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• THEREFORE
SUZLON

ANNUAL REPORT 2008-09

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COMPANY INFORMATION

BOARD OF DIRECTORS	Tulsi R. Tanti Girish R. Tanti Ajay Relan Ashish Dhawan Pradip Kumar Khaitan V. Raghuraman	Chairman & Managing Director Executive Director Independent Director Independent Director Independent Director Independent Director	
COMPANY SECRETARY	Hemal A. Kanuga		
AUDITORS	SNK & Co. Chartered Accountants E-2-B, The Fifth Avenue Dhole Patil Road Near Regency Hotel Pune - 411 001, India	S.R. Batliboi & Co. Chartered Accountants C-401, 4th Floor Panchshil Tech Park Yerwada, Near Don Bosco School Pune - 411 006, India	
BANKERS	Bank of Baroda Bank of Maharashtra Citibank, N. A. State Bank of India The Hongkong and Shanghai Banking Corporation Limited Axis Bank Limited Industrial Development Bank of India Limited ICICI Bank Limited	Punjab National Bank Standard Chartered Bank State Bank of Bikaner & Jaipur State Bank of Indore State Bank of Patiala Indian Overseas Bank ING Vysya Bank Limited	
REGISTERED OFFICE	"Suzlon", 5, Shrimali Society Near Shri Krishna Complex, Navrangpura Ahmedabad - 380 009, India Tel.: +91-79-2647 1100 Fax: +91-79-2656 5540 Website : www.suzlon.com		
CORPORATE OFFICE	5th Floor, Godrej Millennium 9, Koregaon Park Road, Pune - 411 001, India Tel.: +91-20-4012 2000 Fax: +91-20-4012 2100		
BRANCH OFFICES	Bangalore Chennai Coimbatore Hyderabad Lucknow	Indore Jaipur Kolkata Mumbai Madurai	New Delhi Rajkot Surat Thiruvananthapuram Vadodara
FACTORY LOCATIONS	Survey No. 588 Paddar, Bhuj - 370 105 India Plot No. H-24 & H-25 M. G. Udyognagar Indl. Estate Dabhel Daman - 396 210, India Plot No. 306/1 & 3 Bhimpore, Nani Daman Daman - 396 210, India Survey No. 42/ 2 & 3, 54, 1 to 8 Bhenslore Road, Dunetha Daman - 396 210, India Plot No. 77, 13, Opp. GDDIC Vanakbara Road, Village Malala Diu - 362 520, India	Survey No. 574, 59 Thiruvandarkoil, Thribhuvani Road Pondicherry - 605 107, India Block No. 93 National Highway No. 8 Varnama-Vadsala, Dist. Vadodara - 391 240, India Survey No. 86/3-4, 87/1-3-4, 88/1-2-3 89/1-2, Kadaiya, Daman - 396 210, India Plot No. 57/3, (2&3) Dunetha, Daman (U.T.) - 396 210, India	
REGISTRAR AND SHARE TRANSFER AGENTS	Karvy Computershare Private Limited 17-24, Vittalrao Nagar, Madhapur, Hyderabad - 500 081, India Tel.: +91-40-2342 0815/16/17/18 Fax: +91-40-2342 0814 E-mail: einward.ris@karvy.com, mailmanager@karvy.com Website: www.karvy.com		

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VISION

To be the technology leader in the wind energy industry.

To be among the top three wind energy companies in every market that we are present in.

To be the most respected brand and preferred company for all stakeholders.

To be the best team and best workplace.

To be the fastest growing and most profitable company in the sector.



LETTER FROM THE CHAIRMAN

The world is today in the midst of unprecedented economic upheaval. The credit crisis, triggered mainly by a sub-prime mortgage bust centered in the United States, has had a cascading effect on the global economy – disrupting the economic landscape and forcing a re-evaluation of the perception of growth and prosperity that we have held unquestioned for so long.

However, while the credit crisis has wreaked havoc across nations, economies and industries – it has also forced a much needed re-evaluation of our economic priorities, the pattern of human consumption and the very way we look at growth and development. The lessons we learn do not just apply to the financial world. The challenges we face today, and the very roots of the crisis offer us more fundamental insights into how we as citizens, industries, economies and nations need to meet the changing face of the world we live in – and the ever increasing climate crisis.

