

Sustainable solutions for a healthier planet



Annual Report 2007-2008



Suzlon wind farm in Tianjin, China.

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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		S.R. Batliboi & Co. Chartered Accountants C-401, 4th Floor Panchshil Tech Park Yerwada, Near Don Bosco School Pune - 411 006
BANKERS	Bank of Baroda Bank of Maharashtra Citibank, N. A. Deutsche Bank AG HDFC Bank Limited The Honkong and Shanghai Banking Corporation Limited Industrial Development Bank of India Limited Indian Overseas Bank ING Vysya Bank Limited ICICI Bank Limited		Punjab National Bank Standard Chartered Bank State Bank of Bikaner & Jaipur State Bank of India State Bank of Indore State Bank of Patiala Axis Bank Limited
REGISTERED OFFICE	"Suzlon", 5, Shrimali Society Near Shri Krishna Complex, Navrangpura Ahmedabad - 380 009 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 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  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  Plot No. 57/3, (2&3) Dunetha, Daman (U.T.) - 396 210		Survey No. 282, Chhadvel (Korde), Sakri Dhule - 424 305  Survey No. 574, 59 Thiruvandarkoil Thribhuvani Road Pondichery - 605 107  Block No. 93 National Highway No. 8 Varnama-Vadsala, Dist. Vadodara - 391 240  Survey No. 86/3-4, 87/1-3-4, 88/1-2-3 89/1-2, Kadaiya, Daman - 396 210  Plot No. 77, 13, Opp. GDDIC Vanakbara Road, Village Malala Diu - 362 520
REGISTRAR AND SHARE TRANSFER AGENTS	Karvy Computershare Private Limited 17-24, Vittalrao Nagar, Madhapur, Hyderabad - 500 081 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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Suzlon wind farm in Sanganeri, India.

Suzlon wind farm in Texas, USA.

# VISION

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To be the technology leader in the wind energy industry

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To be among the top three wind energy companies in the world

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

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To be the best team and best workplace

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To be the fastest growing and most profitable Company in the sector

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Mr. Tuls R. Tanti  
Chairman & Managing Director

## LETTER FROM THE CHAIRMAN

Dear Shareholders,

These are uncertain times for the global economy. With the global credit crunch and major economies in recession, the business landscape is changing dramatically worldwide.

Nevertheless, fast developing nations like India and China witnessed heightened economic activity with rapid urbanisation, increasing disposable income and higher standard of living. All this has put tremendous pressure on the environment and the natural resources available therein. Concerns for a sustainable economy and a clean environment have increased and given rise to policies and strong political will towards the development of sustainable energy sources.

A study by London-based New Energy Finance, an independent research firm, projects that the investment in renewable energy, bio-fuels and low carbon technologies will triple in the next five years, if climate change abatement targets are to be met. New investment in clean energy has grown from USD 83 billion in 2006 to USD 117

billion for 2007 translating into a 41% growth. This investment now represents about 10% of current energy sector investment, with the wind energy sector alone securing \$29 billion in 2006 more than any other non-fossil fuel technology including nuclear and large hydro.

The United Nations Environment Programmes (UNEP) has undertaken several initiatives like - The Solar and Wind Energy Resource Assessment (SWERA), an international collaboration of more than 25 institutions, to provide high quality information to support energy planning and policy developers on wind and solar energy across 13 developing countries. It is expanding the programme to other countries as well. UNEP also works with several funding agencies to extend financial support to the clean energy sector.

Given the thrust by various governments across the globe for wind energy development in the form of favourable regulatory policies, tax concessions, Renewable Portfolio Standards and development of Green Certificate Markets - the

prospects for renewable energy in general, and wind energy in particular, continue to be very promising.

### Delivering performance

Suzlon represents the new breed of Multinational Companies based out of India which have emerged as formidable players in a market, traditionally dominated by Western counterparts. The year gone by was a landmark year in more ways than one as the Company continued its journey from the nascent stage to the growth stage. Not only did we register a high growth in terms of value and volumes, our global presence was also enhanced significantly. The year also saw the strengthening of the business with the backward integration initiatives which will go a long way in not only sustaining but also catapulting Suzlon onto a higher growth curve.

