale.

- Moderator** Thank you. The next question is from the line of Bhargav Buddhadev from Ambit Capital. Please go ahead.
- Bhargav Buddhadev** You highlighted that in 4Q the disbursement pertaining to 180 MW US-Brazil got postponed, so what is the status now?
- Kirti Vagadia** We are dispatching in Quarter 1 of this year.
- Bhargav Buddhadev** So the entire 180 MW gets dispatched in Q1?
- Kirti Vagadia** Yes.
- Bhargav Buddhadev** In terms of the international order backlog apart from the 100 MW Chinese order which got canceled what do we project in FY13, do we expect the entire order backlog to get cleared or possibly there could be some slow-moving orders as well?
- Kirti Vagadia** I think out of our international backlog what we have reported about 450 MW will be executed in this financial year and balance will go to the next financial year.
- Bhargav Buddhadev** How about the Indian order backlog?
- Kirti Vagadia** Entire will be executed in this financial year.
- Bhargav Buddhadev** Including the Mytrah Energy one?
- Kirti Vagadia** Yes.
- Participant** Lastly pertaining to this \$300 million facility which you are targeting, is there any collateral security which would be offering, what has convinced the banker in considering disbursement of this additional \$300 million? Is it the additional receivable or is it the collateral, if you could just give us some clarity?
- Kirti Vagadia** See, my secured lenders have enough security cover on basis of valuation of whatever security we have already provided.
- Bhargav Buddhadev** So is there any covenants which would be coming along with this or possibly the entire thing would be covenant free?
- Kirti Vagadia** I think I do have a covenant on my refinancing facility, this is incremental to refinancing facility, so there are no incremental covenants added to it.

Bhargav Buddhadev So this covenant would be basically on your debt services coverage, is it?

Kirti Vagadia That is a correct understanding.

Bhargav Buddhadev What could be the level, if you could share with us?

Kirti Vagadia I think we have already communicated in past but definitely you can get in touch with my IR department for details.

Moderator Thank you. The next question is from the line of Vaibhav Bharadia from Violet Arch Securities. Please go ahead.

Vaibhav Bharadia Just wanted a few details, first of all as you said that we will be raising \$300 million again for the repayment of the FCCBs and apart from this 360 million foreign currency loan you do not have any other foreign currency loan in your books, so the \$300 million is the new foreign currency loan that you would be taking on the books?

Kirti Vagadia Correct.

Vaibhav Bharadia So overall interest cost for that you are expecting for FY13 to be in the range of around 11% to 12.5%?

Kirti Vagadia No, what I mentioned to you that if there is no change in my borrowing structure as compared to FY2011-2012 the cost can be expected reduction of 150 basis points, whatever changes happen during this financial year one needs to factor in to it separately.

Vaibhav Bharadia Fine. Second thing I just wanted a little bit details for the guidance that you have provided. You mentioned that around 4200 MW is the expected sales at the group level?

Kirti Vagadia Right.

Vaibhav Bharadia Out of which Suzlon India and Suzlon International entire order in megawatt terms will be completed in this financial year and a part of our REpower order.

Kirti Vagadia What we mentioned that Suzlon India's entire order backlog will be completed in this year, out of Suzlon's international order 50% will be executed in this year, balance 50% will be a spilled over to the next financial year.

Vaibhav Bharadia And from 4200 MW the rest is what REpower is going to sell this year?

Samir Shah Additionally whatever new orders we will get in retail and IPP in India will be executed during the year also.

Vaibhav Bharadia So this 4200 MW, is that of group level or only Suzlon level?

