kotak Institutional Equities

Suzlon Energy (SUEL)

Industrials

REDUCE

AUGUST 25, 2011

UPDATE

Coverage view: Cautious

Price (Rs): 36

Target price (Rs): 40

BSE-30: 16,146

Risk-reward improves but sustainable upside would need more. Suzlon stock has corrected sharply (30% in 20 days) slightly improving the risk-reward even as we highlight several challenges for sustainable upside: (1) lower-than-requisite trend inflows (350-400 MW of inflows in FY2012E so far versus an asking rate of ~600 MW /quarter), (2) investment slowdown in India and Europe, (3) precarious state of balance sheet (4X debt:EBITDA and high Wcap) and (4) potential execution issues. We revise our target price to Rs40 from Rs60.

Company data and valuation summary

Suzlon Energy

Stock data			
52-week range (Rs) (high,low)			66-36
Market Cap. (Rs bn)			57.1
Shareholding pattern (%)			
Promoters			54.8
FIIs			13.2
MFs			3.9
Price performance (%)	1M	3M	12M
Absolute	(34.3)	(28.6)	(27.7)
Rel. to BSE-30	(23.2)	(21.1)	(18.6)

Forecasts/Valuations	2011	2012E	2013E
EPS (Rs)	(5.4)	0.7	2.6
EPS growth (%)	(14.7)	(112.5)	290.1
P/E (X)	(6.7)	53.5	13.7
Sales (Rs bn)	167.9	217.7	241.9
Net profits (Rs bn)	(9.4)	1.2	4.6
EBITDA (Rs bn)	7.6	19.2	22.8
EV/EBITDA (X)	19.2	7.4	6.1
ROE (%)	(14.0)	1.7	6.6
Div. Yield (%)	0.6	0.6	0.6

Order inflows remain below requisite trend; high asking rate in the rest of FY2012E

Suzlon reported sedate inflows of only 350-400 MW in FY2012E to date (205 MW reported in 1QFY12 + 163 MW of announcements in 2QFY12). Our reduced inflow estimates (1,100 MW for domestic and 400 MW for international) in FY2012E imply a need for further quarterly inflow of about 1,000 MW in the rest of FY2012E - versus only about 200 MW/qtr seen in the past two quarters. Near-term sales would be led by execution of a 1,000 MW Caparo order, we would look for new similar orders laced to build in visibility for and beyond FY2013E. Traction in international business remains sedate for the fourth year and may need to grow beyond the natural constraints of the Indian market given Suzlon's high fixed cost structure. A slowdown in the domestic/ overseas markets may defer recovery.

Balance sheet remains precarious (high debt and working capital) low ability to withstand

Suzlon's balance sheet remains stretched with high debt (Rs109 bn) and working capital levels (Rs42 bn) at 1QFY12-end. Suzlon may have about 4X consolidated Debt/EBITDA and 2X EBITDA/Interest in FY13E post building in receivable from Edison, Hansen sale proceeds. Thus, the company could find it difficult to (1) withstand volume disappointments versus estimates as well as (2) deleveraging quickly. Unaccounted FCCB premium would also contribute debt (about Rs9 bn on FY2012E repayments).

Regulatory environment favorable but REC mechanism needs to settle down; 16% IRR for IPP likely

Several incentives exist to catalyze wind capacity addition, such as (1) accelerated depreciation or generation-based incentive and (2) preferential tariffs or renewable energy certificates. Withdrawal of accelerated depreciation with DTC is a risk to volume estimates. We estimate that an IPP selling at an average pooled price of Rs2.45 (and escalations each year) + floor REC price of Rs1.45 + GBI of Rs0.5 would earn 16% equity IRR at Rs60 mn/MW, 25% PLF, 12.5% interest cost.

Revise estimates and TP to Rs40 (from Rs60) on execution and inflows downwards; retain REDUCE

W revise our estimates to Rs0.7 and Rs2.6 from Rs0.6 and Rs4 for FY2012E and FY2013E on lower inflow and execution assumptions (2,054 and 2,143 MW) and revise our target price to Rs40 from Rs60 on (1) estimates revision, and (2) increased net debt (on 1.5X par value of FCCBs). We retain REDUCE as we wait for data points pointing to sustainable business upside. Upside risk originate from positive regulation and Repower's offshore lead.

