

## Remain In Red; No Pick-up Yet

### Slips into red; Outlook deteriorating; Fixing debt challenge; UPF

Suzlon had dismal 4QFY10 with Rec. Loss of Rs1.9bn vs Rec. PAT of Rs2.5bn in 4QFY09 as it missed its guidance by 22%. This was led by uneconomical operations resulted from dwindling backlog (-22%), client driven push back in sales -38%YoY fall in WTG volume (ex-REpower) and 3.8x higher tax expense. FY10 ended with Rec. Loss of Rs11.9bn vs Rec. PAT of 10bn in FY09. With little recovery in sight, Suzlon has fixed its debt repayment obligation by refinancing US\$2.3bn debt / non-fund limits with 2 year moratorium. We cut our EPS to a loss in FY11E and 37% FY12E on continued weakness in US gas / power prices (Chart 3 & 4) leading to delay in delivery, longer order conclusion cycle and cut our PO to Rs59 (Rs66). Maintain Underperform rating. Upside risk to our rating is pick-up in global wind markets.

### 4QFY10 - push-back in USA/China/ANZ cloud India rebound +57%

Suzlon (ex-REpower) had weak execution in 4QFY10 with -40%YoY volume led by International volume (-64%YoY) on push-back of projects in USA/China while domestic volume recovered on regulatory support. REpower profit of Rs520mn (vs Rs890mn in 4Q09) was the only positive.

### Mgt see weak 1HFY11; Cut EPS on weak backlog; Mgt. churn

Business continuity remains our key concern for Suzlon and 23%YoY fall in FY10 order book (<1 year sales) support it. Mgt guide to significantly back-ended volumes in FY11E indicating no recovery in-sight. This coupled with weak commentary by HSN / Vestas at its 4Q call and over-supply in global WTG markets drive our cut in SUEL EPS to loss in FY11E and 37% FY12E. We also note the churn in mgt. with head of its China subs. Mr. Paulo, and COO, