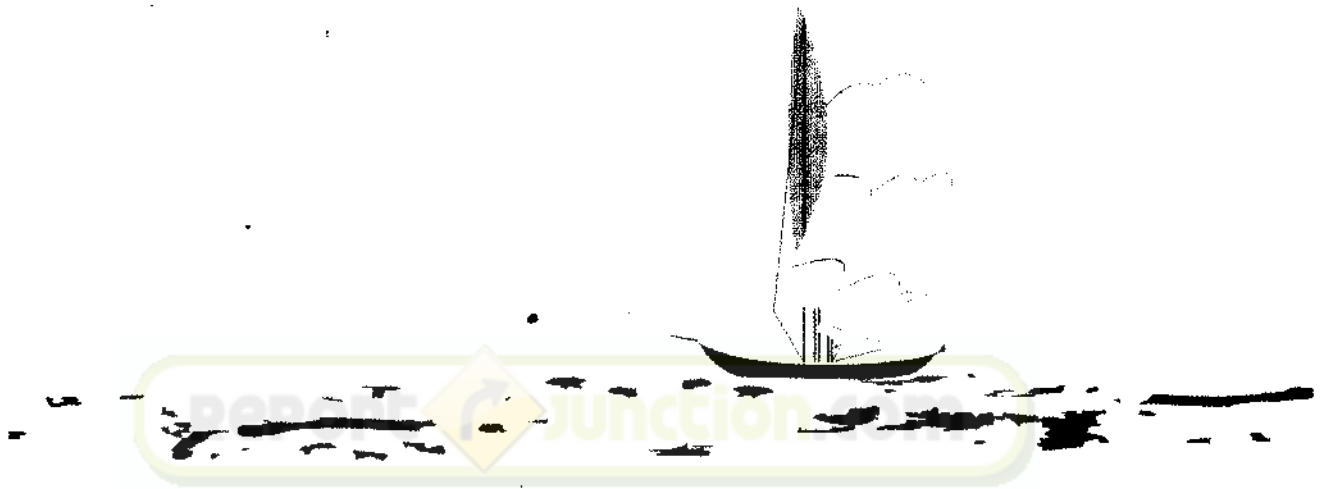


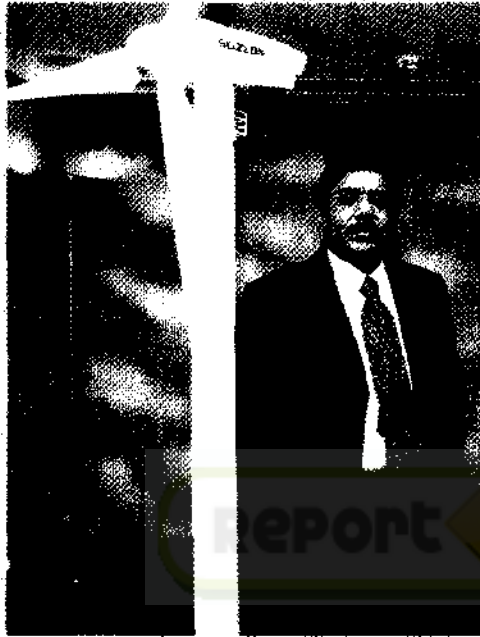
SUZLON ENERGY LIMITED



ANNUAL REPORT 2005-06

Company information

BOARD OF DIRECTORS	Tulsi R. Tanti Girish R. Tanti Ajay Relan Ashish Dhawan Pradip Kumar Khaitan V. Raghuraman	Chairman & Managing Director Director (International Business Development & HR) Representative Director of CFC Director Director Director	
COMPANY SECRETARY	Hemal A. Kanuga		
AUDITORS	SNK & Co. Chartered Accountants 111, Nalanda Enclave Pritamnagar, Ellisbridge Ahmedabad – 380 006	S.R. Batliboi & Co. Chartered Accountants The Metropole, F-1 1st Floor, Bund Garden Road Pune – 411 001	
BANKERS	Bank of Baroda Bank of Maharashtra Citibank, N.A. Deutsche Bank AG HDFC Bank Ltd. Industrial Development Bank of India Ltd. Indian Overseas Bank ING Vysya Bank Ltd.	Punjab National Bank Standard Chartered Bank State Bank of Bikaner & Jaipur State Bank of India State Bank of Indore State Bank of Patiala UTI Bank Ltd.	
REGD. OFFICE	“Suzlon”, 5, Shrimali Society Near Shri Krishna Complex Navrangpura Ahmedabad – 380 009 Tel. : +91-79-2647 1100 Fax : +91-79-2656 5540		
CORPORATE OFFICE	5th Floor, Godrej Millennium 9, Koregaon Park Road Pune – 411 001 Tel : +91-20-2620 2000 Fax : +91-20-2620 2100		
BRANCH OFFICES	Bangalore Chennai Coimbatore Hyderabad Indore	Jaipur Kolkata Mumbai New Delhi	Rajkot Surat Thiruvananthapuram Vadodara
FACTORY LOCATIONS	Survey No. 588 Paddar Bhuj – 370 105 Plot No H-24 & H-25 M.G. Udyognagar Indl. Estate Dabhel Daman – 396 210 Plot No. 306/1 & 3 Bhimpore, Nani Daman Daman – 396 210 Survey No.42/ 2 & 3, 54, 1 to 8 Bhenslore Road, Dunetha Daman – 396 210	Survey No: 282 Chhadvel (Korde), Sakri Dhule – 424 305 Survey No. 574, 59 Thiruvandarkoil Thiribhuvani Road Pondicherry – 605 107 Plot No. 50, 51, 52, 54 & 55 Opp. Manjusr GIDC Vadodara – 391 775	
REGISTRAR AND SHARE TRANSFER AGENTS	Karvy Computershare Private Limited Karvy House, 46, Avenue 4 Street No.1, Banjara Hills Hyderabad – 500 034 Tel. : +91-40-2332 3031 Fax : +91-40-2330 4703 E-mail : suzlon.ipo@karvy.com Website: www.karvy.com		



Tulsi R. Tanti
Chairman & Managing Director

- To be the technology leader in the wind industry
- To be among the top three wind energy companies in the world
- To be the most respected brand and preferred company for all stake holders
- To be the best team and best place to work
- To be the fastest growing and most profitable company in the sector

Chairman's message

Dear Shareholders,

Your conviction and belief in Suzlon found expression in your overwhelming response to our Initial Public Offering. This has furthered our responsibility and commitment towards a cleaner, greener world. It is our endeavour to ensure that your Company leads in the world's pursuit towards generating energy from clean, sustainable and renewable sources.

It is with a lot of humility and pride that I look back a little over ten years to when your Company began with a dream, and in this watershed year has emerged as the fastest and most profitable global player in the wind energy space. Finding our place amongst the top five global players and securing over 6% global market share is a good beginning. I say it is just the beginning, because your Company is on the threshold of penetrating the global wind energy market in a big way. Your Company secured around 92% of its sales in FY 2005-06 in India, amounting to approximately 887 MW, the fourth largest market for wind energy in the world. Building on the strength of success in the Indian market and learning from initial forays into the global market, your Company plans to build a significant presence in the global market.

THE WIND IN OUR SAILS

Energy and energy prices are a determining factor in politics, geo-politics and in the growth of economies today. Energy is at the heart of two global challenges - firstly, with rising energy prices, how do economies remain competitive and growing? Secondly, how do you prevent adverse environmental impact, such as global warming, in which the increased use of conventional fossil fuels may play a part?

While what is visible and talked about are the rising oil prices; energy security and environment protection and conservation are even greater and more persistent challenges in today's world.

Today, there is a global consensus that the reliance on fossil fuels needs to be reduced, and that renewable energy sources offer energy diversity. And these are the 'winds of change' driving the need and demand for renewable energy the world over.

Wind energy clearly leads in the renewable energy space. Cumulative wind power installations the world over are expected to reach 298,000 MW in 2015. This will translate to 2.93% of the global energy generation in 2015, compared to wind's contribution of 0.69% of total generation in 2005. Wind power emerged as

the fastest growing energy source in 2005, growing at approximately 40% - probably one of the very few industries to register such aggressive growth globally!