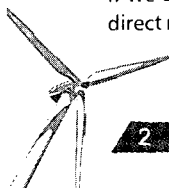
If we examine it at a fundamental level – both crises are a direct result of our insatiable thirst for resources, and drive

for consumption regardless of consequences. The question we should be asking ourselves is – can we go on like this?

As Albert Einstein once famously noted, “We can't solve problems by using the same kind of thinking we used when we created them.” This holds true today more than ever. Our approach to the way we consume the resources available to us have a clear, direct impact on our future – and every decision we make, needs to measure up to the greater good of the entire world.

At Suzlon, this is neither new nor news. We have long held that development needs to be fundamentally sustainable to be considered development. For sustainable development, we only need to look for the one common, fundamental denominator for all human activity – energy.

The acceptance of this reality is now universal, and is demonstrated in the commitment of nations and corporations to adopt renewable energy as a mainstream source of power. Wind energy is by far the most advanced utility scale renewable energy technology available to the



world today, and the growth of the industry reflects wind energy taking its place as a mainstream and long term source of power. At Suzlon, we have been at the forefront of the wave.

The past year has brought many challenges, with unprecedented changes to the economic climate and we have proven ourselves fully capable of changing with the environment, adjusting our strategies to take on a dynamic business landscape.

Despite the global economic slowdown, 2008 saw another record year for new installations in wind industry. Global capacity surged by 28.8% in 2008 with the world's total installed capacity reaching 120GW at the end of 2008, over 27GW of which came online in 2008 alone. This 120 GW of global wind capacity installed will produce 260 terawatt-hours (TWh) of electricity and save 158 million tonnes of CO₂ every year.

Notably, the US surpassed Germany to become the number one market in wind power in terms of annual installations. China continued to grow with its total capacity doubling for the fourth year in a row.

Looking ahead, all of the fundamental drivers behind the growth of the wind industry remain in place. However, the concerns about the financial crisis and its spillover into the real economy may affect the pace of growth of the wind industry in the near term. While long term secular outlook continues to be robust, due to lack of liquidity we can expect to see a temporary slowdown in the growth story for nine to twelve months. However, with the high focus on sustainable and secure energy sources, the wind energy sector will be among the leaders in rebounding from recessionary conditions. In fact, the Global Wind Energy Council (GWEC) projects that global wind generating capacity will stand at 332GW by 2013 up from 120GW at the end of 2008 thereby registering a growth of 176.7%.

We have over the past few months already begun to see encouraging signs, with a significant reduction in commodity prices, logistic costs, inventory and project costs which has translated into overall cost reductions for customers.

We have achieved all this in a very difficult environment by responding quickly and effectively to dynamic changes in the market place, focusing our energies on - improving cost efficiency; focusing on high growth markets; customer centricity; improving product quality through R&D and innovation, and building a strong leadership team.

The result is clearly seen in our market standing. Suzlon and REpower, if taken together, stand as the world's third leading wind turbine supplier group in terms of market share. We also ranked as the leading supplier in India and Australia in 2008, retaining market leadership in India for the ninth consecutive year. Our focus on excellence also shows through in other landmark achievements, in different verticals and business functions in the past year.

Human Resources

We won India's Golden Peacock National Training Award

for our philosophy and practices in Learning and Development.

In our pursuit to develop leadership bandwidth within the company, we signed a Memorandum of Understanding (MOU) with the Centre for Creative Leadership and Indian School of Business, Hyderabad to develop our leaders on global practices.

Extending our vision of sustainable development, we signed a MOU with TERI University to establish India's first Post Graduate Programme in Renewable Energy and Management.

One of our goals as a company is to be the best employer in wind industry, and in driving towards this goal we conducted our Employee Engagement Survey, to measure engagement levels and to identify areas for improvement to create a more cohesive, integrated global Suzlon family.

Our new home in Pune, the Suzlon campus named 'One Earth' is nearing completion and will soon provide a world-class work environment to nearly 2,500 employees in a green, energy self-sufficient, integrated campus.

Technology

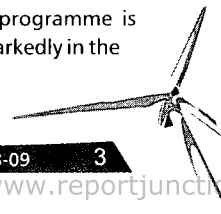
At Suzlon we derive our technological development programme from a close collaboration between our development teams in Germany, the Netherlands, Denmark and India, the Business Units that market and operate wind turbines in all regions of the world, the production units in India, China and USA, suppliers in Europe, America and Asia and Research Centers experienced in wind energy such as Risø in Denmark, Energy Research Centre (ERC) in the Netherlands and FGH Test Systems in Germany.