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Order inflows remain elusive; implies high asking rate in 2HFY12E

We build in execution of 2,006 MW in FY2012E for Suzlon's wind business led by 1,367 MW of execution in the domestic market and 639 MW for the international market. Domestic sales would be primarily led by execution of the existing backlog (of 1,353 MW at end-FY2011). Near-term sales would be led by execution of the large 1,000 MW Caparo order won in 3QFY11, but Suzlon would need to replace this with new order wins to build in revenue visibility beyond FY2012E. Despite the company's strong foothold in the domestic market, we believe Suzlon would have to build traction in international orders versus the sharp slowdown in FY2010. We also highlight the potential for a slowdown in the domestic market led by a weak investment environment, further necessitating international order inflows.

We have reduced our order inflow estimates to 1,100 MW for the domestic business and 400 MW for international business in FY2012E on sedate order inflow traction so far.

Order backlog, booking and execution, FY2008-13E (MW)

	2008	2009	2010	2011	2012E	2013E
Order backlog						
Domestic	160	75	230	1,353	988	550
Internaional	3,294	1,388	896	878	589	495
Total backlog	**3,454**	**1,463**	**1,126**	**2,231**	**1,577**	**1,044**
Order inflows						
Domestic	870	664	843	2,292	1,100	1,210
Internaional	2,937	135	280	334	300	400
Total inflows	**3,807**	**799**	**1,123**	**2,626**	**1,400**	**1,610**
Execution						
Domestic	976	749	688	1,169	1,465	1,649
Internaional	1,335	2,041	772	352	589	495
Total execution	**2,311**	**2,790**	**1,460**	**1,521**	**2,054**	**2,143**

FY2011 inflows led by single large 1,000 MW order from Caparo

Lower inflows assumptions on sedate track record in FY2012E so far

Lower inflows assumptions on sedate track record in FY2012E so far

Source: Company, Kotak Institutional Equities estimates

Suzlon reported weak order inflows 237 MW led by 205 MW of order inflows in the domestic market. Weak order inflows led to sequential decline in the order backlog to 2,030 MW at end-1QFY12. Order inflows have remained relatively sedate in 2QFY12 (so far) as well - Suzlon has announced order to the tune of only 163 MW in post 1QFY12-end all from domestic market. We believe this increases risk of meeting management's full-year guidance as well as our estimates implying high asking rate in remaining FY2012E.

Order inflow, backlog and sales trend for Suzlon, March fiscal year-ends FY2007-09 (MW)

	FY2007	FY2008	FY2009	1QFY10	2QFY10	3QFY10	4QFY10	FY2010	1QFY11	2QFY11	3QFY11	4QFY11	FY2011	1QFY11
Backlog														
Domestic	267	160	75	66	123	314	230	230	580	693	1,624	1,353	1,353	1,255
International	1,692	3,294	1,388	1,435	1,366	1,170	896	896	878	857	954	878	878	775
Total	**1,958**	**3,454**	**1,463**	**1,501**	**1,489**	**1,484**	**1,126**	**1,126**	**1,458**	**1,550**	**2,578**	**2,231**	**2,231**	**2,030**
Sales														
Domestic	956	976	749	58	129	140	361	688	139	290	325	415	1,169	304
International	500	1,335	2,041	65	154	264	289	772	68	71	136	77	352	133
Total	**1,456**	**2,311**	**2,790**	**123**	**283**	**404**	**650**	**1,460**	**207**	**361**	**461**	**492**	**1,521**	**437**
Inflows														
Domestic	1,036	870	815	49	186	331	227	793	489	403	1,255	144	2,291	205
International	1,659	2,937	137	111	84	68	16	279	51	50	233	—	334	32
Total	**2,695**	**3,807**	**952**	**160**	**270**	**399**	**243**	**1,072**	**540**	**453**	**1,488**	**144**	**2,625**	**237**

