

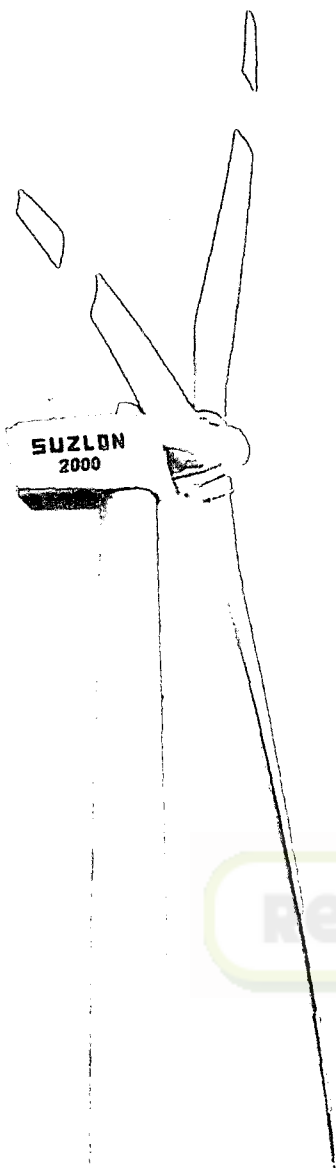


POWERING A GREENER TOMORROW

SUZLON ENERGY LIMITED

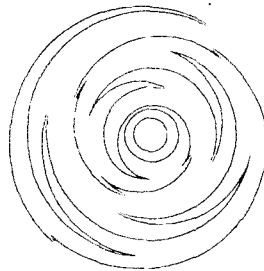


10th ANNUAL REPORT 2004-05

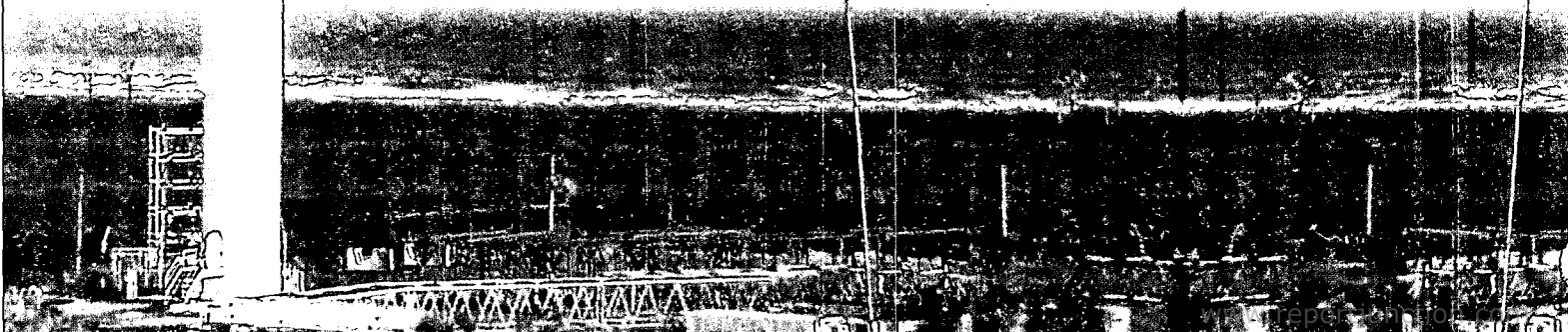


To be INNOVATIVE is to be creative enough to live with the changes that time brings. To come to terms with altering market realities. To pioneer markets where none exist. To sustain calculated risks. To integrate the company and its people into a wholeness. And to be competitive enough to bridge past, present and future with a common thread.

It is our mantra, and our stimulus for growth



We are because we INNOVATE



SUZLON ENERGY LIMITED



Company Information

BOARD OF DIRECTORS

Tulsi R. Tanti	Chairman & Managing Director
Vinod R. Tanti	Director (Operations) (resigned w.e.f. July 1, 2005)
Girish R. Tanti	Director (International Operations)
Balrajsinh A. Parmar	Director (Projects) (resigned w.e.f. July 1, 2005)
Ajay Relan	
Ashish Dhawan	
Pradipkumar Khaitan	

COMPANY SECRETARY

Hemal A. Kanuga

AUDITORS

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

S.R. Batliboi & Co.
The Metropole, F-1,
1st Floor, Bund Garden Road,
Pune - 411 001.

BANKERS

State Bank of India	Bank of Maharashtra	Indian Overseas Bank
IDBI Bank Ltd.	State Bank of Hyderabad	State Bank of Bikaner & Jaipur
ING Vysya Bank Ltd.	UTI Bank Ltd.	Standard Chartered Bank
Punjab National Bank	Bank of Baroda	Deutsche Bank AG
State Bank of Indore	State Bank of Patiala	

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) 26202000
Fax : (020) 26202100

BRANCH OFFICES

Bangalore	Chennai
Coimbatore	Hyderabad
Indore	Jaipur
Mumbai	New Delhi
Rajkot	Surat
Thiruvananthapuram	Vadodara
Beijing, China	

SUZLON ENERGY LIMITED



Directors' Report

Dear Shareholders,

Your Directors have pleasure in presenting herewith the Tenth Annual Report and Audited accounts for the year ended March 31, 2005.

FINANCIAL RESULTS

	<i>Rs. in millions</i>	
Particulars	2004-05	2003-04
Sales including Other Income.....	19,407.66	8,048.91
Profit before Interest, Depreciation, P & P Expenses W/Off and Exceptional items (EBITDA)	4,727.81	1,573.94
Less: Interest.....	413.00	256.84
Less: Depreciation.....	389.66	96.54
Less: P & P W/Off	0.62	0.32
Profit before Taxation and Exceptional Items	3,924.53	1,220.25
Add: Exceptional items	0.00	266.93
Profit Before Taxation.....	3,924.53	1,487.18
Less: Provision for Current Taxation	480.00	130.00
Provision for Deferred Taxation ...	(170.76)	(94.05)
Earlier Years adjustments for Tax .	0.61	(7.77)
Net Profit	3,614.68	1,459.00
Balance brought forward	3,066.31	2,383.44
Profit available for appropriations..	6,680.99	3,842.44
Interim Dividend on Equity Shares	231.84	73.04
Proposed Dividend on Equity Shares ..	115.92	170.44
Dividend on Preference Shares	15.08	0.90
Tax on Dividends	48.67	31.75
Transfer to General Reserve	1,000.00	500.00
Balance Carried Forward to Balance-Sheet.....	5,269.48	3,066.31

DIVIDEND:

An Interim Dividend of Rs. 4.00 per Equity Share (40% on par value of Rs. 10.00) absorbing a sum of Rs. 231.84 millions was paid in December 2004. In view of the outstanding performance of the Company, the Board is pleased to recommend a Final Dividend of Rs. 2.00 per Equity Share (20% on par value of Rs. 10.00) absorbing a sum of Rs. 115.92 millions for the financial year 2004-05 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 2004-05 is 10.04% (previous year 16.75%).

PROPOSED INITIAL PUBLIC OFFER:

The Company proposes an Initial Public Offering during the current financial year 2005-06, to further strengthen the Company's financial position and to garner resources to accelerate future growth plans. Your Directors believe that the listing of our Equity Shares will enhance our visibility and brand Value.

BUSINESS OVERVIEW:

Your Company had an excellent year, with significant growth in sales and profits. The Company created a new benchmark by achieving gross revenues of over Rs. 19,407.66 millions and profit after tax of Rs. 3,614.68 millions, registering 142.37% growth in turnover and 147.75% growth in net profit after taxes as compared to the previous year.

The Company continues to enjoy leadership position in India in terms of annual installations and cumulative installations. The Company has cumulative global sales of 1,491 Wind Turbine Generators with total capacity of 1,128.59 MW as at March 31, 2005. In India, the Company has market leadership across the states of Tamilnadu, Karnataka, Rajasthan, Gujarat, Maharashtra, Andhra Pradesh and Madhya Pradesh.

Your Company is ranked sixth in the world for installations during the calendar year 2004 and India became the third largest market for wind power in the world for the calendar year 2004 (BTM Consult Aps, March, 2005).

