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Q4 FY07  
Result Update

# Suzlon Energy

Market Performer

Rs 1,138

May 15, 2007

## Margin pressure continues...

Company Details				Result Snapshot	
Market Cap:	Rs 327,209m			<p>Suzlon reported its Q4FY07 results in line with our estimates. Consolidated Net Sales were up 91%yoy to Rs 29.1bn. Margins were down to 17% from 26% last year. Margin pressure continued due to a number of reasons such as rupee appreciation, 222MW of turbines being in transit and high start up cost incurred on the newly commissioned facilities. Net profit during the quarter was lower by 3.4% yoy to Rs 3.6bn.</p> <p>Order book stood at Rs 98.8bn, constituting Rs 14.08bn from the domestic market and Rs 80.8bn from international markets.</p> <p>At the CMP of Rs 1138, the stock trades at 24.7x FY08E and 16.2x FY09E consolidated earnings of Rs 46.1 and Rs 70.1 respectively. On an EV/EBIDTA basis, the stock trades at 18.7x and 12.5x FY08 and FY09 estimates respectively. Maintain Market Performer.</p>	
52 Week High/Low:	Rs 1,510 / 760				
Bloomberg Code:	SUEL@IN				
Reuters Code:	SUZL.BO / NS				
Shares O/s:	288m				
Average Volume (3 months):	0.9m				
Price Performance					
(%)	1m	3m	12m		
Absolute	(4.1)	9.5	(5.4)		
Relative to Sensex	(5.8)	12.4	(22.7)		

## Q4 FY07 Result Overview

(Rs m)

Y/e March	Q4FY07	Q4FY06	yoy gr. (%)	Q3FY07	FY06	FY07	yoy gr. (%)
Net Sales	29,159	15,263	91.0	19,139	38,410	79,858	107.9
<b>Expenditure</b>							
Raw Material	17,858	8,806	102.8	11,269	23,091	48,114	108.4
<i>% of Net Sales</i>	61.2	57.7		58.9	60.1	60.2	
Personnel Cost	1,838	418	340.0	1,803	1,216	6,496	434.3
<i>% of Net Sales</i>	6.3	2.7		9.4	3.2	8.1	
Others	4,510	2,073	117.5	3,520	5,121	12,290	140.0
<i>% of Net Sales</i>	15.5	13.6		18.4	13.3	15.4	
Total Expenditure	24,206	11,297	114.3	16,593	29,428	66,899	127.3
<b>EBITDA</b>	4,954	3,966	24.9	2,546	8,982	12,959	44.3
<i>Margin (%)</i>	17.0	26.0		13.3	23.4	16.2	
Other income	463	338	37.0	254	556	965	73.4
Depreciation	600	277	116.3	343	716	1,718	140.0
<b>EBIT</b>	4,817	4,027	19.6	2,458	8,823	12,206	38.3
Interest	972	133	631.1	638	648	2,523	289.5
<b>PBT</b>	3,846	3,894	(1.2)	1,820	8,175	9,683	18.4
Total Taxes	256	141	81.0	93	568	1,035	82.1
<i>ETR (%)</i>	6.6	3.6		5.1	6.9	10.7	
Minority Interest	0.2	37.4		(16.7)	10	8	
<b>PAT</b>	3,590	3,715	(3.4)	1,744	7,597	8,641	13.7

(Stock price as on May 14, 2007)



## Result Highlights

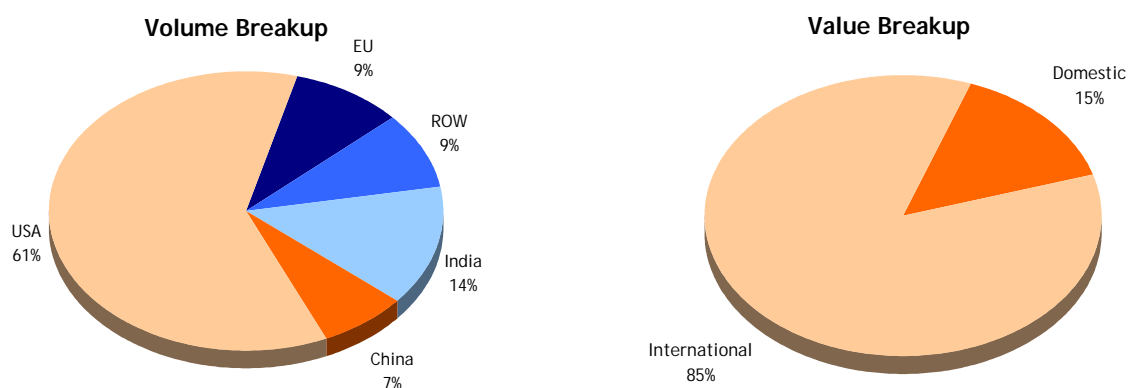
For Q4FY07, Net Sales at Rs 29.15bn were up 91%yoy.

