

Suzlon Energy

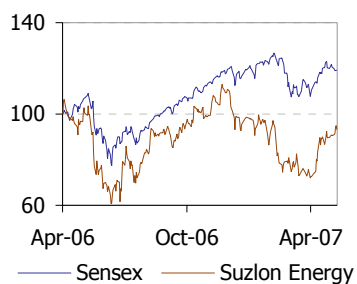
Relative to sector: **Under Review**

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Relative Performance



Source: Bloomberg, ENAM Research

Stock data

No. of shares : 288mn
Market cap : Rs 328bn
52 week high/low : Rs 1,510/ Rs.760
Avg. daily vol. (6mth) : 774,100 shares
Bloomberg code : SUJEL IN
Reuters code : SUZL.BO

Shareholding (%) Mar-07 QoQ chg

Category	Mar-07 (%)	QoQ chg
Promoters	69.7	(0.0)
FII's	21.3	(0.1)
MFs / UTI	0.5	(0.5)
Banks / FIs	0.1	0.0
Others	8.4	0.7

BELOW EXPECTATIONS

Suzlon Energy's (Suzlon) FY07 results were below our expectations largely due to supply chain bottlenecks in certain components which impacted volumes. Further, fixed overheads of newly commenced US and Chinese facilities amortized on a lower base dragged down OPMs by ~6% for the wind turbine business. On a consol. basis, inclusive Hansen, Suzlon reported revenues of Rs 79.8bn (up 108%), EBIDTA of Rs 12.9bn (up 45%YoY) and adjusted PAT of Rs 8.64bn (up 14%).

Key FY07 Highlights

- Suzlon continued to gain global market share (7.7% v/s 6.1% in 2006) on the back of strong 50% volume growth. Share of international business increased to 34% compared to 9% in FY06. The avg. realizations increased by ~7% YoY to Rs.41.2mn/MW despite rupee appreciation.
- EBIDTA margins of wind business declined by 590bps to 16.6% due to input cost inflation (260bps), increase in staff costs (80bps) and higher overheads of new China and US facilities.
- Order backlog was robust at Rs 94.8bn (up 23% QoQ) - domestic at Rs.14.08bn (266MW) and exports at Rs.80.8bn (1692MW).
- Hansen reported revenues of Rs 18.6bn, EBIDTA of Rs 2.77bn and PAT of Rs 390mn

Outlook

According to BTM consult, global wind power installations are expected to grow at a CAGR of 22% over 2006-11E. Given the buoyant market conditions, Suzlon is augmenting its wind turbine capacity from 2,700MW to 4,200MW by Q4FY08. Inclusive of Hansen, we expect Suzlon to report 43% CAGR in revenues over FY07-09E. However, factoring in the higher raw material cost and higher than expected depreciation and interest charges, we are revising our FY08E earnings downwards by 11% to Rs 48 and introduce FY09E EPS of Rs 58.3. Currently the rating is under review pending the final outcome of the bid for REpower on May 24. At CMP (Rs 1138), the stock trades at P/E of 23.7x FY08E EPS of Rs 48 and 19.5x FY09E EPS of Rs 58.3.

Financial summary (Consolidated)

Y/E Mar	Sales (Rs mn)	PAT (Rs mn)	Consensus EPS* (Rs.)	EPS (Rs.)	Change YoY (%)	P/E (x)	RoE (%)	RoCE (%)	EV/EBIDTA (x)	DPS (Rs.)
2006	37,424	7,603	-	26.4	(41)	49.3	43.5	39.4	41.7	5.8
2007	78,740	8,641	-	30.1	14	33.3	28.1	20.7	25.0	5.8
2008E	117,001	13,794	54.4	48.0	60	23.7	34.2	20.3	17.8	5.8
2009E	161,889	16,766	68.8	58.3	22	19.5	31.1	21.7	13.2	5.8

Source: *Consensus broker estimates, Company, ENAM estimates

Results update (Consolidated)

(Rs mn)	Quarter ended					12 months ended		
	Mar-07	Mar-06	% Chg	Dec-06	% Chg	Mar-08E	Mar-07	% Chg
Net Sales	29,159	15,263	91.0	19,139	52.4	117,001	78,740	48.6
EBITDA	4,954	3,966	24.9	2,546	94.6	21,475	12,959	65.7
Other income	463	338	36.9	254	82.2	1,011	965	4.8
PBIDT	5,417	4,304	25.8	2,800	93.4	22,486	13,924	61.5
Depreciation	600	277	116.3	343	75.1	2,987	1,718	73.9
Interest	972	133	631.4	638	52.4	4,172	2,523	65.4
PBT	3,845	3,894	(1.3)	1,820	111.3	15,327	9,683	58.3
Tax	256	141	81.2	193	33.0	1,533	1,035	48.1
Less: Minority Interest	-	37	-	(17)	-	-	8	-
Adjusted PAT	3,589	3,715	(3.4)	1,644	118.3	13,794	8,641	59.6
Extra ordinary income/ (exp.)	-	-	-	(100)	-	-	-	-
Reported PAT	3,589	3,715	(3.4)	1,544	132.4	13,794	8,641	59.6
No. of shares (mn)	288	288	-	288	-	288	288	-
EBIDTA margins (%)	17.0	26.0	-	13.3	-	18.4	16.5	-
PBIDT margins (%)	18.6	28.2	-	14.6	-	19.2	17.7	-
EPS - annualized (Rs.)	49.8	51.7	(3.6)	22.9	118.1	48.0	30.1	59.6

Source: Company, ENAM Research

Segmental performance

Y/E	Revenues (Rs mn)			PBDIT margin (%)		
	Mar-07	Mar-06	% Chg	Mar-07	Mar-06	Chg bps
Wind turbine generator	59,986	37,917	58.2	17.0	22.8	(577)
Gear box	18,561	-	-	15.7	-	na
Others	1,321	499	164.7	29.6	86.6	(5,704)
(-) Inter Segment Revenues	10	6	-	-	-	-
Total operating inc.	79,857	38,410	107.9	16.9	23.6	(669)

Source: Company, ENAM Estimates

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