The excellent performance of the Company is attributed to continued economic growth, continuous shortage of electricity in India, increasing demand for wind power, expansion of our capacities and induction of growth capital of Rs. 2,000 millions from private equity investors during the year

SUZLON ENERGY LIMITED



The global cumulative installations reached 47,912 MW by the end of 2004. The forecast for 2005 to 2009 indicates an average growth rate of 16.6% p.a for new installed capacity, and cumulative installations in the world will have reached 117,142 MW by the end of 2009. (BTM Consult Aps, March, 2005). The Indian Wind Sector is expected continue to grow, given the shortage and rising demand of power and strong emphasis by the government on the promotion of the sector.

The Company has taken steps across the various markets in India. The Company is targeting to enhance its sales with exports across various markets like the United States of America, China and Australia. In this direction, the Company has established its global marketing headquarters at Aarhus in Denmark and recruited leading talent from the wind energy sector to facilitate increased penetration in the global market.

Your Directors believe that your Company will continue to enhance its market position as a result of some of the following initiatives:

- Enhanced manufacturing capabilities.
- Wide geographical spread across the country and globally.
- Wide range of successful models and development of newer models.
- Continuous R&D, Product Development and Up-gradation in WTG and its components.
- Focused vertical integration to enhance the value chain, secure the timely deliveries and enhance the breadth of technological knowledge pool at component level.
- Strong trained, dedicated and motivated human asset base in India and abroad.
- Successful implementation of Enterprises Resource Planning ('ERP') through SAP and strengthened internal business processes.

RECOGNITION IN THE GLOBAL MARKET PLACE:

Your Directors are happy to report that the Company has been ranked sixth in terms of annual installations in the "World Wind Turbine Manufacturers" list for the year 2004 published by BTM Consult Aps, March, 2005.

CAPITAL EXPENDITURE:

Your Directors believe that cost competitiveness, backward integration, control over supply chain and efficiencies in working capital are the drivers for the growth of scale in the coming years. In this direction, your Company proposes to set-up various manufacturing units near its markets:

- Manufacturing facilities in Gujarat for rotor blades and for tooling for rotor blades and nacelle cover.
- Manufacturing facility in Daman for nacelle cover.

- Manufacturing facilities in Maharashtra for rotor blades.
- Manufacturing facilities in Andhra Pradesh for manufacturing of WTG tower.
- Additional storage facilities at Pondicherry to smoothen the manufacturing.
- Manufacturing facilities for forged components.
- Integrated Manufacturing Facilities for rotor blades, nacelle cover and WTGs in China.
- Manufacturing facilities in USA for rotor blades and WTG tower.

The expansion of business requires investments in infrastructure and offices. The Company proposes to set-up a Corporate House and a Corporate Learning Centre at Pune and new office at New Delhi.

JOINT VENTURE COMPANIES:

Your Company has entered into joint ventures for the manufacturing of generators and tabular towers.

A joint venture company with Elin EBG Motoren GmbH, Austria, with their stake of 25% has been formed in the name of Suzlon Generators Private Limited with manufacturing facilities being set up near Pune.

A joint venture company with Kalthia Group, with their stake of 25%, has been formed in the name of Suzlon Structures Private Limited ('SSPL'). The manufacturing facility is located at Gandhidham, Gujarat. The unit has already commenced commercial production.

SUBSIDIARY COMPANIES:

International Research & Development ('R&D') Subsidiaries of the Company, viz., AE-Rotor Holding B.V., AE-Rotor Techniek B.V., Suzlon Energy B.V. in the Netherlands and Suzlon Energy GmbH in Germany are the backbone of the integrated global operations of the Company with continued focus on cost competitiveness through commercial exploitation of R&D efforts.

To accelerate the global marketing operations, the Company has incorporated a wholly owned subsidiary in the name of Suzlon Energy A/S in Denmark. The Company has sold its investments in erstwhile subsidiaries, viz., Suzlon Wind Energy Corporation, USA and Suzlon Energy Australia Pty Ltd to Suzlon Energy A/S and hence these subsidiaries are now step down subsidiaries of the Company. Suzlon Wind Energy Corporation has a wholly owned subsidiary Cannon Ball Wind Energy Park - 1, LLC.

