

SUZLON ENERGY LIMITED



9th ANNUAL REPORT 2003 - 04





SUZLON ENERGY LIMITED

BOARD OF DIRECTORS

Tulsi R. Tanti	Chairman & Managing Director
Vinod R. Tanti	Director (Operations)
Girish R. Tanti	Director (International Operations)
Balrajsinh A. Parmar	Director (Projects)
Ajay Relan	Nominee (CIFC)
Ashish Dhawan	Nominee (CC)

COMPANY SECRETARY

Hemal A. Kanuga

AUDITORS

SNK & CO.
Chartered Accountants
111, Nalanda Enclave, Pritamnagar, Ellisbridge,
Ahmedabad - 380 006.

BANKERS

IDBI Bank Ltd.	IndusInd Bank Ltd.	UTI Bank Ltd.
State Bank of India	Bank of Maharashtra	Standard Chartered Bank
ING Vysya Bank Ltd.	State Bank of Hyderabad	Deutsche Bank AG

REGD. OFFICE

'Suzlon'
5, Shrimali Society, Near Shri Krishna Complex, Navrangpura,
Ahmedabad - 380 009.
Tel. : (079) 26471100
Fax : (079) 26565540

CORPORATE OFFICE

5th Floor, Godrej Millennium,
9, Koregaon Park Road,
Pune - 411 001.
Tel. : (020) 4022000
Fax : (020) 4022100

WORKS

Plot No. 77/13, Opp: G.D.D.I.D.C. Office,
Vanakbara Road, Malala,
Diu - 362 520 (U.T.).

Survey No. 306/1 & 306/3,
Opp. Carrier Aircorn Ltd.,
Nr. Panchal Industrial Estate,
Bhimpore, Daman - 396 210 (U.T.).

Near Check Post, Bhenslore Road,
Village: Dunetha, Nani Daman,
Daman - 396 210 (U.T.).

Plot No. H-24/25, M.G. Udhyog Nagar,
Near Water Tank, Dabhel,
Daman - 396 210 (U.T.).

Thiruvandarkoil,
Opp. Whirlpool India Ltd.,
Mannadipet Commune,
Pondicherry - 605 107 (U.T.).

BRANCH OFFICES

1204-08, Raheja Centre,
Free Press Journal Marg
Nariman Point, Mumbai - 400 021.

104 & 106, Delta Wing, 1st Floor,
Raheja Towers, 177, Anna Salai (Mount Road),
Near L.I.C., Chennai - 600 002.

S-107/103, Trimurthy, Luhadiya Tower,
K-11, Ashok Marg, C - Scheme,
Jaipur - 302 001.

1/4, Amrut Commercial Centre,
Near Astron Cinema
Sardarnagar Main Road, Rajkot - 360 001.

Room 2325, No. 1 Block,
China World Trade Center,
Jianguomenwai Street, Chaoyang District,
Beijing, China - 100 004.

D-33, Defence Colony,
New Delhi - 110 024.

101A, 1st Floor, Prestige Towers,
Field Marshal K.M. Cariappa Road,
(Residency Road), Bangalore - 560 025.

412/413, Centre Point,
RC Dutt Road, Alkapuri
Vadodara - 390 005.

2nd Floor,
Thakorbhai Mithaiwala Market, Sahara Gate,
Ring Road, Surat - 395 003.



SUZLON ENERGY LIMITED

Directors' Report

The Members,

Your Directors have pleasure in presenting herewith the Ninth Annual Report and Audited accounts for the year ended 31st March 2004.

FINANCIAL RESULTS

	Rs. in Lacs	
Particulars	2003-04	2002-03
Sales including Other Income.....	80,435.97	34,125.56
Profit before Interest, Depreciation, P & P Expenses W/Off and Exceptional items.....	15,555.07	5841.58
Less :Interest.....	1,984.00	561.93
Less :Depreciation.....	965.42	721.82
Less :P & P W/Off.....	3.17	1.93
Profit Before Taxation and exceptional Items.....	12,602.48	4,555.90
Add : Exceptional items.....	825.18	Nil
Profit Before Taxation.....	13,427.66	4,555.90
Less : Provision for Current Taxation....	1,300.00	290.00
Provision for Deferred Taxation..	(940.48)	(1.45)
Net Profit.....	13,068.14	4,267.35
Previous year adjustments plus provisions written back.....	1,521.85	2,252.31
Balance brought forward.....	23,834.38	19,016.44
Profit available for appropriations...	38,424.37	25,536.10
Interim Dividend on Equity Shares.....	730.43	608.69
Final Dividend on Equity Shares.....	1,704.35	Nil
Dividend on Preference Shares.....	9.04	13.33
Tax on Dividends.....	317.50	79.70
Transfer to General Reserve.....	5,000.00	1,000.00
Balance Carried Forward to Balance-Sheet.....	30,663.05	23,834.38

