

7th June 2016.

The Corporate Finance Department,
Securities and Exchange Board of India,
Division of Issues and Listing-II,
Plot No.C4-A, 'G' Block, Bandra-Kurla Complex,
Bandra (East),
Mumbai-400051.

KIND ATTN.: MR. JAYANTA JASH.



SEBI/IW/P/20160610,0000036420

Dear Sir,

Ref.: Request for an interpretative letter under Paragraph 4 and 5 (ii) of the Securities and Exchange Board of India (Informal Guidance) Scheme, 2003 in relation to the test for determining a 'material subsidiary' and the approval requirement for divestment of a material subsidiary under the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.

This is to request for an interpretative letter under Paragraph 5(ii) of the Securities and Exchange Board of India (Informal Guidance), 2003, as amended (the "Scheme") on the basis of the submissions below:

1. Factual Background

- 1.1. Suzlon Energy Limited (the "Company") is a company incorporated in India under the provisions of the Companies Act, 1956, and has its equity shares of face value of Rs. 2 each (the "Equity Shares") listed on the BSE Limited and the National Stock Exchange of India Limited (together, the "Stock Exchanges").
- 1.2. The Company is *inter alia* engaged in the business of designing, developing, manufacturing and supplying of wind turbine generators, and together with its subsidiaries provides turnkey solutions for setting up of, operating and maintaining of wind-farm projects.
- 1.3. The Company, in its ordinary course of business, *inter alia* sets up special purpose vehicles ("SPVs") by subscribing to the capital in such SPV companies, installs wind or solar energy projects (as the case may be) in such SPVs, and proposes to eventually transfer its entire shareholding in the SPVs to its client(s) / investor(s) (the "Business Structure").
- 1.4. In addition to the above, the Company has certain subsidiaries which had positive net worth, and certain subsidiaries which had negative net worth, as on 31st March 2016. The Company, from time to time, explores various options in order to reduce its debt, and divestment of one or more of its subsidiaries could be a part of such options.

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- 1.5. Based on the audited accounts of the Company for the financial year 2015-16, the Company's consolidated net worth was negative as on 31st March 2016.

2. Legal Framework

2.1. Provisions under the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (the "Listing Regulations"):

- a) Regulation 16(1)(c) of the Listing Regulations, defines a 'material subsidiary' to mean:

"a subsidiary, whose income or net worth exceeds twenty percent of the consolidated income or net worth respectively, of the listed entity and its subsidiaries in the immediately preceding accounting year."

Based on the above, a subsidiary of a listed company would qualify to be a 'material subsidiary' if it satisfies either of the following tests:

- (i) a subsidiary whose income exceeds 20% (twenty percent) of the consolidated income of the listed entity and its subsidiaries, in the immediately preceding accounting year; or
- (ii) a subsidiary whose net worth exceeds 20% (twenty percent) of the consolidated net worth of the listed entity and its subsidiaries, in the immediately preceding accounting year (the "**Net-worth Test**").
- b) Regulation 24 of the Listing Regulations provides for the corporate governance requirements with respect to subsidiary of a listed entity. The relevant extract of Regulation 24 is reproduced below:

"24. (1) At least one independent director on the board of directors of the listed entity shall be a director on the board of directors of an unlisted material subsidiary, incorporated in India.

(2)

(3)

(4)

(5) A listed entity shall not dispose of shares in its material subsidiary resulting in reduction of its shareholding (either on its own or together with other subsidiaries) to less than fifty percent or cease the exercise of control over the subsidiary without passing a special resolution in its General Meeting except in



cases where such divestment is made under a scheme of arrangement duly approved by a Court/Tribunal.

(6) Selling, disposing and leasing of assets amounting to more than twenty percent of the assets of the material subsidiary on an aggregate basis during a financial year shall require prior approval of shareholders by way of special resolution, unless the sale/disposal/lease is made under a scheme of arrangement duly approved by a Court/Tribunal.

(7) "

3. Application under the Scheme

- 3.1. The Scheme permits any listed company to make a request for informal guidance. The Company, being a listed company which has its Equity Shares listed on the Stock Exchanges, is making this request for informal guidance under paragraph 4 of the Scheme.

4. Request for Interpretative Letter

- 4.1. In light of the above, the Company respectfully requests for an interpretative letter for guidance on the following:

- a) If the net worth of the Company for an accounting year is negative, whether, under Regulation 16(1)(c) of the Listing Regulations, the Net-worth Test would be required to be considered to determine if any of the SPVs / subsidiaries of the Company are / would be material subsidiaries of the Company during the following year? If yes, how would the materiality threshold of 20% with reference to such negative net worth be determined since arithmetically percentage for zero and less than zero is illogical?

For instance, if the consolidated turnover is 10,000 Crores, equity share capital is 700 Crores and consolidated net worth of the Company is -7000 Crores, (i) what would be the materiality threshold as per the Net-worth Test; and (ii) if four of the Company's subsidiaries have turnover of 500 Crores, 1500 Crores, 200 Crores and NIL respectively; and net worth of -1000 Crores, -150 Crores, 25 Crores and 10 Lacs respectively, which of such subsidiaries would be considered material subsidiaries of the Company as per the Net-worth Test?

- b) Given its Business Structure, whether the Company can obtain an omnibus approval of its shareholders, in terms of Regulation 24(5) of the Listing Regulations, during the financial year, permitting the board of directors / duly authorised committee to dispose off the Company's shareholding (more than 50% shares) in the SPVs (which are material subsidiaries) during such financial year? This would prevent the hardship of approaching the shareholders



repeatedly, which involves significant costs and time, prior to each such disposal in the relevant financial year.

- c) Whether the Company is required to approach the shareholders under Regulation 24(5) of the Listing Regulations in the event the shareholding of the Company in a material subsidiary is reduced below 50% or the Company ceases to have a control over a material subsidiary, pursuant to a further issuance of shares by such subsidiary, and not due to disposal of shares by the Company?

- 4.2. We seek your considered Informal Guidance to this effect and we will extend our full co-operation in the event that you may require any further information. We shall be pleased to furnish any additional information as may be required in support of this application and to also meet you personally to explain the Business Structure in detail. Any request in this regard may be addressed to:

Mr. Hemal A.Kanuga,
Company Secretary,
Suzlon Energy Limited,
"Suzlon", 5, Shrimali Society, Near Shri Krishna Complex,
Navrangpura, Ahmedabad-380009.
Tel: + 91-79-66045000; Fax: + 91-79-26565540.
Email: khemal@suzlon.com.

5. Request for Confidentiality

- 5.1. In accordance with paragraph 11 of the Scheme, we request that this letter and its contents be kept confidential for the maximum period possible, i.e. until 90 days after the response to this letter has been tendered.

6. Compliance with Paragraph 6 of the Scheme

- 6.1. In accordance with paragraph 6 of the Scheme, this request for informal guidance is accompanied with a demand draft for Rs.25,000/- (Rupees Twenty Five Thousand Only) dated 7th June 2016 drawn on State Bank of India payable at Mumbai.
- 6.2. All material facts, circumstances and legal provisions which in our opinion are relevant for the purposes of determination of this request are stated herein.

Respectfully submitted,
For Suzlon Energy Limited

H.A.Kanuga

Hemal A.Kanuga,
Company Secretary.
M. No. F4126.