Source: Kotak Institutional Equities, Company

Order inflow announcements made by Suzlon in FY2012E so far

Date	Customer	Country	Product Configuration MW	Capacity MW
17-Aug-11	Indian Oil Corporation Ltd	India	2.1	48.3
11-Aug-11	Malpani Group	India	29.7	29.7
10-Aug-11	Various customers including GAIL	India	2.1	85
15-Jul-11	Orient Green Power (Shriram EPC Group)	India	2.1	100
16-Jun-11	National Aluminium Company Ltd (NALCO)	India	2.1	50.4
14-Jun-11	Sprott Power Corp	Canada	2.1	31.5
	Total order announcements in FY2012E so far			**345**

Source: Company

Dependence on Indian market (China, Brazil small and US and Australia seem shut): Risk of small market size and execution challenges

Suzlon management expects to win orders to the tune of about 2-2.2 GW in FY2012E led by the domestic market (1.6-1.7 GW). The company expects international markets to contribute to about 600-800 MW of FY2012E inflows (versus a meager 32 MW of inflows in FY2012E so far).

- **India to be a key driver of future inflows. Company expects the** Indian market - potential size of about 3-3.5 GW. We would need more data points for reaffirming that as execution issues (land, transmission, grid stability, high interest rates, slow investment environment) may push back volume development. The company aims to win orders to the tune of about 1.6-1.7 GW of inflows in FY2012E and about 2 GW in FY2013E. This is versus only about 350-400 MW of order inflows in FY2012E so far (205 MW inflows reported in 1QFY12 and 163 MW of order announcements made in 2QFY12 so far).

- **Expects to gain traction in the China/Brazil markets.** Suzlon through its subsidiary Suzlon Energy Tianjin Ltd, expects to gain more traction in the Chinese wind energy market. Suzlon already executes orders to the tune of 200-300 MW in China. The company also expects to win about 200 MW of order inflows form Brazil although this expectation has remained unfulfilled for long.

- **Europe - would primarily target via Repower.** Suzlon would target the European wind market primarily via REpower due to established brand name for REpower in key geographies such as Germany and better-suited product configurations. The management expects pick-up in demand from these markets on the back of increased offshore projects.

- **US and Australian markets to remain sedate in FY2012E.**

Balance sheet quality remains precarious

Suzlon's balance sheet remains stretched with high debt and working capital levels. Suzlon reported a high net working capital of Rs41.5 bn at end-1QFY12 from about Rs37 bn at end-FY2011. Working capital levels have remained relatively flat since end-FY2010 levels significantly below expectations given the aim to reduce the working capital by at least Rs10 bn by the end-FY2011. Working capital levels are significantly higher than FY2009-end levels of about 100-110 days of sales.

Note our estimates build in some improvement in working capital levels to FY2009-levels of about 105 days of sales. We assume payment of about Rs10 bn from sticky debtors (Edison Mission) to come through in FY2012E thereby leading to lowered debtor levels.

Working capital levels remain high

Working capital details of Suzlon's wind business, March fiscal year-ends, 2009-1QFY11 (Rs mn)

	2009	2010	FY2011 1QFY11	FY2011 2QFY11	FY2011 3QFY11	FY2011 FY2011	1QFY12	FY2012E	FY2013E
In Rs mn									
Inventories	38,780	28,770	29,100	30,130	32,410	31,440	32,070	35,598	37,145
Sundry debtors	63,540	47,260	37,980	33,040	41,800	41,560	45,100	44,074	45,989
Loans and advances	18,290	16,360	15,240	18,880	16,330	16,630	16,460	20,342	21,226
Total current assets	**120,610**	**92,390**	**82,320**	**82,050**	**90,540**	**89,630**	**93,630**	**100,015**	**104,360**
Total current liabilities	**73,460**	**53,810**	**47,180**	**46,330**	**50,750**	**52,730**	**52,150**	**64,416**	**67,215**
Net working capital	**47,150**	**38,580**	**35,140**	**35,720**	**39,790**	**36,900**	**41,480**	**35,598**	**37,145**
As days of sales									
Inventories	89	109				125		105	105
Sundry debtors	146	179				165		130	130
Loans and advances	42	62				66		60	60
Total current assets	**277**	**350**				**357**		**295**	**295**
Total current liabilities	**169**	**204**				**210**		**190**	**190**
Net working capital	**108**	**146**				**147**		**105**	**105**

Build in some improvement in working capital on payment from sticky debtors of Rs10 bn in FY2012E

Source: Company, Kotak Institutional Equities

Expensive past acquisitions and high working capital levels led to sharp increase in debt levels over the past 2-3 years. Suzlon reported gross external debt of Rs118 bn at end-1QFY12 and net debt of Rs108 bn.

Gross external debt increases yoy

Details of debt of Suzlon's wind business, March fiscal year-ends, 2009-1QFY11 (Rs mn)

	FY2009	FY2010	FY2011 1QFY11	FY2011 2QFY11	FY2011 3QFY11	FY2011	1QFY12
Acquisition loans	34,020	20,830	21,550	20,850	20,730	20,740	20,740
FCCBs	25,360	21,510	22,250	21,530	21,410	21,360	29,240
WCap, Capex, other loans	65,140	62,840	64,730	68,320	68,980	70,230	68,380
Gross external debt	**124,520**	**105,180**	**108,530**	**110,700**	**111,120**	**112,330**	**118,360**
Loans from promoters	—	11,750	11,750	—	—	—	—
Total gross debt	**124,520**	**116,930**	**120,280**	**110,700**	**111,120**	**112,330**	**118,360**
Cash	1,359	15,410	12,580	12,600	9,450	10,230	9,550
Net debt	**123,161**	**101,520**	**107,700**	**98,100**	**101,670**	**102,100**	**108,810**

Source: Company, Kotak Institutional Equities

Debt coverage/service ratios remain sub optimal with EBITDA barely sufficient to service debt (interest coverage ratio of 1.7-2X for FY2012E-13E and net debt/ EBITDA ration of over 4X).

Key debt service ratios of Suzlon's consolidated business, March fiscal year-ends, 2011-13E

	2011	2012E	2013E
Interest coverage (X)	0.6	1.7	2.2
Net debt/ EBITDA (X)	14.7	4.7	3.7
Net debt/ Equity (X)	1.4	1.4	1.2

Source: Kotak Institutional Equities estimates

Build margin expansion on potential operating leverage

We expect Suzlon's wind business margins to revert to FY2009 levels of about 9-10% over FY2012-13E, primarily led by operating leverage, leading in turn to lower other expenses as a percentage of sales - down to about 17% of sales versus about 22.6% of sales in FY2011.

Indian wind energy market buoyed by several favorable regulatory incentives

The government of India has taken several measures to boost the renewable energy industry of the country including (1) accelerated depreciation scheme, (2) Generation Based Incentive (GBI) scheme, (3) Renewable Energy Certificates (RECs) and (4) preferential tariffs for power purchased from wind farms. Benefits and key risks of the various incentive schemes available to wind power plant developers are detailed below.

Key benefits and risks of incentive schemes available to wind IPPs

Scheme	Benefits	Key risks
Accelerated depreciation	80% depreciation for income tax purposes for wind energy equipment in the first year of operations	May be withdrawn once DTC is implemented
Generation based incentive	Incentive of Rs0.5/unit of electricity over tariff given by the state utilities Overall cap of Rs6.2 mn/MW to be availed in a period between 4 to 10 years	Available only till end of 11th plan period; needs to be renotified by the government post 2012
Renewable Energy Certificates (RECs)	RECs issued to generators to improve viability of project To open up merchant/trading market for renewable sector thereby aiding RoE Average procurement tariff: basket price: Rs2.5-3.5/kWh RE certificates: Floor price (Rs1.5/kWh) and forbearance price (Rs3.9/kWh)	Not well established
Preferential tariffs	Several states have announced preferential tariff for power purchased from wind projects Tariffs based on 4 wind zones which provide a pre-tax RoE of 19-24%	

Source: Ministry of New and Renewable Energy, Kotak Institutional Equities

We believe a power plant developer could potentially earn equity IRR of about 16% based on an averaged pooled purchase price of Rs2.43 (Maharashtra) + Floor price of REC (Rs1.45) + Rs0.5 of GBI scheme. However, PLF levels at the plant (assumed at 25% in the model) have a significant bearing on the potential returns earned, which is a key risk. The exhibit below demonstrates the potential equity IRR for 1 MW of installed wind capacity in the state of Maharashtra.