DIVIDEND:

An Interim Dividend of Rs.3.00 per equity share (30% on par value of Rs.10.00) absorbing a sum of Rs.730.43 Lacs was paid in January 2004. In view of the outstanding performance of the Company, the Board further recommends a Final Dividend of Rs.7.00 per equity share (70% on par value of Rs.10.00) on 2,43,47,800 equity shares absorbing a sum of Rs.1704.35 Lacs for the financial year 2003-04, subject to the approval by the shareholders at the ensuing Annual General Meeting.

The total dividend payout ratio (total dividend as % of profit after tax) for the year 2003-04 is 18.70% (previous year 14.58%).

CHANGE IN CAPITAL STRUCTURE:

(i) Authorised Share Capital

The Authorised Share Capital of the Company stands increased from Rs.2500.00 Lacs as at 31st March, 2003 to Rs. 21600.00 Lacs as on date keeping in view fresh capital infusion and issue of bonus shares.

(ii) Preference Shares

The Company has allotted 15,00,000 10% Redeemable Cumulative Preference Shares of Rs.100/- each aggregating to Rs.1500.00 Lacs to part finance the capital expenditure for setting up of two new manufacturing units.

(iii) Capital Infusion by Financial Investors:

a. Issue of Shares to Citicorp International Finance Corporation Inc., USA (CIFC)

The Company has allotted 25,77,320 Equity Shares of Rs.10/- each and 50,00,000 0.01% Optionally Convertible Redeemable Cumulative Preference Shares of Rs.100/- each to CIFC in April 2004.

b. Issue of Shares to ChrysCapital III, LLC, Mauritius (CC)

The Company has allotted 20,49,180 Equity Shares of Rs.10/- each and 50,00,000 0.01% Optionally Convertible Redeemable Cumulative Preference Shares of Rs.100/- each to CC in August 2004.

BONUS ISSUE:

The Board of Directors recommends an issue of Bonus Shares in ratio of 2 : 1 i.e. two additional Equity Shares for every one existing Equity Share held on date of the Annual General Meeting by capitalisation of free reserves of the Company, subject to the approval of the members in the ensuing Annual General Meeting.

SUZLON ENERGY LIMITED



BUSINESS OVERVIEW:

Your Company had a successful year under review recovering from the downturn with robust growth in sales and profits and further improvements in operating parameters. The Company created a new benchmark by achieving Gross revenues of over Rs.80435.97 Lacs and profit after tax of Rs.13068.14 Lacs. It registered a 137.71% growth in turnover and 186.90 % growth in net profit after taxes (excluding exceptional items) as compared to the previous year. The Company continues to enjoy pre-eminent leadership position in India. The Company has entered in the elite Top Ten Global Manufacturers' ranking.

The Company has cumulative global installations of 1039 Wind Turbine Generators with total installed capacity of 619 MW as at 31st March 2004. It includes Installations of 24 WTGs with total installed capacity of 23 MW operating in Minnesota, USA. The remaining Indian Installations are 1015 WTGs with Installed Capacity of 596 MW across 6 States in the Country with a notable presence in Tamilnadu, Rajasthan, Gujarat, Maharashtra, Andhra Pradesh and Karnataka. The cumulative Indian installation of the Company is highest among all the players across the Country.

The business outlook for the current year is encouraging. Your Company has established infrastructure in all the major markets in the Country and also setting up requisite infrastructure in leading Global Market places. The enactment of the Electricity Act, 2003 and rising awareness about sustainability of wind energy will provide a major boost to the renewable sector in the coming years. Your Company has started making inroads in the international markets like USA, Australia and China.

Your Company is fully geared up to tap the opportunities in the global marketplace with several initiatives taken as under:

- Enhancement in the manufacturing capacity
- Wide geographical spread across the country and globally
- Continuous R&D, Product Development and Upgradation
- Focused vertical integration to enhance the value chain
- Enhancement of capital base with induction of large financial investors as Partners in the progress.
- Strong human asset base in India and abroad
- Continuously improving customer services leading to a large satisfied customer base with strong customer relationship
- Strengthening internal business processes
- Commenced implementation of Enterprises Resource Planning (ERP) to improve the corporate decision-making and ensure accuracy of information.