Today there is a consensus on projections for the growth of the wind energy sector globally - conservative estimates point to a CAGR of 21% over the next five years, and total cumulative installations of nearly 150,000 MW by 2010, up from current installed capacity of 59,264 MW.

WIND ENERGY-CONSTRAINED BY SUPPLY, NOT DEMAND

Europe has long been the preeminent leader in wind energy. Denmark, for instance, generates 20% of its power requirement from wind, and Germany led the world at the end of 2005 with wind power installations of 18,445 MW. In the United States, experts estimate that the wind potential of just three states - Texas, Kansas and North Dakota - to be equal to approximately half the electricity consumption of the entire United States. In Asia, China has set for high growth in wind energy with a new Renewable Energy Law targeting 5,000 MW from renewable sources by 2010, and 30,000 MW by 2020. These targets are expected to raise the contribution of renewable sources up to 10% of total consumption by 2020. In 2005, China ranked first in terms of average wind capacity installation growth over the past three years, followed closely by India. India's aggressive growth track also reflects in its ranking as the fourth largest wind energy market in the world in 2005. With other countries in the region like South Korea and Australia also making strong commitments to renewables, the potential for the growth of wind energy across the world is very high.

Governments across the world have demonstrated their support for renewable energy through favourable policies - fixed tariffs for renewable-powered electricity, Renewable Portfolio Standards (RPS), tax related benefits (Production Tax Credits and similar), investment grants and the carbon credit mechanisms. All these factors indicate a steadily increasing demand for wind energy, which will be a big force in driving capacity addition in the energy space.

Suzlon has built its competencies, capabilities and capacities to obtain a very significant share of these 'winds of change'. In the past year, it grew its output, revenues and profits by 91%, 98% and 108% respectively. At Suzlon, we have planned and implemented our investments well in advance to gear up to capitalize on the global opportunity, and we

SUZLON ENERGY LIMITED

have aligned ourselves to changing customer needs and the emerging trends of the industry.

INDUSTRY TRENDS

Economic growth has always been the barometer to test the demand for energy. With the global economic engine powering forward, projections point to the demand for energy doubling by 2030. With growing demand and the need to replace ageing infrastructure, incremental addition of 4,800 GW of capacity will be required.

The past year has seen significant developments in the wind energy sector, in the form of globalization and consolidation. Further, the following trends are clearly seen:

- Cost of wind generated electricity has become more competitive, offering virtually limitless supplies of inexpensive, clean, green energy
- Demand continues to significantly outstrip supply
- Continued up-scaling of wind turbine models
- Supply chain bottlenecks
- Customer group largely dominated by utilities, large energy companies and financial institutions
- Though Europe continues to lead, other markets are poised to scale-up quickly – with US, India, China leading the way and emerging European markets like UK, Portugal, Italy, Greece and France following suit.

YOUR COMPANY AND THE INDUSTRY

Your Company strives to outperform the industry. For instance, the wind energy industry has grown during 2000-05 at a CAGR of 26.3%, whereas Suzlon has grown at 64.0%, in terms of cumulative installations.

TAKING ON THE GLOBAL OPPORTUNITY

It is evident that the market for wind energy is growing across the world, and this growth will accelerate further. Suzlon is focused on leading the way in participating and capitalizing on the opportunity. Changing from the earlier focus on the Indian market, your Company has gone international – emerging as a global player through expansion in key international markets: Australia, China, South Korea and USA. Your Company today has presence in all leading markets across the world, and endeavors to lead in the markets of China, India, USA, emerging European markets and niche markets in Asia Pacific.

Suzlon has set up its international business headquarters in Denmark to drive the Company's global growth plans. Suzlon is setting up manufacturing facilities in the China and USA to strengthen its presence in the global marketplace. In addition to this, Suzlon has invested in local infrastructure and built competencies in Australia, China and USA to manage and grow business independently in these markets. With these initiatives Suzlon has clearly stated its intention of becoming a major player in the global wind energy market.