I am glad to report that the Suzlon family has once again posted record growth - over 80% over the previous year in terms of sales. We have expanded our global market share to 10.5% in 2007, up from 7.7% in the previous year. We have kept our leadership in the Indian market, maintaining over 50% market share.

### Success drivers

Although a number of factors have contributed to our success we believe that the support and commitment of all our stakeholders - including our customers, shareholders, employees, vendors and partners is what empowers us the most.

More importantly, the competitiveness of wind energy (cost per KWH) vis-à-vis other forms of conventional and non-conventional energy has augmented the prospects of this segment and the quantum of investments has been on an uptrend.

### Strategic alignment

Suzlon has aligned its business strategy in line with increasing global consciousness and the will to develop sustainable energy resources across the world.

We are today a global corporation, with operations across 21 countries and five continents. And in the years to come we will further expand our global presence and make wind energy accessible to the majority of the world's population.

This scorching growth pace brings with it certain challenges reflected in the rising commodity prices putting pressure on the input costs. Further, global inflationary pressures and consequently

rising interest cost is another factor which is a cause of concern. Strengthening of the Rupee in a scenario of increased export turnover will also have its share of Forex risks. The Company is proactive and adequate measures have been undertaken to mitigate these external risks.

In the technology domain we remain focused on securing leadership in wind energy. Our research and development team works with a twin focus on lowering the cost-per-unit of electricity from our wind turbines, while at the same time optimising the consumption of energy and materials in the manufacture of our turbines. This will result in a product that will capture the power of the wind with the greatest efficiency, while having a low ecological footprint from concept to end-product.

Suzlon had envisaged the need for vertical integration early on. This is because, on a global scale, demand continues to outstrip supply and component bottlenecks still plague a large part of the industry. After the successful acquisition of Hansen last year, this year we successfully took a stake in REpower. With this, the Company will evolve as a complete end-to-end service provider in the wind energy space, having design and manufacturing control over all critical components.

We have also embarked on an aggressive expansion plan which will see our global manufacturing base reach 5,700 MW from the existing level of 2,700 MW by Q4 FY09. The backward integration will get accentuated by the Company's in-house capacity to manufacture casting and forging components.

Suzlon, we believe, has now attained the critical mass to compete with other established players in this segment and emerge as a fast growing industry leader.

### The India story

Suzlon's 13 year history reflects the great strides it has made. India ranks fourth among the leading wind power nations in the world with approximately 8,000 MW in cumulative capacity installed. We are proud to have played a major part in making this a reality with a 58% market share. Today, India is possibly the only one among developing nations to become a hub for renewable energy, and an exporter to the renewable world.

The Indian market is sensitive to interest rate changes and price hikes. It is also a unique market as 70% of the demand emanates from manufacturing companies to meet their captive



power consumption requirements. Utilities and Independent Power Producers represent only 20% of the market. Suzlon is well placed to cater to the demand of all customer segments in India with the end-to-end solutions model, and our in depth expertise in developing utility scale projects across the country.

Thus, we believe that our efforts are aligned with the goals of the Indian nation to create and sustain a period of rapid and inclusive economic growth, while at the same time creating a sustainable environment. Our business takes us to the most rural parts of the nation, developing wind power projects that create local employment, generate opportunities, and provide electrical energy to jump start economic development.

#### Global outlook

Despite a growing degree of globalisation, development remains imbalanced and thus unsustainable in terms of demand for resources. The world today faces a combined threat from fast depleting supply of natural resources, including energy and secondly, from the environmental impact of the world's ever increasing consumption of energy and resources.

For over three decades, the world has seen a constant increase in energy demands, of which an overwhelming portion is met by polluting fossil fuels. The need to balance environmental preservation and growing energy demand is now greater than ever.

Although measures have been initiated to bridle the unfavorable climate change and enhance sustainable energy sources like wind energy, it still remains only a small part of the global energy matrix. Global electricity generation contribution from wind is expected to increase from 0.82% in 2006 to 3.4% in 2030, highlighting the potential this segment offers.

The favourable macro-economic trends in terms of increasing awareness on global warming, urgency in the need to increase the share of renewable energy sources in the total energy pie and the mounting pressure on the existing conventional energy sources only strengthens the case for Suzlon's business opportunities.

The average growth rate for annual incremental installations has been projected at 21% up to 2011 with the levels reaching 50,000 MW from 20,000 MW today. USA is expected to overtake Europe while India and China are expected to grow at a rapid pace. (Source: BTM Consult ApS - March 2008).

As we work towards yet another year of achieving high growth as a global business, we are also committed to the greater global cause we serve. We believe sustainable development is a concern of all people and all nations. And at Suzlon we are proud of making a contribution to a sustainable world in the course of doing our business.

With annual installation of wind power estimated to increase at over 25% (CAGR) over the next five years, Suzlon is positioned to meet exploding demand, and increase its global spread and market share.

#### Responsible corporate citizenship

In keeping with our objective of being a committed corporate citizen, we have undertaken significant efforts in the area of Corporate Social Responsibility (CSR). We have taken our CSR focus from charitable and philanthropic acts to an integrated approach of how we run our business. We believe that inclusive and ethical business practices are an essential part of any CSR effort. Keeping this in mind our vision is to leverage opportunities towards powering a greener tomorrow with inclusive growth.

To us, Corporate Social Responsibility includes living our corporate values with the goal of having minimal impact on the natural environment, enabling local communities to develop their potential, empowering employees to be responsible civil society members, and committing ourselves to business practices that are fair to all stakeholders, so that we can collectively contribute towards creating a better world for all.

Regards,

Tulsi R. Tanti  
Chairman & Managing Director



Suzlon wind farm in Jaisalmer, India.



Suzlon wind farm in Dhule, India.



# FINANCIAL HIGHLIGHTS

Suzlon Energy Limited and its subsidiaries

## Financial highlights

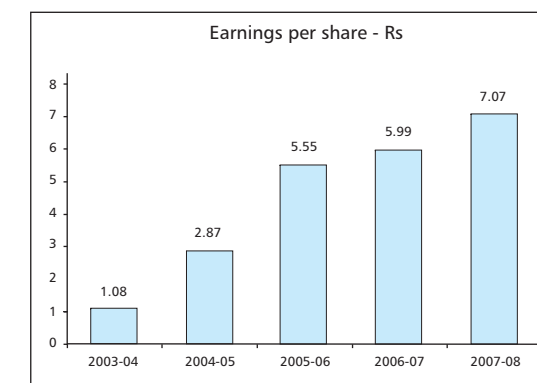
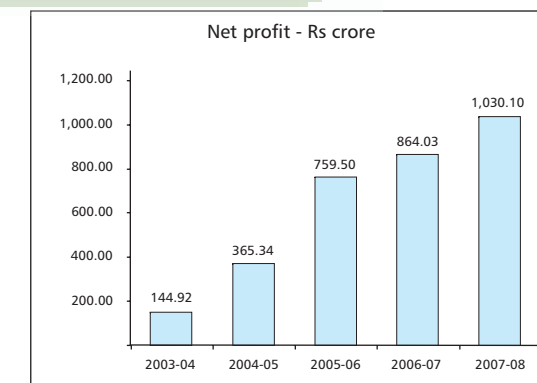
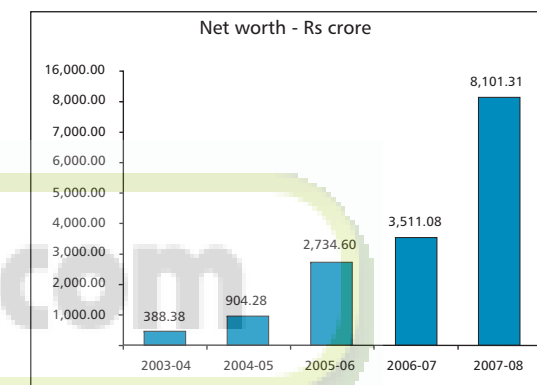
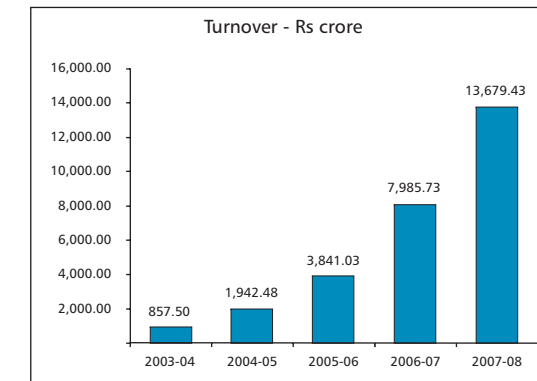
All amounts in Rs crore