- Kirti Vagadia** It is group level.
- Vaibhav Bharadia** Just a kind of understanding, per megawatt realizations for REpower is around what terms, in Dollar terms if you can provide?
- Tulsi Tanti** I think we should not confuse ourselves, we have given an indicative megawatt, actually we should follow the revenue and revenue is at 28,000 crores as a group level, out of that 50:50 is REpower and Suzlon and estimated for your calculation purpose if you need how many megawatt, roughly estimate is 6 crores per megawatt.
- Vaibhav Bharadia** That is for this Suzlon Group you said per megawatt 6 crores.
- Tulsi Tanti** Yes, for both approximately that value is there, different-different market different per megawatt is there but at a consolidated basis we can calculate for theoretical or hypothetical calculation point of view, 6 crores per megawatt.
- Moderator** Thank you. The next question is from the line of Heman Bhimani from SSG Asia. Please go ahead.
- Heman Bhimani** I had a few questions on the guidance on the EBIT. If you look at say Q3 FY12 and Q4 FY12, the EBIT margins and the EBITDA margins have been around 3% and 6% respectively. Now what do we see the change to scale up these margins from 3% to 6%?
- Kirti Vagadia** See basically in our business volume is the key for this change and as we advised to you that please start looking our company on an annual basis. If you look at on an annual basis in FY12 we have delivered about 5.5% on 21,000 crores revenue, when I am talking about 27,000-28,000 crores revenue definitely we get better operating leverage as well, still we have conservatively guided for 6%. On quarterly basis it is very difficult or it is inappropriate to measure this company.
- Heman Bhimani** But should we see at least some movement from 3% upwards, say Q1 onwards on Q2 onwards, what is your sense on the trajectory of the same?
- Kirti Vagadia** Basically as you rightly mentioned that it is going to be in Q2, mainly it is a function of volume that how much volume we are delivering in a particular quarter and if the volume is high and product mix or market mix is favorable, EBIT margin would be higher than average 6% and if that is lower then probably it will be lower than 6%. On an average on annual basis it will be around 6%.
- Heman Bhimani** Second question is with regards to Edison, in the last call you had mentioned that both the parties, since this is a commercial agreement, are in discussion to issue a joint statement with regards to the inconsistency in the reporting in the two parties. We have been waiting for three months almost; have not heard anything on the same. Is anything on the anvil in that regard?

Kirti Vagadia

Probably if I remember correctly what we said that if we reach to a commercial understanding we will issue a joint statement, since we have not yet entered into any commercial understanding as we rightly mentioned and the company's customers website also mentioned that it is due in February 2013, in case we enter into a commercial arrangement, yet we will report separately.

Heman Bhimani

The final question is on the competitive intensity, either Tulsi bhai or you can guide us with regards to new orders both in South Africa as well as Germany. How has been the competitive intensity in both these geographies and how do you see that panning out, say in the next couple of years?

Tulsi Tanti

The overall market place is very high turbulence and very competitive because the capacity in the industry surplus is there. Same time it is important the customer what they are looking, which are the company in a position to deliver the project with the high quality standards and which are the companies are good establishment of the service organization and other supports and that is the key criteria for the selection of the vendors which is becoming very important and that is why some of the geographies where Suzlon is extremely well-established and some of the geographies REpower is well established. So from a strategic direction point of view we are heavily concentrating emerging economy market like India, South Africa and Brazil because these markets are growing very rapidly and there is a good growth and business model EPC solutions are required where Suzlon has a high competitive strength to execute the project and deliver the project in time with the size of the large project. The second important one is in those markets the service component is becoming extremely important and we have a very strong establishment in Brazil and India and that is giving a competitive edge for the establishment for South Africa and that is why we got out of the 1000 MW announcement of South Africa nearly 28% order has been received by us and we are quite comfortable to continue to expand in South Africa because we are going with a full-fledged business model there. In some of the markets like Germany, France, Italy, UK and Canada these markets are quite promising and growing and it is very competitive but at the same time our position for particularly REpower is well-established there and it is because of that we are getting quite good number of orders and as you know offshore there is not much competition there only two most successful players Siemens and REpower is there and between that most of the orders are stabilizing and we are very comfortable to get a lot of good business in offshore because of the well-established proven technology and the 6.15 MW, the largest turbine in the industry is giving a very competitive edge. So it depends on what you are offering, what are your projects, what are your service, what are your products, based on that there is a good opportunity for the company to get good business and that is why as you can see the \$7.5 billion our order book position is there and on top of that we have a \$5.3 billion our frame agreement orders are there, so we are quite comfortable to get the business. Our unique business model is giving a very competitive edge because our gross profit margin is 33%, our footprint of the supply-chain is well-established in low-cost countries so that is giving quite a

good opportunity to unlock the margin in the current competitive environment otherwise it is quite difficult to get even 1% EBIT margin in this market.

Heman Bhimani

Final question, you mentioned about the overcapacity in the industry. Would it be fair to assume that the current utilizations would be in the range of 55% to 60% globally?

Tulsi Tanti

It depends, because what is happening is the product evaluation is happening. Some of the smaller turbine capacity is available surplus in the world but the next generation of the technology which we have introduced '9x', and we are coming with the '11x' and '12x', those types of product capacity is not available in the market place. Only fully utilized is there but small turbines capacity surplus is there like 1 MW or 1.25 MW or 1.50 MW capacity is underutilized, the 3 MW, 5 MW and 6 MW categories products are not fully available in the market so the bigger size and the low in size turbines capacity is fully utilized and the upper wind class, Class 2 and Class 1 and the smaller wind turbine size is underutilized. So two different segments are there and that is why those product requirements in the market is mainly for the higher wind turbine capacity and low wind regime where demand is much more and where we are well positioned on those segments.

