

RESULT UPDATE
Suzlon Energy Ltd.
CMP: Rs 296
Accumulate

BSE Code	532667
NSE Code	SUZLON

Key Data

Sensex	16907
52 week H/L (Rs)	460/220
April H/L (Rs)	317/265
Market Cap (Rs Cr)	43651
Avg. daily volume (6m)	1236088
Face Value	2

Source: Capitaline

Shareholding Pattern (%)

Promoters	65.9
Institution	3.7
Foreign holding	22.1
Non-promoter Corporate Holding	1.1
Public & Others	7.2

Source: Capitaline

One-Year Performance (Rel. to Sensex)

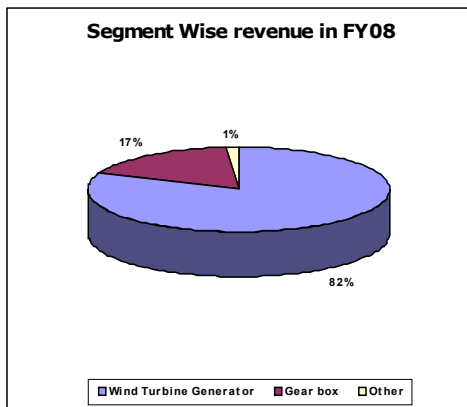

Source: Capitaline

Result Highlights

- Consolidated Net sales grew by 71% YoY to Rs 13,679.4 Cr, due to execution of some large orders.
- Operating margins were down on back of sudden rise in commodities prices and Rupee appreciation effect. Net profit (before exceptional items) increased by 35% to Rs 1,168 Cr.
- The company is going to increase its capacity by 3,000 MW of new integrated wind turbine unit.
- Suzlon has maintained robust order backlog of Rs 18,308 Cr (3,454 MW), on back of huge demand of wind energy due to rise in conventional energy prices.

Financials
Annual Results

Rs Cr	FY06	FY07	FY08	% Chg
Net Sales	3,841.0	7,985.7	13,679.4	71%
Total Expenditure	2,975.8	6,689.9	11,755.0	76%
Operating Profit	865.2	1,295.8	1,924.4	49%
Interest	50.8	252.3	532.0	111%
Other Income	74.5	96.5	264.6	174%
Depreciation	71.6	171.8	289.4	68%
Tax	56.8	103.5	199.3	93%
PAT	760.5	864.8	1,168.3	35%
Extraordinary Items	1.0	0.8	151.0	
ARPAT	759.5	864.0	1,017.3	18%
Equity	299.4	299.4	299.4	0%
EPS	5.1	5.8	6.8	18%
Margins (%)				
OPM	22.5	16.2	14.1	-13%
NPM	19.8	10.8	8.5	-21%



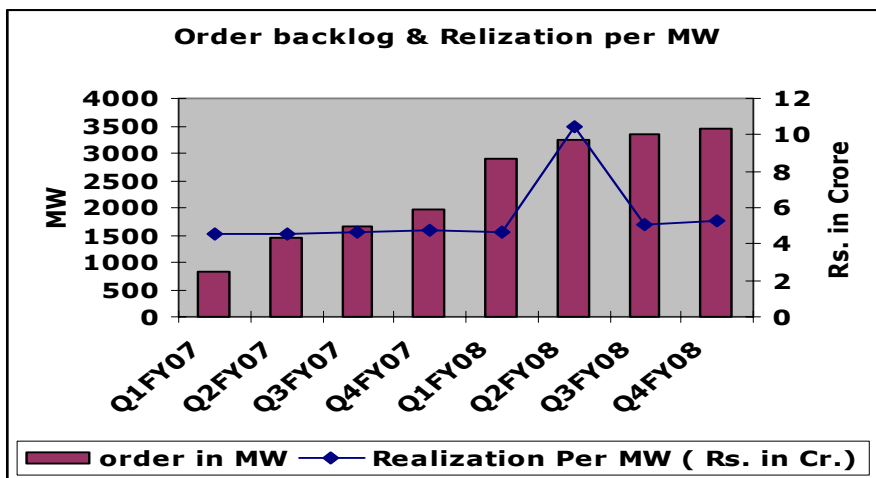
(Sources:- company data, Anagram Research)

Revenue Rise on back of execution of large projects:

During FY08, the company reported (Cons) revenue of Rs 13,679.4 Cr (2,311 MW) as against Rs 7,985 Cr (1456 MW), which is more than our estimates. Revenue growth was high due to execution of some large projects. During the year, the operating profits were down by 200 bps to 14.1% from 16.2%. Margins dropped on account of sudden rise in raw material prices and Rupee appreciation affect.