To cope with the increased requirements of the expanding global business and our market-leading vertical integration, Suzlon has been continuously investing in expanding its development facilities. We now have over 500 specialists engaged in R&D evenly split between its sites in India and Western Europe. The European locations were particularly selected in close proximity to where the technical talent resides. The teams cover the full scope of R&D from fundamental material research to systems design, integration and field analyses.

Our focus is to design reliable products irrespective of the conditions the turbines have to operate in. Suzlon opened a new cutting-edge Rotor Blade test facility in Vadodara in 2008 equipped to fully validate multiple Rotor Blades up to 65 meters length to standards that far surpass prior practices and are among the most stringent in the industry.

The joint Suzlon-REpower initiative – the Renewable Energy Technology Center (RETC) – also gathered momentum over the past year. The RETC is primarily focused on fundamental research – such as advanced material sciences and applications – that can shape the direction of wind turbine design for the future.

The rising momentum of our technology programme is reflected in our increased patent activities markedly in the



past year, more than doubling the number of applications.

Supply Chain

Suzlon is the most vertically integrated wind turbine maker in the world, having manufacturing capability for all key components. New manufacturing facilities in India were commissioned, increasing our manufacturing capacity from 2,700 MW to 4,200 MW in one year.

Suzlon's subsidiary SE Forge's forging facilities of 42,000 rings of up to 5 metre diameter and foundry facilities of 120,000 metric tonnes capacity also entered commercial production in the past year.

We initiated Project SOAR - Strategizing and Operationalizing Action for Results - and other continuous improvement initiatives to bring improvements in quality, productivity and throughput time.

Financial year 2009-10 will see the consolidation and streamlining of manufacturing processes, capacities and infrastructure for high quality, efficient and competitive operations across all units.

We have established a Central Integrated Planning Cell to manage an end-to-end planning cycle to optimise supply chain planning process focusing on full delivery.

We have undertaken measures to reduce working capital and improve liquidity. Structural changes in the planning process to ensure that the procurement is completely aligned with the dynamic market conditions, and shortening the sales to cash cycle have been implemented.

We maintain a close control on logistics, manpower and other costs, maximising efficiency within systems.

Financial Remodeling

We recently undertook, amongst others, a Liability Management exercise for the existing USD 500 million Foreign Currency Convertible Bonds. The debt covenants have been modified and redefined. There has been a reduction in the liability by USD 111 million through buyback and exchange mechanism. It will be our endeavour to continue consolidating our financial and business structure in FY 2009-10. Our focus will be on continuous reduction in the intensity of working capital deployment and inherent reduction of the quantum of debts.

Corporate Social Responsibility

Corporate Social Responsibility is integral to Suzlon - it's the way we do business.

Our CSR effort is based on the premise that the business and its environment are inter-dependent. It focuses on strengthening this organic link through the development of the five capitals - financial, natural, social, human and physical - upon which both business and development depend. We believe that a higher degree of sustainability can be achieved in business by balancing growth in all these areas. Suzlon's CSR framework is strategically designed to encompass all the five capitals in our initiatives through transformative, responsive and proactive programmes.

This CSR programme is today an active component of our business and we are committed to building sustainable business practices and fruitful partnerships with all stakeholders including communities and the environment.

Group Updates

Suzlon achieved the completion of the acquisition of 91% stake in REpower, marking in a major step in harnessing group-wide synergies. Both companies have already achieved closer cooperation with agreements to supply components to REpower turbines from the Suzlon supply chain.

Suzlon subsidiary Belgium-based Hansen Transmissions' commenced commercial operations at its new facilities in India and China, while Suzlon's forging and foundry subsidiary SE Forge also commenced commercial production, supplying components to Suzlon and other companies.

Growth

Looking ahead, we see the economic crisis reshaping the landscape of the business in the coming years. While the growth potential continues to be strong, order visibility may decrease from two years to one year, requiring companies to respond more flexibly to changing demand cycles. More countries will adopt wind power, with specific policies to encourage renewable energy technologies and those geared to drive against climate change.

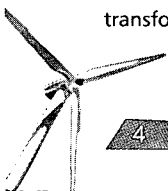
All major economic forces have announced measures to support renewable energy, underlining the key drivers for renewable energy - energy security, sustainable power sources and climate change concerns. Major wind energy markets including China, the EU, India and the United States have announced aggressive targets and policy supports for renewable energy adoption and many more countries around the world are following suit.