Heman Bhimani

Final question, on the US market you think there is any update on what would be the condition at the end of current year 2012 and how would that impact the competitive intensity in 2013?

Tulsi Tanti

US market has always remained as a boom and bust market so the 2012 calendar year is a very good year for the industries, approximately nearly 10,000 to 12,000 MW installations will happen and the 2012 Suzlon and REpower are doing in US and Canada, almost 1000 MW we are supplying and installing in the current financial year so we are well positioned in those markets. The industries and association is working with the Government in Washington DC very aggressively. There is a possibility end of the year, some positive announcement for the industries because otherwise 2013, the wind industries market in the US completely collapse which is not in the interest of the nation- so there is some possibility of some new frameworks or some change in the regulatory environment in 2013 calendar year, US will come with some solutions. The next is American wind energy associations conferences and other things are going on, so maybe some more debate and discussion with government will happen in the June 3rd and 4th in Atlanta so some possibility and some hope is there. The industry is expecting some positive development but it will come only end of the year not before that.

Moderator

Thank you. The next question is from the line of Imtiaz Shefuddin from RBS. Please go ahead.

Imtiaz Shefuddin

I have two questions. One is on your cash balance. Now you reported consolidated cash balances of about 480 million US\$ equivalent as of March 2012. Could you just give me a break down between how much of net cash was at REpower and how much of that was at Suzlon Wind? Also what is the cash balance now if you can just give me an update as to the cash balance as of now or as of the beginning of May, just to get a sense. The second question

would be with regards to your ongoing negotiations with lenders for this new facility? Now based on your existing negotiations when do you think you will be able to firm up the 300 million facility?

Kirti Vagadia Basically on cash we can say that Suzlon is slightly about \$200 million and balance is in REpower. Current I think, it will not be appropriate for me to give you balance on a periodical basis because it is not good for a company to report it on a periodical basis in public at a large, so that unfortunately I will not be able to provide you right now.

Imtiaz Shefuddin Okay fine. But if I can just ask you on the 200 million that you say is at Suzlon, can I assume that that 200 million you can touch towards paying for the coming maturities?

Kirti Vagadia Yes definitely, cash is fungible and it is unrestricted cash.

Imtiaz Shefuddin Great, okay understood.

Kirti Vagadia Here you need to take into account that I have a small portion of that which is restricted cash, that is close to about 40 million if I remember correctly.

Imtiaz Shefuddin Understood. And on my second question, based on your negotiations right now when do you expect to possibly firm up on the 300 million facility?

Vikas Rathee As I mentioned earlier I think we continue to obviously work through the documentation and the administrative situation on that, it is procedural. It will take some time. Obviously from our perspective and our lenders perspective we are working to try and get it done as soon as possible. We are very hopeful it will get done sooner rather than later and I think we will come out and make a public statement in relation to that hopefully soon.

Moderator Thank you. The next question is from the line of Atul Gharde from SJS Markets. Please go ahead.

Atul Gharde My first question is on the 4th Quarter operating expenses. I know Kirti bhai has been emphasizing that the company should not be looked at on a quarterly basis, it is just that the other operating expenses numbers seems to have jumped significantly. Can you please throw some light on that?

Kirti Vagadia You are comparing it with Quarter 4 of last year or you are comparing it with Q3?

Atul Gharde With both. I mean if you look at it on a year-on-year basis it has gone up by some 33%.

Kirti Vagadia Correct.

Atul Gharde And quarter-on-quarter I think around 50%.

Kirti Vagadia

Let me address in both the manner, first let us compare Q4 versus Q4 of last year. It is 1259 in Quarter 4 of this year which was at 956 last year Quarter 4, there are two primary reasons for that, one is the variable portion of this is 474 versus 283. So that explains the increased difference between 474 and 283. That is primarily on account of two reasons, one is REpower number are in Euro terms so when I convert that into Rupee definitely you know that Euro has appreciated during both the periods by 10 to 11% and that will impact these numbers as well. And secondly we have a change in the product mix, a certain high and larger turbine where our provisioning norms are a bit higher, we provide higher number of provisions for this larger turbines and that is the primary reason for increasing variable cost. So far as fixed cost is concerned the difference is not that major but primarily it is on account of FX translation, Euro has appreciated by 11% and there are few costs like traveling, selling and other expenses which has gone up in case of REpower by a marginal amount. These are the two reasons for difference. If you compare between Q3 versus Q4, Q3 expense was 730 which has jumped to 1259. Here you need to take into account other operating income as well in Q4 which is about 70 crores so if you compare net, it is 730 versus 1189 where there are two things, one is freight and warranty is up due to volumes which is 34% up as compared to Q3. And second as I explained to you, product mix. Here the variable cost in Q3 was just 99 crores which has gone to 474 crores in Q4. And if you compare the fixed cost it is 631 versus 785 where there are some one-off item in Q4 which is about 70 crores in fixed cost.