In terms of the approval granted under Section 212(8) of the Companies Act, 1956 by the Ministry of Company Affairs, Government of India vide its letter No.47/71/2005-CL-III dated March 28, 2005, copy of the Balance Sheet, Profit & Loss Account, Report of the Board of Directors and the Report of the Auditors of the above referred foreign subsidiaries have not been

SUZLON ENERGY LIMITED



attached with the Balance Sheet of the Company. The Company will make available these documents / details upon request by any member of the Company interested in obtaining the same. Also, the annual accounts of the foreign subsidiary companies would be available for inspection by any member at the Corporate Office of the Company at Godrej Millennium, 5th Floor, 9, Koregaon Park Road, Pune - 411 001. However, pursuant to Accounting Standard AS-21 issued by the Institute of Chartered Accountants of India, Consolidated Financial Statements presented by the Company includes the financial information of its subsidiaries.

Suzlon Structures Private Limited and Suzlon Generators Private Limited, the joint venture companies and Suzlon Windfarm Services Limited became subsidiaries of the Company during the year under review. Suzlon Green Power Limited, the wholly owned subsidiary continued to perform satisfactorily. The audited accounts of the said subsidiaries along with the statement required under Section 212 of the Companies Act, 1956 are annexed.

Subsequent to the Balance Sheet date the Company has acquired 100% stake in Suzlon Gujarat Wind Park Limited and Suzlon Power Infrastructure Private Limited. Apart from above, the Company also intends to take over Sarjan Engitech Private Limited, which is engaged in the business of job working of various engineering products.

RESEARCH AND DEVELOPMENT:

Your Company believes that continuous technological development is one of the key drivers 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 global talent in the industry.

Your Company continuously strives for cost optimisation for its existing products/ models.

This year saw increased sales for our mega-watt class of 1250 kW. After successfully developing the multi mega-watt series of 2000 kW model, the Company recently developed 600 kW model to cater requirement of niche market segments and is in process of developing a 1500 kW model.

INTERNAL CONTROL SYSTEM:

Your Directors believe that 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 and the Audit Committee.

FINANCE:

The business of the Company being working capital intensive in nature, finance is the key driver to this sector. A judicious mix of capital and debt financing denominated in rupee and foreign currency is followed. Risk Management Systems are in place. Cost optimisation, treasury and cash management is a continuous process. The working capital finance is availed from a consortium of Bankers at the rates offered to top rated customers.

HUMAN ASSETS:

The Company continues to believe that people are key drivers for sustainable growth and wealth creation. Your Directors believe that the Company has created a favourable work environment and will strive to become an "Employer-of-Choice" with a clear focus on high productivity.

In pursuance of this vision, the Company is employing several strategic HR initiatives. The Company has put in place a recruitment and Human Resource Management Process, which facilitates it to attract and retain qualified employees.

The Company believes in investing in people competencies for meeting future requirement. It provides 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". Towards this goal, it focuses on providing employees with a good work environment and communication of the cultural values and beliefs.

The Company has instituted ESOP 2005 to reward and help retain our employees and to enable them to participate in our future growth.

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 the Company. 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 help 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.

SUZLON ENERGY LIMITED



DIRECTORS:

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

Shri Vinod R. Tanti and Shri Balrajsinh A. Parmar have resigned from the directorship of the Company with effect from July 1, 2005. The Board expresses its appreciation for the valuable services rendered and matured advice provided by them during their association with the Company.

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 March 31, 2005 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.

EMPLOYEES' STOCK OPTION PLAN 2005 ('ESOP - 2005'):

We have instituted ESOP-2005 to reward and help retain our employees and to enable them to participate in our future growth and financial success. ESOP-2005 includes provision for the grant of options to employees of the Company and its subsidiaries except the Danish subsidiary and its step down subsidiaries. The following table sets forth the particulars of options granted under the ESOP-2005 as approved by the shareholders in the Extraordinary General Meeting of the Company dated June 16, 2005:

A. Options Granted	921,000
B. Exercise Price	50% of the Issue Price or 50% of fair value as on March 31, 2006 as determined by Independent valuer in case of IPO not happening by that date.