Huge orders bagged around the world

- Suzlon reported a strong order book (excluding Hansen and REPower) position of Rs 18,308.6 Cr (3,454 MW); with Rs 886.5 Cr (160 MW) worth of domestic orders and Rs 17,422.1 Cr (3,294 MW) in international orders.
- Rs 18,308 Cr worth of order backlog is to be executed over 12-15 months. The management expects around 65% of orders will be executed in FY09 and balance in FY10.
- Suzlon entered several new markets last year, securing orders in Nicaragua, Spain, Brazil, Turkey and took the business from 16 to 21 countries globally.



(Sources:- Company data, Anagram Research)

Company wants to double the Capacity in China up to 1,200 MW by 2009

Suzlon is targeting capacity of 14,300 MW worldwide

Management expects growth of 40-50% in FY09, against market growth of 20-25%

Capacity expansion on track:

- The company is establishing new manufacturing facility in India to act as a hub for global markets by establishing 3000 MW of new capacity, which is in advanced stage of progress, with production schedule to begin in July '09 and will reach utilization in Q4FY09 - more than doubling the current manufacturing capacity from 2,700 MW to 5700 MW. In 2007, Suzlon had 10.5% market share worldwide.
- The company's project to establish forging facilities of 70,000 MT capacity and foundry facilities of 120,000 MT capacity - are also scheduled to commence production in Q3FY09. The aggregate investment on all Suzlon capex projects (excluding Hansen) amounts to Rs 2,961 Cr.

Other Key Development:

- Last year Suzlon bought 33.8% stake in RE-Power @150 Euro per share. Currently RE-Power is trading at 230 Euro per share. Management can sell its stake if deemed right.

Investment Concerns

- Volatility in commodities prices and fluctuation in currency prices.
- Suzlon incurred Rs 24 Cr hedging loss & MTM loss of Rs 26 Cr in Q4FY08.
- Margin pressure due to Rotor blades writes off worth Rs 100 Cr.

Valuation & Recommendation

Suzlon is expanding its capacity in India to act as hub for global markets by establishing 3000 MW of new capacity. With the huge demand of wind energy worldwide on back of rising conventional energy prices, we expect Suzlon to benefit due to its global presence & huge capacity addition going forward.

At CMP of Rs 292, the stock trades at 43x its FY08 earnings. We recommend "**Accumulate**" rating on the stock.

Suzlon capacity expansion plan

Particular	Capacity	Invest. (Rs.in crore)	Place	Target
Integrated turbine & Mfg. Facilities	3000 MW	1500	India	Phased manner Q1, Q2.Q3, FY09
Forging & Machinery	70000 MT	1100	India	Q3, FY09
Foundary & machinery	120000MT		India	Q3FY09
Suzlon campus		361	India	Q3FY09
Hansen	11000 Mw	3300	Belgium	
			India	FY09-FY10

The aggregate investment on all Suzlon capex projects (excluding Hansen) amounts to **INR 2,961 crore.**

Quarterly Performance

Rs. in Crore	Q4FY08	Q4FY07	%chg	Q3FY7	%chg
Net Sales	4,923.8	2,915.9	69%	3,169.8	55%
Total Expenditure	4,199.1	2,420.6	73%	2,780.9	51%
Operating Profit	724.6	495.4	46%	388.9	86%
Interest	129.0	97.2	33%	156.5	
Other Income	95.9	46.3	107%	82.0	17%
Depreciation	98.0	60.0	63%	74.7	31%
Tax	54.3	25.6	112%	87.3	
PAT	539.3	359.0	50%	152.3	254%
Extraordinary Items	82.9	0.0		0.0	
ARPAT	456.4	359.0	27%	152.3	200%
Equity	299.4	299.4	0%	299.4	
EPS (After excp. Items)	3.0	2.4	27%	1.0	200%
Margins (%)					
OPM	14.7	17.0		12.3	
NPM	11.0	12.3		4.8	

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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

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