

SUZLON ENERGY LTD.

HOLD

CMP:43.6

BSE Code	532667
NSE Code	SUZLON

Key Data

Sensex	9090
52 week H/L (Rs.)	340/36
Jan H/L (Rs.)	70/42
Market Cap (Rs cr)	6293
Avg. daily volume (6m)	9998346
Face Value	2

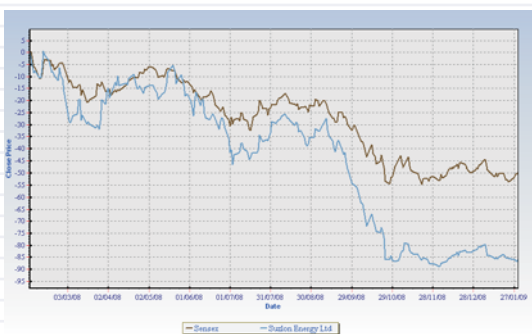
Source: Capitaline

Shareholding Pattern (%)

Promoters	65.83
Institution	5.16
Foreign holding	13.93
Non-promoter corporate holding	3.75
Public & Others	11.34

Source: Capitaline

One-Year Performance (Rel. to Sensex)



Source: Capitaline

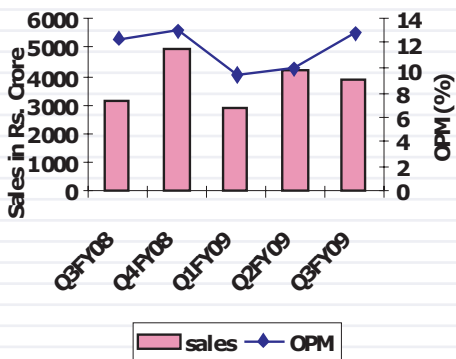
Result Highlights

- Net sales (Cons- Excl Hansen & Re-power) grew by 24% (YoY) basis, to Rs. 3932 crore (678.75 MW), but suffered loss of Rs. 84.6 crore on account of FCCB, Provision for retrofit programme, Forex losses.
- Core EBIDTA Margin (cons) stood at 12.9%, up by 60bps & was better than last two quarters. ANPM Plunged to -2.2% on account of extraordinary Items.
- Order book for Suzlon declined to 1916 MW (Rs. 10387 Crore)
- Stake sale of 10% of Hansen Transmission to Ecofin, UK for Rs. 500 Crore.

Financial Quarterly Results (Consolidated)

Rs. In Crore	Q3FY09	Q3FY08	% YoY	Q2FY09	%QoQ
Net Sales	3,932.0	3,169.8	24.05	4181.8	(5.97)
Total Expenditure	3,425.7	2,780.9	23.19	3769.2	(9.11)
Core EBIDTA	506.3	388.9	30.18	412.6	22.70
EBIDTA Margin (%)	12.9	12.3		9.9	
Other Income	53.4	82.0	(34.88)	15.9	235.85
Depreciation	75.2	74.7	0.68	62.5	20.34
EBIT	484.5	396.2		366.0	
Interest	146.0	156.5	(6.71)	188.5	(22.55)
Profit Before Tax	338.5	239.7	41.20	177.5	90.68
Tax	-25.8	87.3	(129.50)	30.2	(185.26)
Profit After Tax	364.2	152.4	138.98	147.3	147.25
Minority Interest	4.2	0.6			
Extraordinary Item	448.9	0.0		277.8	61.57
Adjusted Net profit	-84.6	151.8		-130.5	
ANPM (%)	-2.2	4.8		-3.1	

Sales & Operating Margin



Company is in negotiation phase in various market across the globe for the order worth of 2000MW. Management expect close to 1000MW orders in 6 month

Rs. 105 crore of Orders has been Rolled back

Revenues Rise, but Loss occurred due to currency Exchange, provision for retrofit programme, & FCCB

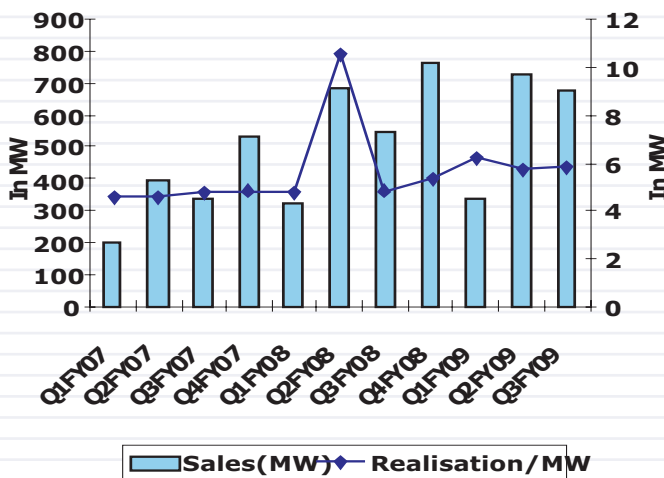
During the Q3FY09, company reported the revenue growth of 34% of Rs. 3932 crore (678.8 MW) as against Rs.3137 Crore (545.45 MW), and reported a loss of Rs. 84.6 Crore on account of currency exchange, FCCB & provision for retrofit programme. Core EBIDTA Margin rose for the first time in the year by just 10 bps, but was better than last two quarters. ANPM plunges to -2.2% on account of extraordinary Items.

In Q3 FY09, order book declined by 43% on YoY basis from 3357 in Q3FY08 MW to 1916 MW (Rs. 10837 crore) in Q3FY09.

For RE-power, order book stands at 1502.6 MW (1.6bn EURO).