An equity IRR of 16% at 25% PLF and 13% interest cost for an IPP using Mah avg pooled price + REC + GBI
Calculation of the economics of setting up a wind energy generator as an IPP

KEY ASSUMPTIONS	
Installed cap (MW)	1
State	Maharashtra
Equipment cost (Rs mn)	56
Land / other cost (Rs mn)	4.00
Total installation cost (Rs mn)	**60.00**
Possible generation as per indianwindpower.com (mn KWH)	1.50
Implied PLF (%)	17.12
Assumed PLF (%)	**25.0**
% captive consumption	-
% sold to grid	100
Tax rate (MAT, %)	19.00
Generation credit for ten years (Rs/Kwh)	**0.50**
Interest rates (%)	**12.5**
Carbon Credits Included	No

Sensitivity of IRR to interest rates and PLF assumption

		Interest rates (%)				
		10.0	11.0	**12.5**	13.0	14.0
PLF (%)	22.0	10.0	9.1	7.6	7.0	5.6
	25.0	13.8	13.1	11.9	11.5	10.6
	28.0	17.1	16.5	**15.5**	15.1	14.4
	31.0	20.2	19.6	18.7	18.4	17.7
	34.0	23.1	22.6	21.7	21.4	20.8

Base case

Year #		**0**	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**	**11**	**12**	**… 20**
Generation (mn KWH)	Based on assumed PLF		2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2
Wheeling charges (mn KWH)	2% T&D loss		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net generation (mn KWH)			**2.1**	**2.1**	**2.1**	**2.1**	**2.1**	**2.1**	**2.1**	**2.1**	**2.1**	**2.1**	**2.1**	**2.1**	**2.1**
Sold to grid	Based on assumption above		2.1	2.1	2.1	2.1	2.1	2.1	2.1	2.1	2.1	2.1	2.1	2.1	2.1
Unit sale price (Rs/KWH)	Mah APPC (2.43) + 1.45 (floor)		4.0	4.2	4.3	4.5	4.6	4.8	4.9	5.1	5.2	5.4	5.5	5.7	6.0
Generation credit as per policy (Rs mn)			1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	-	-	-
Sales (Rs mn)			**9.7**	**10.0**	**10.3**	**10.6**	**11.0**	**11.3**	**11.6**	**11.9**	**12.3**	**12.6**	**11.8**	**12.1**	**12.8**
O&M cost (Rs mn)	2% initial capital cost with 4% escalation		-	-	1.2	1.2	1.3	1.3	1.4	1.5	1.5	1.6	1.6	1.7	2.3
Interest (Rs mn)	Assuming 70:30 DER, 12% interest rate		5.3	5.3	4.7	4.2	3.7	3.1	2.4	1.6	0.8	-	-	-	-
Depreciation (Rs mn)	5% SLM, assuming useful life of 20 yrs		2.8	2.8	2.8	2.8	2.8	2.8	2.8	2.8	2.8	2.8	2.8	2.8	2.8
Pre-tax cost (Rs mn)			8.1	8.1	8.7	8.2	7.8	7.2	6.6	5.9	5.1	4.4	4.4	4.5	5.1
Pre-tax profit (Rs mn)			1.6	2.0	1.6	2.4	3.2	4.1	5.0	6.0	7.1	8.2	7.4	7.6	7.6
Tax rate %	MAT rates		19.0	19.0	19.0	19.0	19.0	19.0	19.0	19.0	19.0	19.0	33.0	33.0	33.0
Less: tax (Rs mn)			0.3	0.4	0.3	0.5	0.6	0.8	0.9	1.1	1.4	1.6	-	-	2.5
MAT Credit			0.3	0.7	1.0	1.4	2.0	2.8	3.8	4.9	6.3	7.8	5.4	2.9	-
Net profit (Rs mn)			**1.3**	**1.6**	**1.3**	**2.0**	**2.6**	**3.3**	**4.0**	**4.9**	**5.8**	**6.6**	**7.4**	**7.6**	**5.1**
Cash profit (Rs mn)			**4.1**	**4.4**	**4.1**	**4.8**	**5.4**	**6.1**	**6.8**	**7.7**	**8.6**	**9.4**	**10.2**	**10.4**	**7.9**
Debt repayments			-	4.1	4.4	4.1	4.8	5.4	6.1	6.8	6.3	-	-	-	-
Equity cash flows		**(18.0)**	**4.1**	**0.3**	**(0.3)**	**0.7**	**0.6**	**0.7**	**0.8**	**0.8**	**2.2**	**9.4**	**10.2**	**10.4**	**7.9**
Equity IRR (%)	**15.9**														
- without generation incentive (%)	**13.9**														