INFUSION OF GROWTH CAPITAL BY GLOBAL FINANCIAL INVESTORS:

In order to fuel its growth plan, your Company decided to strengthen its capital base by inviting globally reputed financial investors to participate in the Company. Global private equity investors showed tremendous interest. Your Company raised resources in two tranches:

- 25,77,320 Equity Shares and 50,00,000 0.01% Optionally Convertible Redeemable Cumulative Preference Shares of Rs.100/- each were allotted to Citicorp International Finance Corporation Inc., USA in April 2004 aggregating to Rs.10000 Lacs.
- 20,49,180 Equity Shares and 50,00,000 0.01% Optionally Convertible Redeemable Cumulative Preference Shares of Rs.100/- each were allotted to ChrysCapital III, LLC, Mauritius in August 2004 aggregating to Rs.10000 Lacs.

RECOGNITION IN THE GLOBAL MARKET PLACE:

Your Directors are happy to report some of the awards and recognition received by the Company:

- The World Wind Energy 2003 Award was presented to the Company for its extraordinary achievements in the dissemination of Wind Energy Technology in India, Asia and Worldwide.
- The Ministry of Commerce and Industry, Government of India has accorded Export House Status to the Company.
- SUZLON is ranked tenth in the "World Wind Turbine Manufacturers" list for the year 2003 published by BTM Consult ApS, Denmark.

CAPITAL EXPENDITURE:

In order to capture the growing business opportunities, the Company has successfully established two manufacturing units - one at Pondicherry and another at Daman with total capital outlay of Rs.7500 Lacs. Both the said manufacturing units have become operational during the year under review.

SUBSIDIARY COMPANIES:

The Overseas Subsidiaries of the Company, viz., AE-Rotor Holding B.V., AE-Rotor Techniek B.V., Suzlon Energy B.V. (formerly known as AE-Rotor B.V.) in the Netherlands, Suzlon Wind Energy Corporation, Suzlon Wind Project Services Corporation, Cannon Ball Wind Energy Park-I, LLC in the United States of America and Suzlon Energy GmbH in Germany are fully operational and truly proving to be the backbone of the integrated global operations of the Company.

SUZLON ENERGY LIMITED



During the year under review, a 100 % subsidiary, Suzlon Energy Australia Pty Ltd. has been incorporated with the objective of entering the Australian wind energy market. Also, a representative office was set up in the Republic of China to tap the business opportunities in the Chinese market.

Suzlon Green Power Limited and Suzlon Windfarm Services Private Limited (now known as Suzlon Windfarm Services Limited) have become wholly owned subsidiaries of the Company. Suzlon Green Power Limited is engaged in the business of setting up of independent power projects whereas Suzlon Windfarm Services Limited is engaged in the business of providing operation & maintenance services to Windfarm owners.

The audited accounts of all the subsidiaries of the Company along with the statement required under Section 212 of the Companies Act, 1956 are annexed.

RESEARCH AND DEVELOPMENT:

Your Company believes that continuous technological development is a key driver of the business. The Company focuses on the continuous Research and Development activities through its R&D subsidiaries at The Netherlands and Germany and in India by employing the best talent in the industry sourced from all over the globe.

Your Company continuously strives for Cost Optimisation for its existing products / models. The goals are achieved by reduction in capital cost of the product and simultaneous improvement in performance in terms of energy generated.

Your Company has now entered the MultiMega Watt category by successfully developing 2000 kW model. Your Company is designing and developing newer models to meet to the demands in Asia, Australia, USA and Europe.

The innovative concept of waste minimisation with complete rising mixing and closed loop dispensing system enhance the quality of the Rotor Blades. The Cell based production system implemented in new WTG Unit, after carrying out detailed Time and Motion study with implementation of a forced draft positive pressure system, results in improved quality of the product.

INTERNAL CONTROL SYSTEM:

The Company has a sound Internal Control System ensuring efficient use of resources, safeguarding its resources and rights, recording and reporting transactions accurately, adhering to accounting standards and policies, internal management guidelines and circulars. The internal control system is further supplemented by internal audit carried out by qualified professionals, which is periodically reviewed by the management.

The management has identified several key focus areas like strengthening IT capabilities and its security, Enterprise Resource Planning (ERP), Supply Chain Management (SCM) and Human Resources (HR) to build a world-class organisation.