Atul Gharde

Okay. Just one thing, on the 3rd Quarter to 4th Quarter comparison you said the variable number has gone up from 99 to roughly 474.

Kirti Vagadia

Correct.

Atul Gharde

And this is largely because of change in product mix?

Kirti Vagadia

Yes, change in product mix and freight.

Atul Gharde

Right. So going forward, Tulsi Bhai also mentioned earlier there is probably a preference for larger turbines so going forward also this should be probably carried forward, high provisioning numbers?

Kirti Vagadia

Whatever guidance we have given that takes care of that also.

Atul Gharde

Okay right. Thank you that is helpful. My second question is in terms of your negotiations with your bond holders, so how confident are you of getting this approval from the bond holders because my read of the endanger tells me that you probably need 75% of bond holders to agree. Now that probably may not be an issue for the bigger, the 0% bond but for the 7.5% bond it is smaller issue, so do you see any sort of concerns there, any aggressive bond holders there who probably may not be able to bring to the negotiating table?

Vikas Rathee

Let me try and address that. One, we as a company have a fairly active dialogue with most of our bond holders and I think we know a fairly significant percentage of the holding as to where they reside, both in the smaller bond as well as the larger bond. There is some cross holding as well. We, over the period of time since we now made the announcement and prior to that, when we could from a public information perspective, we have been in touch with bond holders, I think we have very strong support from all our bond holders just like we have from our secured lenders. So there is an alignment of interest here for all stake holders, this is the right thing for the company to do, we are moving forward towards fulfilling the obligations we set out to, unlike a lot of the other corporate which have taken a different route. So all the messages at least I have been able to and our teams have been able to gather, we believe there is strong support in terms of a voting for the resolution. So till the time the voting happens obviously we cannot be telling you it is 100% there but we are very confident that the bond holders recognize the company, recognize the intention of the company and how we are progressing also on the operating side. So we believe we will have the support and if you look at the bond prices they have from the time prior to the announcement to where they are, I think there is a pretty significant uptick in the price of the bonds. So that I think is the best barometer on terms of how the bond holders are looking at this. So we are fairly confident of the support on this one.

Atul Gharde

Right, again very helpful. And one final question from my side, now let us say you get the consent from the bond holders and let us say even the 300 million bank loan goes through, now just going by the number that was just shared, you have unrestricted cash of roughly 160 million and add to that the 300 million bank loan that you will probably get. That will probably add up to just 460 million and maybe a part of that you will require for your normal working capital. So I am assuming you will maybe have 400 million of extra cash? And your total liabilities this year would be around 560, so there is still a fair amount of gap there. How do you plan to bridge that gap?

Vikas Rathee

One I do not necessarily agree with all your calculations so I think we can have an offline conversation and go through it. I think the numbers we mentioned to you were as at the end of March and I think from how it has been historically I think a lot of working capital comes through and comes and converts into cash during the 1st Quarter of the year that is one part of it. Secondly, you have to understand that the money we have right now and the operations we have going forward for the next 1, 2, 3, 4 quarters we have sufficiently budgeted in relation to meeting our liabilities. So we are very comfortable and we have sized the current facility with the lenders, appropriately make sure that we meet all our obligations.

Atul Gharde

Okay great, just one final question, on the working capital facilities it was mentioned that you have incremental facilities of 350 million. So is that in addition to the roughly \$220 million that you mentioned in the last conference call?

Kirti Vagadia

No, that includes 220.

Moderator Thank you. That would be the last question. I would now like to hand the floor over to Mr. Tulsi Tanti for closing comments.

Tulsi Tanti Once again thank you for joining this call today. If I can summarize the few important points, we believe our guidance for this fiscal year is submissive but we are very confident to deliver and achieve this guidance. Our order book gives us real visibility over this and the next fiscal year. Our EBIT and gross margin are the best in the industry; by focusing on the five priorities the CFO listed a few moments ago the business will be in the real positions of the strength in one year from now. Thank you very much for your support and your cooperation and your time, I appreciate your presence with us.

Moderator Thank you very much sir. On behalf of Suzlon Energy Limited, that concludes this conference. Thank you for joining us.