Source: Industry, Kotak Institutional Equities estimates

Revise earnings estimates and target price to Rs40/share; retain REDUCE

We have revised our earnings estimates to Rs0.7 and Rs2.6 from Rs0.6 and Rs4 for FY2012E and FY2013E, respectively, based on lower inflow and execution assumptions for FY2012E. We correspondingly revised our target price to Rs40/share from Rs60/share based on (1) revision in order inflow and execution assumptions, (2) increased stake in REpower to 100% (from 95% earlier assuming completion of buy out), (3) increased net debt by about Rs9 bn for building in a redemption premium i.e. 1.5X par value of FCCBs and (4) cash from stake sale of Hansen (built in directly in FY2012E net PAT).

We retain REDUCE as we wait for data points pointing to sustainable business upside. Upside risk originate from positive regulation and Repower's offshore lead.

Target price of Rs40/share

Estimation of target price of Suzlon Energy

	FY2013E-based valn
Target EV/EBITDA multiple	**7X**
REpower	
FY2013E EBITDA (Euro mn)	153
EV (Euro mn)	1,072
Net debt (Euro mn)	(219)
Market capitalisation (Euro mn)	1,292
Repower per share price (Euro)	140
Suzlon's stake in REpower (%)	100
Contr to Suzlon MCap (Rs mn)	**80,081**
Suzlon wind business (Rs mn)	
MW sales	**2,143**
FY2013E EBITDA	13,362
EV of wind business	**93,532**
Net debt as on Mar' 2013E	103,171
Mcap. of Suzlon wind business	(9,640)
Mcap. contribution of Repower	80,081
Mcap. including Repower	70,442
No. of shares (mn)	**1,746**
Suzlon target price (Rs)	**40**

7X FY2013E EV/EBITDA appears reasonable for a high working capital company

Increased stake in REpower to 100%

Includes Rs9 bn of additional debt on FCCB conversion at 1.5X par value

Source: Company, Kotak Institutional Equities estimates

Key risks originate from continued negative execution surprises related to sectoral and company specific problems; we highlight that Suzlon did not have a strong execution track record when the sector scenario was buoyant. Furthermore, over the long term, the competitive intensity of the sector would increase, with new players from China and other industrial companies joining the renewable energy bandwagon.

Wind business financials of Suzlon Energy, March fiscal year-ends, 2008-13E (Rs mn)