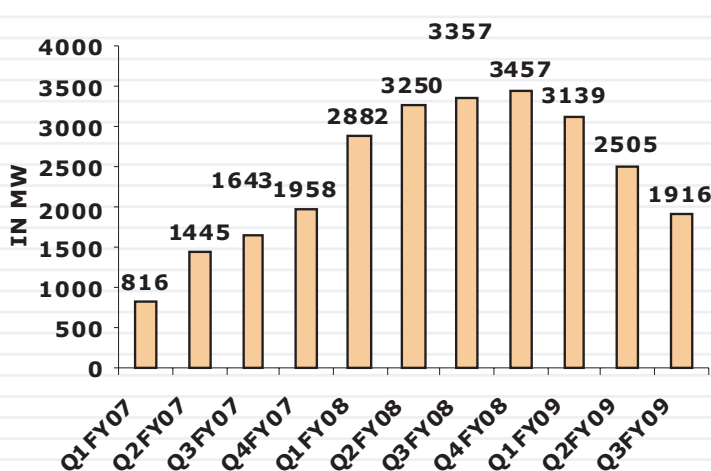
Decline in order book due to global slowdown in wind energy & suzlon's quality perception issue, with around 172 blades on the company's work horse turbine, the 2.1 MW (V2 Version) cracking accounted to the lack of ability of the design to handle the stress created in operation.

Sales (MW) & Relisation per MW



(Sources:- Company data, Anagram Research)

Orderbacklog in MW



Guidance:-Hansen to report 50% Revenue growth full year

Subsidiaries: - A Silver lining.

Suzlon Subsidiaries have reported excellent growth in revenues terms.

IN EURO	Hansen			RE-Power		
	9MFY09	9MFY08	%Chg	9MFY09	9MFY08	%Chg
Sales	451	274	65	842.9	522.7	52
EBIT	45	19	139	38.1	27.9	36
Margin	9.98	6.93		4.52	5.34	

(Sources:- Company data, Anagram Research)

Funding for balance stake will be met through combination of Working capital & external sources

Funding RE-power

Suzlon has paid first tranche of Martifer group's stake in RE-Power for Euro 65 million. The transaction takes Suzlon's holding in REpower to 73.71 percent. Suzlon already holds 91 percent voting rights in REpower through an existing agreement with Martifer.

According to the new terms, Suzlon to acquire stake in RE- Power in three tranche:- 65 million Euros to be paid in December, 30 million Euros in April 2009, and a final payment of 175 million Euros to be made in May 2009, which will take Suzlon's ownership level to approximately 91 per cent in REpower.

Retrofit Programme

Retrofit programme, which started last year to reinstate cracked/damaged blades, is already completed up-to 30% & is expected to complete by June 2009.

Other Developments

- Suzlon sold 10% of equity interest in Hansen transmission for Rs. 500 crore to Ecofin:- a UK based investment firm.
- Raise Rs.400 crore by selling stake of its subsidiary SEFL to IDFC PE.

Retrofit Programme

Particulars	Provision (Rs. In crore)			
	FY08	H1FY09	Q3FY09	Total
Retrofit & replacement	122	-	171	293
Available compensation	20	74	62	156
TOTAL	142	74	237	449

Blade (in Nos)	Cracked till jan 25,09	Retrofit	Balance
1251	172	363	888

(Sources:- Company data, Anagram Research)

Risk Concern

- Slow Down in Global Wind energy Market.
- On account of volatility in Currency, company might suffer forex losses.
- Further cancellation of orders.
- Increasing cost of capital with reduction in sources of project finance.

Valuation & Recommendation

Stock has underperformed the Indian market massively from its peak due to successive bad news. We believe most of the bad news has already been factored in the stock price.

We believe the next stage of growth at Suzlon will be powered by RE power technology (3 MW, 5 MW, & 6 MW).

While the long-term story for the Wind Energy sector is intact and Suzlon continues to look fine, the short-term picture looks gloomy due to challenging environment.

We are cutting our EPS estimate for FY09E from Rs. 6 to -.26 on account of lower visibility of Order & Earnings.

We downgrade our rating from Accumulate to **hold** on the stock.

Rs. in Crore	FY06	FY07	FY08	FY09E
Net Sales	3,841.0	7,985.7	13,679.4	15731.0
Growth (%)		107.9	71.3	15.0
Total Expenditure	2,975.8	6,689.9	11,755.0	13825
Core EBIDTA	865.2	1,295.8	1,924.4	1906.30
EBIDTA Margin (%)	23%	16%	14%	12%
Depreciation	71.6	171.8	289.4	312.05
Other Income	74.5	96.5	264.6	211.90
EBIT	868.1	1,220.5	1,899.6	1,806.2
Interest	50.8	252.3	532.0	663.00
Profit Before Tax	817.3	968.2	1,367.6	1,143.2
Tax	56.8	103.5	199.3	140.00
Net Profit	760.5	864.8	1,168.3	1,003.2
Extraordinary Items	1.0	0.8	151.0	1042.00
Adjusted Net profit	759.5	864.0	1,017.3	-38.9
ANPM (%)	19.8	10.8	7.4	-0.2
Equity	299.7	299.7	299.7	299.7
EPS	5.1	5.8	6.8	-0.26

(Sources:- Company data, Anagram Research)

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RATING INTERPRETATION

Buy Expected to appreciate more than 20% over a 12-month period

Accumulate Expected to appreciate up to 20% over a 12-month period

Hold Expected to remain in a narrow range

Avoid Expected to depreciate up to 10% over a 12-month period

Exit Expected to depreciate more than 10% over a 12-month period