Margins were down to 17% from 26% last year. Rupee appreciation led to a loss of 0.4%, 222MW of turbines in transit led to a loss of 1% while around 3% was lost due to high start up cost of the new facilities and delay in certain components of 50MW.

Interest cost during the quarter was high at Rs 972m up from Rs 638m during the last quarter.

Net Profit was down 3.4%yoy to Rs 3.6bn.

## Order book Break up



Source: Company Data, PL Research

Order book stood at Rs 98.8bn (1958.4MW), including Rs 14.08bn from the domestic market and Rs 80.8bn from international markets.

## Capex Plans

	Capacity	Investment (Rs m)	Location	Completion Target
<b>Wind Business</b>				
Integrated Turbine Facility	1500MW	7,500	India	Q4 FY08
Forging & Machining	70,000MT	2,500	India	Q4 FY08
Foundry & Machining	120000MT	5,000	India	Q4 FY08
Rotor Blade Testing		300	India	Q4 FY08
<b>Gear Business</b>				
Manufacturing Unit	2200MW	8,000	Belgium	Q4 FY08
Manufacturing Unit	3500MW	9,800	India	Q4 FY09
<b>Total</b>		<b>33,100</b>		



Segmental Break up

(Rs m)

Y/e March	Q4FY07	Q4FY06	yoy gr. (%)	Q3FY07	FY06	FY07	yoy gr. (%)
<b>Revenue</b>							
Wind Turbine Business	21,950	15,076	45.6	14,432	37,917	59,986	58.2
Gear Box	6,508	-	-	4,533	-	18,561	-
Others	706	188	276.7	174	499	1,321	164.7
Inter Segmental	(5)	(1)	571.4		(6)	(10)	62.5
Total	29,159	15,263	91.0	19,139	38,410	79,857	107.9
<b>EBIDTA</b>							
Wind Turbine Business	3,806	3,887	(2.1)	2,010	8,631	10,192	18.1
Gear Box	1,434	-	-	491	-	2,918	-
Others	285	387	(26.4)	33	433	391	(9.6)
<b>EBIDTA Margin (%)</b>							
Wind Turbine Business	17.3	25.8		13.9	22.8	17.0	
Gear Box	22.0	-		10.8	-	15.7	
Others	40.3	206.5		19.1	86.6	29.6	
<b>RoCE (%)</b>							
Wind Turbine Business	11.2	16.2		6.2	35.7	29.5	
Gear Box	3.7	-		3.2	-	7.0	
Others	8.0	18.3		0.7	17.8	10.1	

Key Figures

Y/e March	FY06	FY07E	FY08E	FY09E
Revenues (Rs m)	38,410	79,857	113,092	161,734
EBITDA (Rs m)	8,982	12,958	19,328	28,515
<i>Margins (%)</i>	<i>23.4</i>	<i>16.2</i>	<i>17.1</i>	<i>17.6</i>
PAT (Rs m)	7,595	8,640	13,262	20,159
EPS (Rs)	26.4	30.1	46.1	70.1
PER (x)	43.1	37.9	24.7	16.2
EV / E (x)	36.2	26.8	18.7	12.5
EV / Sales (x)	8.5	4.3	3.2	2.2
<i>RoCE (%)</i>	<i>25.8</i>	<i>15.9</i>	<i>18.7</i>	<i>24.7</i>
<i>RoE (%)</i>	<i>28.1</i>	<i>20.6</i>	<i>29.0</i>	<i>35.4</i>

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