	2008	2009	2010	2011	2012E	2013E
Income statement						
Total MW sales	**2,311**	**2,790**	**1,460**	**1,521**	**2,054**	**2,143**
Sales	**114,665**	**159,120**	**96,350**	**91,750**	**123,747**	**129,123**
Total Expenditure	**(97,529)**	**(143,240)**	**(96,930)**	**(90,780)**	**(111,353)**	**(115,762)**
Raw Material cost	(78,130)	(104,810)	(63,910)	(60,610)	(81,673)	(85,221)
Manpower	(5,179)	(8,970)	(9,110)	(9,410)	(9,881)	(9,881)
Other op exp	(14,220)	(29,460)	(23,910)	(20,760)	(19,799)	(20,660)
EBITDA	**17,136**	**15,880**	**(580)**	**970**	**12,394**	**13,362**
Other income	1,968	2,460	820	1,240	574	519
Financial charges	(4,603)	(7,780)	(9,720)	(9,930)	(10,196)	(9,721)
Depreciation	(1,703)	(2,600)	(3,120)	(3,590)	(3,532)	(3,639)
Profit before tax	**12,798**	**7,960**	**(12,600)**	**(11,310)**	**(761)**	**520**
Tax	(1,493)	(30)	(2,360)	270	—	(114)
One-off costs	—	(8,963)	—	—	—	1
Profit after tax	**11,305**	**(1,030)**	**(14,960)**	**(11,040)**	**7,519**	**405**
Balance sheet						
Share capital	2,994	2,997	3,114	3,491	3,491	3,491
Reserves and surplus	62,990	62,450	53,480	53,947	61,466	61,871
Total shareholders funds	**66,084**	**65,527**	**56,754**	**58,500**	**65,157**	**65,563**
Total loan funds	**86,430**	**124,520**	**116,940**	**112,330**	**102,330**	**102,330**
Total sources of funds	**153,284**	**192,227**	**176,264**	**173,400**	**170,057**	**170,463**
Net fixed assets	**17,320**	**25,710**	**25,050**	**23,910**	**19,928**	**17,289**
Investments	57,560	98,620	92,860	99,470	104,470	104,470
Cash and bank balance	48,870	13,590	16,374	9,730	6,661	8,159
Net current assets (excl. cash)	**29,200**	**47,150**	**38,580**	**36,890**	**35,598**	**37,145**
Total application of funds	**153,284**	**192,227**	**176,264**	**173,400**	**170,057**	**170,463**

Source: Company, Kotak Institutional Equities estimates

Consolidated financials of Suzlon Energy, March fiscal year-ends, 2008-13E (Rs mn)

	2008	2009	2010	2011	2012E	2013E
Income statement						
Sales	**136,794**	**260,817**	**206,197**	**167,932**	**217,744**	**241,920**
Total Expenditure	**(116,901)**	**(232,902)**	**(195,732)**	**(161,935)**	**(199,458)**	**(220,109)**
Raw Material cost	(88,702)	(168,568)	(136,282)	(120,794)	(156,307)	(174,782)
Manpower	(17,753)	(42,675)	(37,996)	(26,093)	(26,379)	(28,555)
Other op exp	(10,446)	(21,658)	(21,454)	(15,049)	(16,772)	(16,772)
EBITDA	**19,894**	**27,915**	**10,465**	**5,997**	**18,286**	**21,811**
Other income	2,646	4,488	2,290	1,594	963	947
Financial charges	(5,969)	(10,539)	(14,580)	(10,239)	(10,506)	(10,031)
Depreciation	(2,894)	(5,731)	(6,630)	(4,888)	(4,989)	(5,205)
Profit before tax	**13,676**	**16,133**	**(8,455)**	**(7,537)**	**3,755**	**7,521**
Tax	(1,993)	(2,881)	(3,561)	(1,363)	(2,191)	(2,763)
One-off costs	(1,512)	(8,963)	2,119	-	—	—
Profit after tax	**10,301**	**2,365**	**(9,826)**	**(9,396)**	**1,170**	**4,563**
EPS (Rs)	**6.6**	**1.6**	**(6.3)**	**(5.4)**	**0.7**	**2.6**
Balance sheet						
Share capital	2,994	2,997	3,114	3,491	3,491	3,491
Reserves and surplus	78,019	79,291	60,362	60,671	60,039	62,800
Total shareholders funds	**81,013**	**82,287**	**63,476**	**64,163**	**63,530**	**66,291**
Minority interest	10,244	23,135	3,285	3,582	3,981	4,463
Total loan funds	**99,346**	**148,696**	**126,679**	**116,675**	**106,675**	**106,675**
Total sources of funds	**190,628**	**254,143**	**193,465**	**184,449**	**174,216**	**177,459**
Net fixed assets	**42,954**	**80,884**	**44,695**	**34,758**	**34,228**	**31,589**
Goodwill	13,923	71,770	61,047	61,047	61,047	61,047
Investments	31,418	51	10,923	17,533	22,533	22,533
Cash and bank balance	69,602	30,698	29,043	28,328	20,641	25,046
Net current assets (excl. cash)	**32,949**	**72,607**	**48,723**	**40,701**	**46,179**	**49,842**
Total application of funds	**190,628**	**254,143**	**193,465**	**184,449**	**174,216**	**177,459**