Particulars	2007-08	2006-07	2005-06	2004-05	2003-04
Mw	2,311.40	1,456.25	963.70	506.70	234.65
Sales	13,679.43	7,985.73	3,841.03	1,942.48	857.50
Total income	13,943.98	8,082.23	3,915.49	1,965.92	874.86
Earning before interest, depreciation, Tax and amortisation (EBIDTA)	1,924.45	1,295.82	865.22	458.49	139.02
Interest	532.03	252.26	50.76	35.25	21.55
Depreciation	289.36	171.80	71.59	49.33	13.61
Profit after tax (PAT)	1,030.10	864.03	759.50	365.34	144.92
Equity dividend %	50	50	50	60	100
Dividend payout	149.69	144.54	143.91	34.78	24.35
Equity share capital	299.39	287.76	287.53	86.92	24.35
Net worth	8,101.31	3,422.08	2,734.60	904.28	388.38
Gross fixed assets	6,719.51	4,774.75	794.01	388.63	203.65
Net fixed assets	5,687.67	4,073.17	640.86	307.86	172.15
Total assets	26,390.07	12,541.29	4,901.45	2,087.79	1,009.08

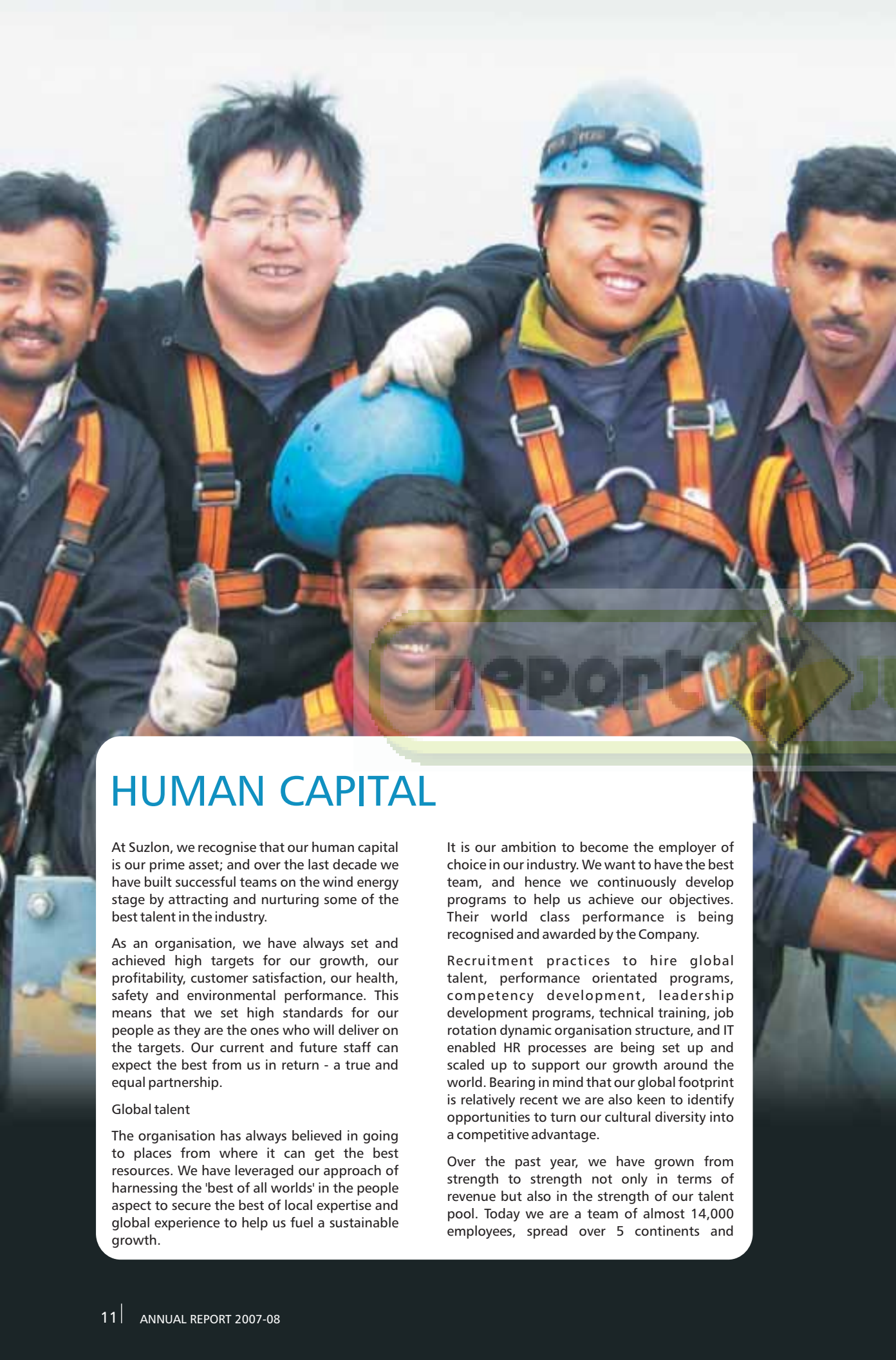
## Key indicators

Particulars	2007-08	2006-07	2005-06	2004-05	2003-04
Earning per share (Rs)*	7.07	5.99	5.55	2.87	1.08
Turnover per share (Rs)*	91.38	55.50	26.72	15.42	7.83
Book value per share (Rs)*	54.12	23.78	19.02	7.18	3.54
Total debt to net worth	1.23	1.51	0.16	0.44	0.64
Interest cover (EBIDTA / Interest)	3.62	5.14	17.05	13.01	6.45
EBIDTA / Gross turnover (%)	14.07	16.23	22.53	23.60	16.21
Net profit margin (%)	7.53	10.82	19.77	18.81	13.79
RONW (%)	17.88	28.07	41.74	56.52	44.78
ROCE (%)	11.77	18.89	35.25	42.70	25.71

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







## HUMAN CAPITAL

At Suzlon, we recognise that our human capital is our prime asset; and over the last decade we have built successful teams on the wind energy stage by attracting and nurturing some of the best talent in the industry.

As an organisation, we have always set and achieved high targets for our growth, our profitability, customer satisfaction, our health, safety and environmental performance. This means that we set high standards for our people as they are the ones who will deliver on the targets. Our current and future staff can expect the best from us in return - a true and equal partnership.

### Global talent

The organisation has always believed in going to places from where it can get the best resources. We have leveraged our approach of harnessing the 'best of all worlds' in the people aspect to secure the best of local expertise and global experience to help us fuel a sustainable growth.

It is our ambition to become the employer of choice in our industry. We want to have the best team, and hence we continuously develop programs to help us achieve our objectives. Their world class performance is being recognised and awarded by the Company.

