

Suzlon Energy (CMP Rs 1213) manufactures wind power generators (windmills) which is being very well received as a renewable energy source all across the globe. **The global wind power installations are expected to increase by two and a half times to 150,000 MW in December 2010** from 59, 264 MW in December 2005. Thus the global industry is growing at a compounded annual growth rate of 21%.

India is ranked fourth amongst the global wind energy markets . For the year end 2005 the cumulative installations of 4,253 MW accounted for 7.20% of the global installed capacity. **The Indian wind energy market has grown at 41.80% during 2005.** Given the **power shortfalls, rising energy prices and the thrust on renewable sources of energy** the Indian wind power installations are expected to reach 12,253 MW by the end of year 2010 (source: BTM Consult ApS - March 2006).. **A compounded annual growth rate of 30%.**

Suzlon is also the fifth largest company in the world in terms of annual installations and second largest globally in terms of increase in market share during the calendar year 2005

Suzlon has design and R&D facilities in Germany, India and Netherlands. **The international business of Suzlon is managed out of Aarhus, Denmark where Suzlon has established a wholly owned subsidiary,**

Earlier this year Suzlon Energy A/S (SEAS), entered into an **agreement with Maestrale Green Energy of Italy for 21 MW** and also a **contract for 39.9 MW in Portugal with TECNEIRA - Technologies Energéticas, SA** for a wind farm project

Mr. Tulsi.R.Tanti the managing director of the company opined that these orders have **created a breakthrough into the emerging wind energy markets of Europe, He expects Emerging Europe to be a key market for Suzlon alongside China, India and the US.** Tanti further added that this order marks Suzlon's entry as a full fledged player on the European wind energy stage.

Financial Snapshot	
C.M.P	Rs 1213
Market Capitalization	Rs 34,915 crores
EPS Fy 07 (E)	Rs 46.00
PE	26.36
EPS Fy 08 (E)	Rs 60.00
RoE	45%
Sustainable growth	35%
PEG	0.75

Although power companies are known as widow stocks in the US Suzlon is a little different from that, The Company possesses all the attributes of a growth stock. The company has grown its revenue and profits for more than 50% over the last 4 years. **The high RoE suggest that the company can execute and maintain its high growth phase without resorting to any equity or financial offerings.** But the company is already contemplating raising Rs 5000 crores from a Foreign issue. This should boost the growth line further. Clearly the company **should achieve a 35% - 40% growth over the next 3 years.** My sense is that **with crude and other resources becoming dearer Suzlon should see some huge pick up in demand for its products.**

In India **Suzlon has a market share of over 50%** and. **It had cumulative global sales of 2,321 wind turbine generators with total capacity of 2, 108.09 MW on March 31, 2006.**

As a backward integration step the **company recently acquired Hansen Transmission which manufactures wind energy and industrial gearbox.** The company is constantly on the look out for backward integration by putting up manufacturing facilities for key components such as rotor blades etc.

The **renewable energy law and concessions with a 25 year purchase agreement** for wind power generating plants in China coupled with the **extension in cut off date for tax credit for wind power generated plants in the US** shall further provide boost to Suzlon's efforts this year. But Suzlon will have to **increase the capacity of its plants from 1.5MW - 2MW to 3.5 MW - 4 MW to compete with its global peers.**

Recommendation: Suzlon provides an **excellent portfolio hedge against crude.** At the current price of Rs 1213 the **earnings visibility is very clear** and long term investors should get in with small investments and average down as the stock declines any further. An energy stock at a PE of 26 times appears over priced but Suzlon should remain over priced an investor will have to have to take it like that. The stock is **insulated from adverse movements in the economy and as the global industry is growing at 24% the leading company could easily grow at twice that rate.**