C. Options vested and exercised	Nil
D. Total number of Equity Shares Arising as a result of exercise of options	921,000
E. Options for feited /lapsed	Nil
F. Variation in Terms of options	Nil
G. Money realised by exercise of options	Nil
H. Total Number of options in force	921,000
I. Dilution in EPS	Not applicable as no options have been granted as on the date of Balance Sheet.
J. Employees receiving 5% or more of the total options granted	Nil

Person-wise details of options granted to senior managerial persons of the Company and its subsidiaries:

Name	Position	Stock Options Granted
Ishwar Chand Mangal	Head - Business Development, North	40,000
Kirti Vagadia	Head - Corporate Finance	40,000
Praful C. Mehta	Head - Purchase	40,000
R. Sridhar	Head - Supply Chain Management	40,000
Toine van Megen	Vice President - International Corporate Cell	10,000
Nilesh Vaishnav	Head - O&M, Suzlon Windfarm Services Limited	26,000
T. Pradeep Kumar	Head - Strategic Business Unit, Suzlon Generators Pvt. Ltd.	10,000
T. Spehr	Head - WTG Design (Germany), Suzlon Energy GmbH	30,000
William Verheij	Head - Rotor Blade R&D (The Netherlands), AE-Rotor Techniek B.V.	15,000

The impact on profits and Earnings per Share cannot be ascertained at this stage in view of the fact that exercise price will be decided at the time of fixation of exercise price as mentioned above.



SUZLON ENERGY LIMITED

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. All 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	2004-05	2003-04
Electricity		
(a) Purchased units	28,86,538	11,72,401
- Total Amount (Rs.)	93,10,278	35,25,775
- Rate / Unit (Rs.)	3.23	3.01
(b) Through Diesel Generator		
- Units Generated	2,52,447	1,88,372
- Total Amount (Rs.)	18,24,894	16,34,875
- Fuel Cost/Per Unit	7.23	8.68

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 have 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 the coastal region of Gujarat, hilly terrains of Maharashtra, high wind sites in Tamil nadu, deserts in Rajasthan and the extremely cold climates in the United States of America.

Foreign Exchange Used and Earned:

Particulars	Rs. in millions	
	2004-05	2003-04
(a) Total Foreign Exchange Used	7,689.16	3,520.09
(b) Total Foreign Exchange Earned	27.96	363.16

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 co-operation 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 unstinting and 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.

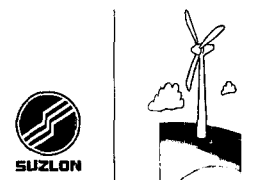
The Directors also acknowledge the hard work, persuasive and unstinting efforts put in by the employees of the Company in carrying forward Company's mission. The enthusiasm and continuous efforts of the employees have enabled the Company to establish itself as a global player despite stiff competition.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

For and on behalf of the Board

Place : Mumbai
Date : June 24, 2005

Tulsi R. Tanti
Chairman & Managing Director

SUZLON ENERGY LIMITED



Management's Discussion and Analysis

A. INDUSTRY DEVELOPMENTS

Annual Wind Energy Installations in India recorded a growth of 81% in FY 2004-05 from 615 MW in FY 2004 to 1,112 MW in FY 2005. India remained third largest wind power market in the world in 2004 in terms of annual wind energy installations. The total installations in India as on March 31, 2005 is 3594.80 MW up from 2000 MW on March 31, 2004. The industry growth rate was supported by a strong economy and robust industrial growth.

We believe that the Indian Wind Sector is expected to continue to grow, given the shortage and rising demand of power and strong emphasis by the government on the promotion of the sector.

The global cumulative installations reached 47,912 MW by the end of 2004. The forecast for 2005 to 2009 indicates an average growth rate of 16.6% p.a for new installed capacity, with cumulative installations in the world will have reached 117,142 MW by the end of 2009. (BTM Consult Aps, March, 2005).