Recruitment practices to hire global talent, performance orientated programs, competency development, leadership development programs, technical training, job rotation dynamic organisation structure, and IT enabled HR processes are being set up and scaled up to support our growth around the world. Bearing in mind that our global footprint is relatively recent we are also keen to identify opportunities to turn our cultural diversity into a competitive advantage.

Over the past year, we have grown from strength to strength not only in terms of revenue but also in the strength of our talent pool. Today we are a team of almost 14,000 employees, spread over 5 continents and

drawn from over 15 nationalities, a truly multi-cultural and multi-ethnic team sharing a high performance culture.

### A culture of meritocracy

Suzlon has worked hard to establish a culture that promotes meritocracy. As a part of this culture, we have created a comprehensive Compensation and Benefits framework for employees. This in effect encourages a uniform, high performance environment that inspires our employees to grow every day. The Compensation and Benefit policy has ensured that our packages are benchmarked with our industry peers and has a variable component part to ensure that performance is linked back to results. This has not only motivated employees to have bolder aspirations but has also offered them roles that sufficiently challenge their thinking and performance.

The Company also felicitates and recognises employees for their performance at all levels through its annual company-wide celebration 'Sumilan' and acknowledges superlative performers by duly awarding them. Sumilan is built on three pillars - Sammaan, Samwaad, Sugati. Sammaan is built around recognising the role, value and contribution of the people. Samwaad drives open transparent and productive dialogue across all functions, geographies and people and Sugati outlines our roadmap on the path of true progress and achievement.

People development and talent retention is a way of life at Suzlon. This is systematically followed through various learning and development initiatives and by awarding challenging

assignments. The Company is building alliances with key universities to strengthen the curriculum as well as establish sustainable partnerships to source the best and the brightest talent. The focus on Management Development programmes and succession planning will increase significantly over the years to come.

Simultaneously, the organisation is undertaking an assessment of key profiles that it needs to recruit to take care of the business complexities and its rising global aspirations. Suzlon is also taking several steps to establish its image in the minds of its prospective employees.

We listen carefully to our stakeholders, i.e. our customers, investors, vendors and partners but above all our own people. Through surveys we invite them to share their views and thoughts as to how we can improve our performance even more. We realise that a happy team makes happy clients. Therefore, pride is a key theme in our culture - proud to work on sustainable energy solutions for the world of tomorrow, proud to satisfy our customers, proud to be a member of the Suzlon family and proud to be valued by our loved ones coupled with self fulfillment should lead to sustainable success for all.

The journey to develop and unlock the full capacity of our human capital will continue at a rapid pace as we face the window of opportunity in the new world arena. Group Human Resources will support and facilitate the business units to reach their ambitious and challenging targets while working together as a team.





## Suzlon campus

One of our key people initiatives is the new Suzlon Campus. Located in Pune, India, the facility has been designed as a workplace that is one with nature. Designed with the principle of sustainability at its core, the campus will feature courtyards, plazas, and open-to-sky spaces to create a workspace that encourages creativity and fosters innovation in all aspects of work.

The facility is planned as an environment-friendly project, with a minimal footprint on the surrounding environment. The approach is aimed at minimising the destruction of natural areas, habitats, bio-diversity and reducing soil loss in and around the campus, while at the same time being more energy-efficient and pollution-free.

## Suzlon values

### AGILITY

I will encourage and facilitate rapid and decisive action on all matters important for Suzlon's progress.

### INTEGRITY

I will endeavour to abide by truth, transparency, honesty and sincerity in everything that I do, and encourage my co-workers to do so. I will strive to uphold the highest standards of ethics, and uphold all laws that apply to our business.

### ADDING VALUE

I will do my utmost to add value to all matters related with my work and contribute to that of my team, and other stakeholders in Suzlon.

### COMMITTED

I will commit my energies to partnering with all stakeholders, internal and external, towards achieving the Suzlon corporate objectives.

### CREATIVITY

I will apply creativity and innovation to my work, towards building a more efficient, more competitive and more responsive organisation.