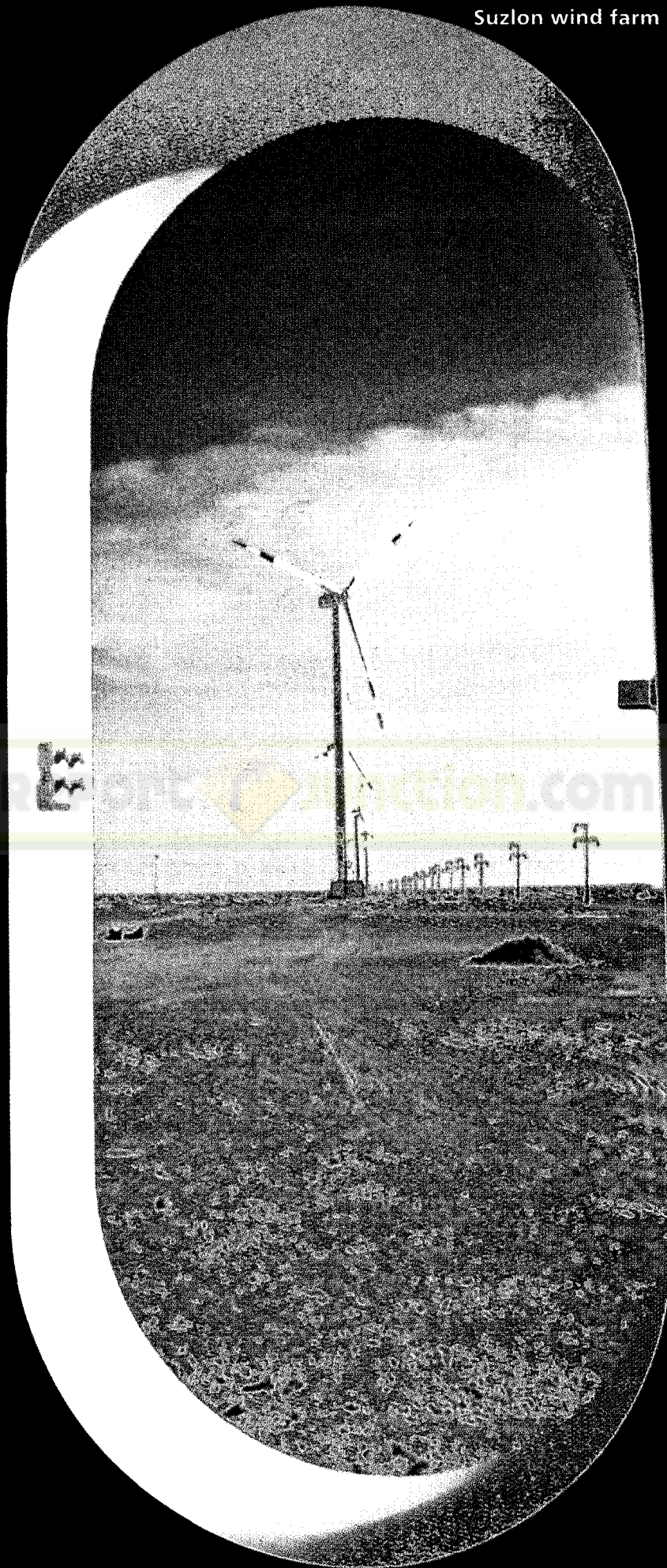
These are challenging times, but opportunities are aplenty. The changes in both the physical climate and the economic climate will provide major opportunities and challenges in front of us, in the coming years, to address and move forward. We at Suzlon are fully prepared to take on these challenges. With nearly 27,000 MW installed amidst the global economic slowdown in 2008, there is no doubt that the wind industry will be among the first to emerge from the crisis and be a catalyst for overall industrial growth.

At Suzlon, we believe that our mission is not just limited to commercial success, but also to drive sustainable development across the social, economic, and ecological sphere. Every project we undertake, every geography we enter, and every community we touch is a reflection of our mission. And we are confident that with your support, we are ready to tackle the challenges and act on the opportunities in our pursuit to power sustainable development with the clean, renewable power of the wind.