Source: Company, Kotak Institutional Equities estimates

REpower Systems financials, March fiscal year-ends, 2006-13E (EUR mn)

	2006	2007	2008	2009	2010	2011	2012E	2013E
Income statement								
Income from operations	**466**	**685**	**153**	**1,241**	**1,344**	**1,216**	**1,500**	**1,800**
Expenditure	**(449)**	**(650)**	**(148)**	**(1,149)**	**(1,225)**	**(1,136)**	**(1,406)**	**(1,666)**
Raw material costs	(387)	(552)	(120)	(981)	(1,001)	(961)	(1,191)	(1,430)
Staff cost	(29)	(50)	(14)	(81)	(97)	(90)	(110)	(110)
Sales and distribution costs	(34)	(49)	(13)	(87)	(127)	(85)	(105)	(126)
EBITDA	**17**	**35**	**5**	**91**	**119**	**100**	**130**	**153**
EBITDA margin (%)	**3.5**	**5.1**	**3.3**	**7.4**	**8.9**	**8.2**	**8.6**	**8.5**
Other income	0	6	2	6	5	6	6	7
Interest & finance charges	(1)	(5)	(2)	(6)	(20)	(5)	(5)	(5)
Depreciation	(4)	(7)	(2)	(15)	(21)	(21)	(23)	(25)
PBT	**11**	**29**	**3**	**77**	**84**	**80**	**108**	**130**
Tax	(4)	(8)	(2)	(25)	(26)	(26)	(35)	(42)
PAT	**7**	**21**	**1**	**52**	**58**	**54**	**73**	**88**
Balance Sheet								
Share holder's Funds	**188**	**326**	**329**	**408**	**483**	**537**	**610**	**698**
Capital	8	9	9	9	9	9	9	9
Reserves and Surplus	180	317	320	399	474	528	601	688
Loan Funds	**20**	**21**	**18**	**41**	**76**	**76**	**76**	**76**
Total sources of funds	**208**	**347**	**347**	**449**	**559**	**613**	**686**	**774**
Net Block	53	85	110	148	200	215	250	250
Cash & Bank Balances	120	145	178	101	216	325	244	295
Investments	4	5	5	7	6	6	6	6
Net Current Assets	**30**	**112**	**55**	**193**	**130**	**67**	**185**	**222**
Total application of funds	**208**	**347**	**347**	**449**	**552**	**613**	**686**	**774**

Source: Company, Kotak Institutional Equities estimates

"I, Lokesh Garg, hereby certify that all of the views expressed in this report accurately reflect my personal views about the subject company or companies and its or their securities. I also certify that no part of my compensation was, is or will be, directly or indirectly, related to the specific recommendations or views expressed in this report."

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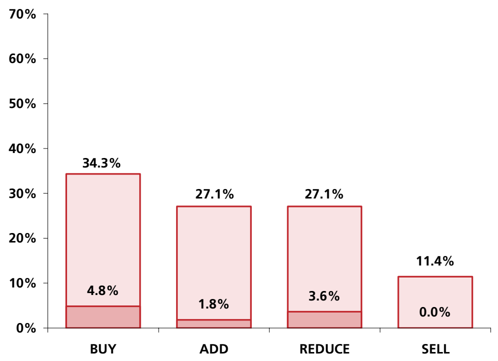

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Source: Kotak Institutional Equities

As of June 30, 2011

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