FINANCE:

Your Company is gearing up for another quantum leap. Finance has been identified as the key driver. A judicious mix of capital and debt financing strategy is followed. Risk management systems are in place. Cost optimisation, treasury and cash management is a continuous process.

Your Company has raised Rs.20000 Lacs by induction of capital from reputed global investors. The working capital finance is availed from a consortium of Bankers who continues to rate the Company as a prime customer. Recently, DEG, Germany has sanctioned a long-term facility of US \$ 10 million for the capital expenditure.

HUMAN ASSETS:

The Company believes that people are key drivers for sustainable growth and wealth creation. The Company has created a favourable work environment that encourages participation and advancement. Its vision is to become an "Employer-of-choice" with a clear focus on high productivity by attracting and nurturing people with high calibre and potential for development.

In pursuance of this vision, the Company has initiated several strategic HR initiatives at par with global standards. The Company has put in place a scalable recruitment and Human resource management process, which facilitate it to attract and retain high calibre employees.

The Company believes in investing in people competencies for meeting future requirement. It provides right training for enhancing the productivity and competency level with the best performance management practices for performance assessment, improvement, reward and compensation levels.

At the Company, the key focus has been to change the mindset from "Human resources utilisation" to "nurturing and leveraging talent". Toward this it focuses on providing employees with high empowerment, best work environment and communication of the cultural values and beliefs.

The Company till now has gained by having the right people with high productivity levels. The Company is poised to be one of the best employers in the Country with a truly global character.

SUZLON ENERGY LIMITED



QUALITY:

Your Company firmly believes that pursuit of excellence is one of the most critical components for competitive success in national and international markets. Quality is an integral part of everything that we do in Suzlon. It implies right vendor selection, manufacturing Processes, Service Offerings and Projects operating at the highest levels of maturity benchmarked with the best niche players. Your Company strives to deliver Quality products to its customers with long-term maintenance free performance. Strict quality standards, Third Party controls and checks at all manufacturing stages are in place to ensure the best performance of the products manufactured.

Your Company has ISO 9001 Quality Certifications from the world-renowned DET Norske Veritas (DNV) for the Wind turbines generators and rotor blades.

DEPOSITS:

During the year, the Company has not accepted any Deposits within the meaning of the provisions of Section 58A of the Companies Act, 1956.

DIRECTORS:

Shri Vinod R.Tanti and Shri Balrajsinh A.Parmar, the Directors of the Company retire by rotation at the ensuing Annual General Meeting and being eligible offer themselves for re-appointment.

Shri Ajay Relan, the nominee of Citicorp International Finance Corporation Inc., USA, who was appointed on the Board on 19th April 2004 and Shri Ashish Dhawan, the nominee of ChrysCapital III, LLC, Mauritius who was appointed on the Board on 10th August 2004 hold office up to the ensuing Annual General Meeting.

DIRECTORS' RESPONSIBILITY STATEMENT:

Pursuant to Section 217(2AA) of the Companies Act, 1956, the Directors confirm that:

- (i) in the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures;
- (ii) the directors had selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 31st March 2004 and of the profit of the Company for the year ended on that date;
- (iii) the directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;

- (iv) the directors had prepared the annual accounts on a going concern basis.

PARTICULARS OF CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO:

Information as required under Section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the report of Board of Directors) Rules, 1988 are set out hereunder.

Conservation of Energy:

The operations of the Company are not energy intensive. However, energy conservation is a priority area for the Company. Company's continued efforts to reduce and optimise the use of energy consumption have shown positive results. Better controls are planned to achieve further reduction in energy consumption. The new manufacturing units of the Company are equipped with hi-tech energy monitoring and conservation system to monitor the usage, minimise wastage and increase overall efficiency at every stage of consumption of power.

Power and Fuel Consumption:

Particulars	2003-2004	2002-2003
A) Electricity		
a) Purchased units	11,72,401	5,38,945
- Total Amount (Rs.)	35,25,775	15,93,564
- Rate / Unit (Rs.)	3.01	2.96
b) Through Diesel Generator		
- Units Generated	1,88,372	1,97,931
- Total Amount (Rs.)	16,34,875	12,59,303
- Fuel Cost/Per Unit	8.68	6.36
B) Oil (LDO) / Diesel		
- Total Amount (Rs.)	3,94,401	Nil
- Quantity (Litres)	18,300	Nil

Technology Absorption:

The Company continues to have an ISO 9001 certification by DNV for design, development and manufacture and supply of Wind Turbine Generators and Rotor Blades. Constant research and development for upgradation of technology, designing of components and indigenous development of components have not only reduced dependence on imports but has also increased the power generation from its Wind Turbine Generators at optimum levels. The Wind Turbine Generators of the Company have been operating successfully in all circumstances, may it be the coastal region of Gujarat, hilly sites in Maharashtra, high windy area of Tamilnadu, deserts of Rajasthan or the extremely cold temperatures of Minnesota, USA.

