

Suzlon Energy Ltd

Large order win underscores strong fundamentals of global wind industry - ALERT

- **Large Order Win**-Suzlon has won a 400MW order from PPM Energy which is the second largest owner of wind farms in USA and is managing c1GW of installations currently. As per the company most of this order is expected to be executed in FYMar09 itself.
- **Strong demand outlook in USA**-Demand for renewable energy from USA has been stronger than expected with industry studies pointing to a c23% CAGR installed capacity growth over the next three years vs 22% over the last five years (source:BTM,AWEA). Key competitors in USA such as GE Wind are already running at full capacity and making it easier for Suzlon to garner market share. Suzlon's integrated supply chain strategy is also helping the company to meet delivery schedules enabling it to win new orders.
- **Realisation increase factored in**- Company has indicated that the orderbooking for the order is inline with company's estimate market price in FY09. This typically assumes a 5-7% increase in realisations on y/y basis. We believe that this order could be worth cUS\$475mn. We have assumed a 20% EBITDA margin for supply into USA in FY09 in our estimates.
- **Order adds to visibility further.** This order alone accounts for 22% of our forecast FYMar09E Suzlon's total international MW installations. We estimate that the current orderbook is now at cRs81bn or 0.8x FYMar08E wind turbine revenues. Further, this order is for supply of 2MW turbines, similar to earlier orders received in USA.
- **Order flow momentum remains healthy** - The current order follows after a 44MW order from Tierra Energy, USA and a 150MW order from Reliance Energy over the last two months.
- Our Underweight rating on the stock is premised on Suzlon stretching its balance sheet for REpower acquisition.

Underweight

Rs1,187.65

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Engineering

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Important Disclosures

Suzlon Energy Ltd (SUZL.BO) Price Chart



Date	Rating	Share Price (Rs)	Price Target (Rs)
11-Feb-07	UW	1080.10	1180.00

Source: Reuters and JPMorgan; price data adjusted for stock splits and dividends.
 Initiated coverage Feb 11, 2007. This chart shows JPMorgan's continuing coverage of this stock; the current analyst may or may not have covered it over the entire period.
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