INTEGRATING VERTICALLY

Today, one of the major challenges faced by the industry is control over its entire supply and value chain. Recognizing the significance of this challenge early on, your Company took its first steps towards vertical integration of its value chain by setting up of its first wind turbine component facility for rotor blades in 2001. The Company has continued to expand capacities and add manufacturing facilities of other critical wind turbine components in past years.

Your Company has further improved its control over the value chain by setting up Suzlon Generators Private Limited in joint venture with Elin EBG Motoren GmbH of Austria to manufacture generators for wind turbines. The Company also moved to set up Suzlon Structures Private Limited to manufacture tubular towers for wind power projects. More recently, your Company acquired Hansen Transmissions International NV, one of the world leaders in gearbox technology, at an enterprise value of Euro 465 million. This deal marked the second largest international acquisition by any Indian company in the private sector.

In line with its strategy, your Company has developed control over critical technology and built up manufacturing capability for all the key components of the wind turbine generators; namely, rotor blades, generators, gearboxes, control systems and towers.

Early efforts to vertically integrate its operations and manufacture critical components helped your Company to integrate component technologies into the total turbine solution. This has helped your Company develop technologically superior, more reliable, and competitive turbines; resulting in the Company maintaining its strong position in the marketplace in times of severe supply bottlenecks.

Suzlon has also applied the integrated approach to its business model, developing capability with its associates concerns to offer integrated wind energy solutions from concept to commissioning to lifetime care. The scope of solutions offered cover services

ranging from conceptualisation, design, and manufacturing to EPC project delivery and lifetime operations & maintenance services.

The Company's strategic drive towards achieving complete control over its supply chain will make your Company one of the most integrated turbine manufacturers in the world.

LEADING THE INVESTOR COMMUNITY

You would be glad to know that in just months after the IPO, your Company has been selected for inclusion in the prestigious S&P CNX Nifty Index, one of the benchmark indices of the Indian capital markets.

I believe this landmark event is recognition of the faith and trust that you placed in your Company, and I look forward to your continued support over the coming years.

INNOVATION, FUNDAMENTAL TO OUR EXISTENCE

At Suzlon, we apply innovation not only in R&D for new products, but also implementing innovative business ideas and concepts to enhance business performance.

Innovation is everywhere in your Company and is fundamental to its existence. Innovation drives us and is our stimulus for growth. Quite simply, we are, because we innovate.

Innovation at Suzlon is:

- Continued emphasis on research and development to create superior technology
- Applying creativity and foresight to change management
- A relentless drive towards success amidst dynamic market realities
- Creation and exploitation of market potential in markets where none existed before.

THE HUMAN FACTOR

People are our key asset and your Company is all about people. Your Company has grown from strength to strength not only in its revenues, but also its human capital. At the end of the financial year 2005-06, your Company employed over 5,300 people from twelve nationalities in its operations worldwide.

We realize the importance of nurturing our talent pool, and one of our key initiatives in this direction is the establishment of Learning and Development (L&D) Centers at key locations of the Company. The L&D

Centers establish career tracks for specialists, and undertake leadership programs for executives.

A culture of meritocracy drives your Company. It encourages a uniform, high performance culture that motivates employees to excel at everything they do. Your Company felicitates and recognizes employees for their performance. To promote the spirit of entrepreneurship and to reward employees for their exceptional performance, your Company launched its first Employee's Stock Option Plan in 2005.

I take this opportunity to thank and congratulate every employee of your Company for the uncompromising dedication and hard work which has enabled your Company to rise to rank amongst the top in the wind energy arena.

STRENGTHENING THE BOARD

Mr. V. Raghuraman consented to join your Company's Board from October 2005. He is currently a Senior Advisor (Energy) with the Confederation of Indian Industry and has a primary specialization in Energy Management and Energy Conservation. He also served as the Chairman of the World Energy Efficiency Association, Washington. We welcome him wholeheartedly to the Suzlon family and look forward to his guidance.

WE CARE

Your Company is committed to being an active and responsible member of every community worldwide where we do business and has set the goal of becoming the 'best in class' in corporate governance, business practices, sustainability and corporate citizenship.