SUZLON ENERGY LIMITED



Foreign Exchange Used and Earned:

Particulars	2003-04	Rs. in Lacs 2002-03
(a) Total Foreign Exchange Used	33,150.74	15670.15
(b) Total Foreign Exchange Earned	3,631.68	6309.49

PARTICULARS OF EMPLOYEES:

As required by the provisions of Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975, as amended, the names and other particulars of the employees are set out in the Annexure to this report. However, as per the provisions of Section 219(1)(b)(iv) of the Companies Act, 1956, the Report and Accounts are being sent to all the Shareholders of the Company excluding the aforesaid information. Any Shareholder interested in obtaining such particulars may write to the Company Secretary at the Registered Office of the Company.

AUDITORS:

M/s. SNK & Co., Chartered Accountants, Ahmedabad, the Statutory Auditors of the Company retires at the ensuing Annual General Meeting of the Company and has confirmed their eligibility and willingness to accept office, if re-appointed. In view of the increase in

the size of the Company the Board recommends appointment of M/s. S.R. Batliboi & Co., Chartered Accountants, Pune as joint Statutory Auditors of the Company.

ACKNOWLEDGEMENT:

The Directors wish to place on record the whole-hearted cooperation and continued support received from Government and Semi-Government agencies especially from Ministry of Non-conventional Energy Sources (MNES), all State level Nodal Agencies and all State Electricity Boards.

The Directors are extremely thankful to all the Bankers and Financial Institutions for their unstinted & consistent support and confidence to the Company. The Board places on record its appreciation of continued support provided by the valued Customers, Suppliers, Equipment Vendors and Consultants.

The Directors also acknowledge the hard work, persuasive and unstinting efforts put in by the employees of the Company in carrying forward Company's mission. The enthusiasm and continuous efforts of the employees have enabled the Company to establish itself as a global player despite stiff competition. The Directors also express their gratitude to the Shareholders for their continuing confidence in the Company.

For and On Behalf of the Board

Tulsi R. Tanti
Chairman & Managing Director

Place : **Mumbai**
Date : **25th August, 2004**

SUZLON ENERGY LIMITED



Auditors' Report

To,
The Members,
Suzlon Energy Limited.

1. We have audited the attached Balance Sheet of **SUZLON ENERGY LIMITED**, as at **31st March, 2004** and also the Profit and Loss Account and the Cash Flow Statement of the Company for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to above, we report that:
 - (i) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;

- (ii) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
- (iii) The Balance Sheet, Profit and Loss Account and the Cash Flow Statement dealt with by this report are in agreement with the books of account;
- (iv) In our opinion, the Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956;
- (v) On the basis of written representations received from the Directors, and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31st March, 2004 from being appointed as a Director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956;
- (vi) In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - (a) In the case of the **Balance Sheet**, of the state of affairs of the Company as at **31st March, 2004**;
 - (b) In the case of the **Profit and Loss Account**, of the profit of the Company for the year ended on that date; and
 - (c) In the case of the **Cash Flow Statement**, of the cash flows of the Company for the year ended on that date.

For **SNK & CO.**
Chartered Accountants

Jasmin B. Shah
Partner
M. No. 46238

Place : **Mumbai**
Date : **25th August, 2004**

SUZLON ENERGY LIMITED



ANNEXURE TO THE AUDITORS' REPORT

[Referred to in paragraph 3 of Auditors' Report to the members of Suzlon Energy Limited (the Company) for the year ended on 31st March 2004]

Fixed Assets

1. The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
2. There is a regular programme of physical verification of its fixed assets, which in our opinion is reasonable having regard to the size of the Company and the nature of its assets. In accordance with such programme, a major portion of the fixed assets has been physically verified by the management during the year. No material discrepancies were noticed on such verification.
3. In our opinion, the Company has not disposed of substantial part of fixed assets during the year and the going concern status of the Company is not affected.

Inventories

4. As explained to us, the inventories have been physically verified by the management at reasonable intervals during the year. In our opinion, the procedures of verification are reasonable and adequate having regard to the size of the Company and the nature of its business.
5. The Company has maintained proper records of inventories. As explained to us, there were no material discrepancies noticed on physical verification of inventory as compared to the book records.