B. OPPORTUNITIES AND THREATS

Key opportunities include

- Increase in demand of Power in India
- Increasing penetration of Wind Power
- Implementation of the Electricity Act 2003 and the Mandates for renewable in various states in India
- Increasing breadth of Wind Power globally
- Technological developments leading to further cost competitiveness of Wind Power

Key threats include

- Reduction of regulatory supports
- Emergence of more competitive sources of energy
- Potential entrants increasing competitive pressure

C. REVIEW OF THE FINANCIAL PERFORMANCE / OPERATIONS

The financial statements have been prepared in accordance with the requirements of the Companies Act 1956 and Generally Accepted Accounting Principals ('GAAP'). There are no material departures in adoption of the prescribed accounting standards.

The estimates and judgments relating to the financial statements have been made on a prudent and reasonable basis in order that the financial statements reflect in a true and fair manner, the form and substance of transactions and reasonably present the Company's state of affairs and profit for the year.

Overview

The sales volume has increased by 128.13% from 222.55 MW in FY 2003-04 to 507.70 MW in FY 2004-05. The strong performance of the Company is attributed to continued economic growth, continuous shortage of electricity in India resulting in increase in demand for wind power, ability to supply wind turbines to customers due to the expansion our capacities and induction of growth capital of Rs. 2,000 millions from private equity investors during the year.

SUZLON ENERGY LIMITED



Summarized Profit and Loss Account for the last 2 years as per Indian GAAP on standalone basis:

Rs. in millions

	2004-05		2003-04		Growth
	Amount	%	Amount	%	%
Income					
Sales	19,175.03	98.80	7,911.51	98.29	142.37
Other Income	232.63	1.20	137.40	1.71	69.31
Total Income	19,407.66	100.00	8,048.91	100.00	141.12
Expenditure					
Cost of Goods Sold	11,414.54	58.81	5,030.85	62.50	126.89
Operating and Other Expenses	2,912.12	15.01	1,267.54	15.75	129.75
Employees' Remuneration and Benefits	353.19	1.82	176.57	2.19	100.03
EBITDA	4,727.81	24.36	1,573.94	19.55	200.38
Financial Charges	413.00	2.13	256.84	3.19	60.80
Depreciation	389.66	2.01	96.54	1.20	303.63
Preliminary Expenditure Written Off	0.62	—	0.32	—	93.75
Profit Before Tax & Exceptional Items	3,924.53	20.22	1,220.25	15.16	221.62
Exceptional Items (Income)	—	—	266.93	3.32	(100.00)
Profit Before Tax	3,924.53	20.22	1,487.18	18.48	163.89
Current Tax	480.00	2.47	130.00	1.62	269.23
Deferred Tax	(170.76)	(0.88)	(94.05)	(1.17)	81.57
Income Tax for earlier years	0.61	—	(7.77)	(0.10)	(107.85)
Profit After Tax	3,614.68	18.63	1,459.00	18.13	147.75

Total Income

Sales increased by 142.37% from Rs. 7,911.51 millions (or 98.29% of total income) in FY 2003-04 to Rs. 19,175.03 millions (or 98.80% of total income) in FY 2004-05 primarily due to increased volume and better sales realizations. The geographical reach of the Company had increased to seven states with increased sales in Karnataka.

Other income increased from Rs. 137.40 millions in FY 2003-04 to Rs. 232.63 millions in FY 2004-05 primarily due to increase in interest income and dividend.

Cost of Goods Sold

In absolute terms our cost of Goods sold has increased however, there is a reduction as a percentage of Total Income. This was due to economies of scale attributable to our increased production, as well as improvements and upgrades made to the technical design and specifications of our WTGs that served to lower manufacturing costs.

Operating and Other Expenses

The increase in absolute terms is primarily due to increase in Guarantee and Warranty expenses on account of increased WTG sales and change in basis of estimation of Guarantee liabilities. However, there is reduction as a percentage of Total Income due to reduction in logistic costs and absorption of other operating expenses of fixed and semi-fixed nature over larger volumes.

Employees' Remuneration and Benefits

The increase in employee remuneration and benefits was primarily due to increase in number of employees and regular rise in salaries and performance bonus paid to employees. Increase in manufacturing units and increased geographic spread has contributed to the increase in head count.