Your Company believes that corporations have important social responsibilities and hence attempts to contribute to such common objects by way of charitable donations for education, organizing blood donation camps of employees and running clinics for the underprivileged.

To emerge as a global leader, I believe that pursuit of goals with tenacity and integrity is essential. With the enthusiastic and focused efforts of our team combined with the growing confidence and trust placed in us by all of you, I am confident that your Company will become a formidable player for the global wind energy companies in the years ahead.

Best wishes for a cleaner, greener and a more prosperous tomorrow.

Place: New Delhi
Date : May 15, 2006

Tulsi R. Tanti

Chairman & Managing Director

SUZLON ENERGY LIMITED

Suzlon at a glance

BACKGROUND

Suzlon is world's 5th largest wind turbine manufacturer with a share of over 6% of the global wind energy sector. The Company continued its leadership of the Indian wind energy market for the 8th consecutive year, with a market share of over 50% in 2005.

Since its inception in 1995, the Company has grown to a worldwide presence, employing over 5,300 people (as on March 31, 2006) from twelve nationalities in operations in Australia, Belgium, China, Denmark, Germany, India, Netherlands and USA.

PRODUCTS

Suzlon manufactures state-of-the-art Wind Turbine Generators (WTGs), with a portfolio of machines with capacities ranging from 0.35 MW to 2.1 MW, catering to the needs of everyone from small customers to utility scale investors. The comprehensive product range also enables the Company to supply and execute projects across the world with extremely varied wind regimes and climatic conditions.

INTEGRATED SOLUTIONS

Suzlon along with its associates concerns offers integrated wind energy solutions from concept to commissioning to lifetime care; covering a gamut of services including conceptualisation, design, manufacture, EPC project delivery and operations & maintenance services.

Suzlon's world class manufacturing capabilities and comprehensive wind power solutions are backed by stringent international quality control and assurance systems, such as the ISO 9001:2000, and type certifications for individual WTG models.

VERTICAL INTEGRATION

Suzlon has grown into a fully integrated wind turbine manufacturer. In addition to manufacturing WTGs, Suzlon also manufactures critical components such as rotor blades, generators, gearboxes, control systems and tubular towers for WTGs. The Company's main manufacturing facilities are located at Daman, Pondicherry, Maharashtra and Gujarat in India. Suzlon is also setting up manufacturing facilities in China and USA to meet the needs of the rapidly expanding wind energy markets in these geographies.

REACH

Suzlon's global headquarters are located in Pune, India and its international business headquarters in Denmark; with country headquarters for the Asia-Pacific, China and North America at Melbourne, Beijing and Chicago respectively. Suzlon drives its technology development from centers located in Germany, India and The Netherlands.

PERFORMANCE

In the financial year 2005-06, Suzlon continued its trajectory of growth, recording sales and EBIDTA of Rs. 3841.03 crore and Rs. 884.22 crore respectively, an increase of 98% and 93% over the previous year. Profit After Tax (PAT) rose from Rs. 365.33 crore in 2004-05 to Rs. 759.50 crore in 2005-06, an increase of 108%. Suzlon's EBIDTA margin stood strong at 23%.

During the year the Company raised funds through an IPO of 29,340,000 equity shares of Rs.10 each for cash at a premium of Rs. 500 per equity shares aggregating to Rs. 1,496.34 crore, 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 was oversubscribed by over 45 times.

The Company's shares are listed on the National Stock Exchange of India Limited and Bombay Stock Exchange Limited. The Company is ranked amongst the largest in the world in wind energy sector, and among the top-10 of the Indian private sector in terms of market capitalization.

STRONG WINDS 2005-06

- Suzlon, in 2005, climbed to the 5th position globally with 6.1% share of installations worldwide and ranked 2nd in terms of annual growth, as per rankings published by BTM Consult ApS in the World Market Update 2005, a report on the global wind energy sector.
- The Chairman and Managing Director of the Company, Mr. Tulsi R. Tanti was awarded the Lifetime Achievement Award "Best Renewable Man of the Decade" by the Foundation of Indian Industry and Economists.
- The Solar Energy Society of India (SESI) recognized Mr. Tulsi R. Tanti's contribution to the promotion of renewable energy in India with the SESI "Pioneer Award".
- Suzlon expanded its global presence, securing landmark breakthrough orders in Australia, China and South Korea; emerging markets for wind energy with high potential for growth.
- The Suzlon family grew by over 150% - our strength rising from 2,100 personnel at the beginning of FY 2005-06 to 5,300 personnel as of March 31, 2006.
- Suzlon's Initial Public Offering was met with an overwhelming response, with the Institutional portion over-subscribed approximately 68 times and the HNI portion 40 times.
- Suzlon's global headquarters and WTG manufacturing facility at Daman (Unit V) were certified to ISO 14001:2004 and OHSAS 18001:1999 standards by DNV (Det Norske Veritas).
- Suzlon's sales and profit after tax grew by 98% and 108% respectively for the financial year ended March 31, 2006.

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the pessimist complains
about the wind;
the optimist expects it to
change; the realist
adjusts the sails



Directors' report

Dear Shareholders,

Your directors are pleased to present their eleventh annual report on the business and operations of the Company together with audited accounts for the year ended March 31, 2006.

FINANCIAL RESULTS

The standalone audited financial results for the year ended March 31, 2006 are as follows:

Particulars	Rs. in crore		US\$ in million*	
	2005-06	2004-05	2005-06	2004-05
Sales	3,788.46	1,917.50	849.14	438.34
Earnings / profit before interest, depreciation and tax (EBIDTA)	921.77	440.14	206.60	100.61
Add : Other income	69.28	23.26	15.53	5.32
Less : Interest	42.52	31.93	9.53	7.30
Less : Depreciation	45.87	38.97	10.28	8.91
Less : Preliminary expenses written off	0.00	0.06	0.00	0.01
Profit before taxation	902.66	392.44	202.32	89.71
Less : Current tax	107.00	48.00	23.98	10.97
Deferred tax	(27.97)	(17.08)	(6.27)	(3.90)
Fringe benefit tax	2.40	0.00	0.54	0.00
Earlier year	0.04	0.06	0.01	0.01
Net profit	821.19	361.46	184.06	82.63
Balance brought forward	526.95	306.63	118.11	70.09
Profit available for appropriations	1,348.14	668.09	302.17	152.72
Interim dividend on equity shares	71.88	23.18	16.11	5.30
Proposed dividend on equity shares	71.88	11.59	16.11	2.65
Dividend on preference shares	1.51	1.51	0.34	0.35
Tax on dividends	20.38	4.86	4.57	1.11
Transfer to general reserve	300.00	100.00	67.24	22.86
Surplus carried to balance sheet	882.49	526.95	197.80	120.45

* 1 US\$ = Rs 44.615 as at March 31, 2006 (1US\$ = Rs 43.745 as at March 31, 2005)

APPROPRIATIONS

Dividend

An interim dividend of Rs. 2.50 per equity share (25% on par value of Rs. 10.00) absorbing a sum of Rs. 71.88 crore was paid in February 2006.

Your directors recommend a final dividend of Rs. 2.50 per equity share absorbing a sum of Rs. 71.88 crore for the financial year 2005-2006 subject to the approval of the shareholders at the ensuing Annual General Meeting.

Your directors have also recommended dividend of Rs. 10 per share absorbing a sum of Rs. 1.51 crore on 10% cumulative redeemable preference shares of Rs. 100 each.

The total dividend payout ratio for the year 2005-2006 is 17.69% (previous year 10.04%).

Transfer to reserves

An amount of Rs. 300 crore is proposed to be transferred to general reserve.

INITIAL PUBLIC OFFER

The year 2005-06 saw a successful Initial Public Offering of the Company. The issue was over subscribed by 45.95 times and the equity shares were listed on the National Stock Exchange of India Limited and Bombay Stock Exchange Limited on October 19, 2005. Your directors are happy to report that the listing has enhanced our visibility and brand value.

The Initial Public Offering of 29,340,000 equity shares of Rs. 10 each for cash at a premium of Rs. 500 per