Loans

6. The Company has taken unsecured loan from one party covered in the register maintained under Section 301 of the Act. The maximum amount involved during the year and year end balance aggregates to Rs. 303.50 Lacs and Rs. Nil respectively.

The Company has granted unsecured loans to eight parties covered in the register maintained under Section 301 of the Act. The maximum amount involved during the year and year end balance of such loans aggregates to Rs. 14,903.75 Lacs and Rs. 12,078.23 Lacs respectively.

7. In our opinion and according to the information and explanations given to us, the rate of interest and other terms and conditions of loans granted to above companies by the Company are not prima facie prejudicial to the interest of the Company.

8. In respect of the aforesaid loans, the parties are repaying the principal amounts as stipulated, where stipulations are made and are also regular in payment of interest as per the terms of the said loans.
9. According to the information and explanations given to us; in respect of the aforesaid loans, there is no overdue amount.

Internal Controls

10. In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business with regard to purchases of inventories and fixed assets and for the sale of goods. During the course of our audit, no major weakness has been noticed in the internal controls.
11. In our opinion, the Company has an internal audit system commensurate with its size and nature of its business.

Cost Records

12. We have broadly reviewed the books of account maintained by the Company in respect of generation of electricity pursuant to the rules made by the Central Government under Section 209(1)(d) of the Companies Act, 1956 for the maintenance of the cost records and are of the opinion that, prima-facie, the prescribed accounts and records have been made and maintained. We have not, however, made a detailed examination of the same.

Related Party Transactions

13. In our opinion and according to the information and explanations given to us, the transactions that need to be entered in the register maintained under Section 301 of the Companies Act, 1956 have been so entered.

In our opinion and according to the information and explanations given to us, the transactions made in pursuance of contracts or arrangements entered into the register in pursuance of Section 301 of the Act, and exceeding the value of Rupees Five Lacs in respect of any party during the year have been made at prices which are reasonable having regard to the market prices prevailing at the relevant time.

SUZLON ENERGY LIMITED



Public Deposits

14. The Company has not accepted any deposits from the public.

Statutory Dues

15. According to the records of the Company, undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees State Insurance, Income-tax, Sales-tax, Wealth Tax, Custom duty, Excise Duty, Cess have been generally regularly deposited with the appropriate authorities.

According to the information and explanations given to us, no undisputed amounts payable in respect of aforesaid dues were outstanding as at 31st March, 2004 for a period of more than 6 months from the date of becoming payable.

16. According to the information and explanations given to us, there are no dues in respect of sales tax, income tax, custom duty, wealth tax, excise duty and cess, that have not been deposited with the appropriate authorities on account of any dispute.

Accumulated Losses

17. The Company has no accumulated losses at the end of the financial year and it has not incurred any cash losses during the financial year under report or in the immediately preceding financial year.

Others

18. Based on our audit procedures and according to the information and explanations given to us the Company has not defaulted in repayment of dues to any financial institution or bank.
19. Based on our examination and according to the information and explanations given to us, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.

20. The Company is not a Chit fund, Nidhi or Mutual benefit fund/Society. Therefore, clause 4(xiii) of the Companies (Auditor's Report) Order, 2003 is not applicable to the Company.

21. The Company has maintained proper records of transactions and contracts in respect of trading in shares, securities, debentures and other investments and timely entries have been made therein. The shares and other securities have been held by the Company in its own name.

22. The Company has given guarantees for loans taken by others from banks or financial institutions. According to the information and explanations given to us, we are of the opinion that the terms and conditions of such guarantees are not prejudicial to the interests of the Company.

23. As per information and explanations given to us, we are of the opinion that term loans were applied for the purpose for which they were raised.

24. According to the information and explanations given to us and on an overall examination of the Balance Sheet of the Company, we are of the opinion that no funds raised on short-term basis have been used for long-term investment or vice versa.

25. According to the information and explanations given to us, no preferential allotment of shares has been made by the Company to companies, firms or other parties listed in the register maintained under Section 301 of the Companies Act, 1956.

26. The Company has not issued any debentures during the year.

27. The Company has not raised any money by way of public issue during the year.

28. Based on our audit procedures performed and according to the information and explanations given to us, we report that no fraud on or by the Company has been noticed or reported during the year.

For SNK & CO.
Chartered Accountants

Jasmin B. Shah
Partner
M. No. 46238

Place : **Mumbai**
Date : **25th August, 2004**