Regards,

Tulsi R Tanti
Chairman and Managing Director
Suzlon Energy Limited





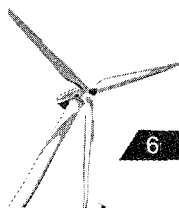
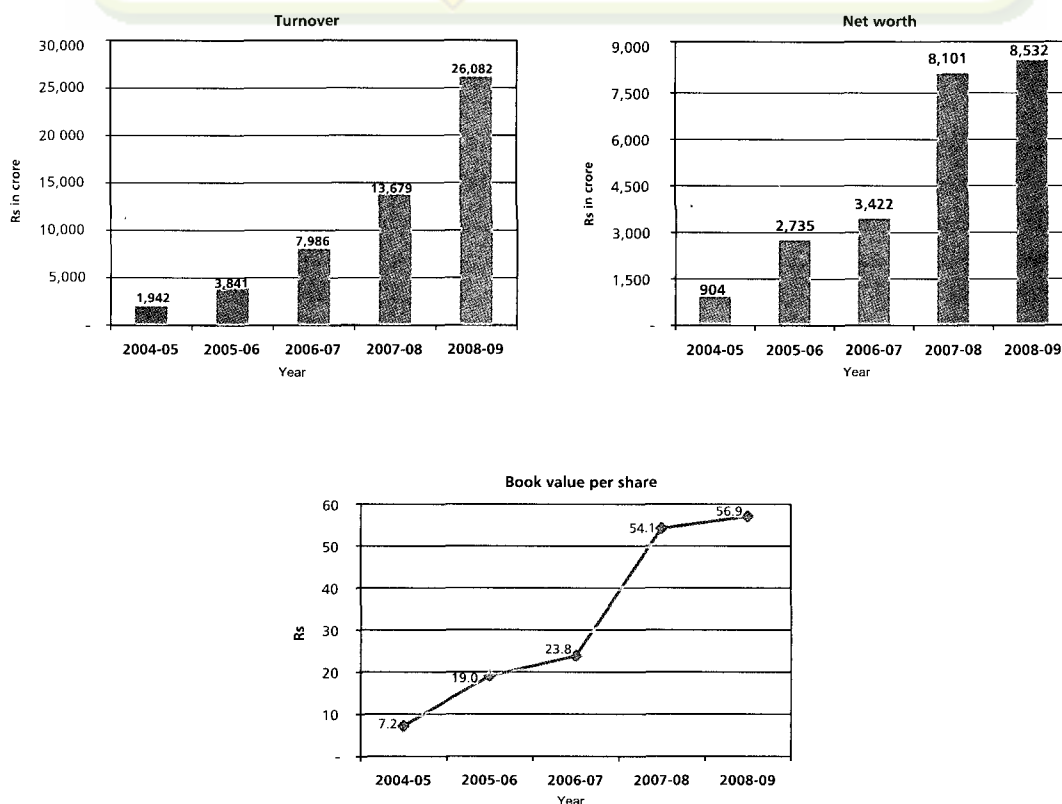
FINANCIAL HIGHLIGHTS

Suzlon Energy Limited and its subsidiaries

All amounts in Rs crore

Particulars	2008-09	2007-08	2006-07	2005-06	2004-05
MW	2,790.45	2,311.40	1,456.25	963.70	506.70
Sales	26,082	13,679	7,986	3,841	1,942
Total income	26,531	13,947	8,082	3,915	1,966
EBIDTA	2,816	2,051	1,393	889	460
Interest	901	532	252	51	35
Depreciation	573	289	172	72	49
Net profit	236	1,030	864	760	365
Equity share capital	300	299	288	288	87
Net worth	8,532	8,101	3,422	2,735	904
Gross fixed assets	17,086	6,720	4,775	794	389
Net fixed assets	15,265	5,688	4,073	641	308
Total assets	37,551	26,390	12,541	4,901	2,088
Book value per share*	56.9	54.1	23.8	19.0	7.2
Turnover per share*	174.1	91.4	55.5	26.7	15.4
Earning per Share*	1.6	7.1	6.0	5.6	2.9
EBIDTA/Gross turnover (%)	10.8	15.0	16.8	23.2	23.7
ROCE (%)	10.0	12.7	19.8	37.2	43.0

* Figures have been adjusted for the issue of bonus shares allotted in June 2005 and stock split in January 2008 wherever applicable.





HUMAN CAPITAL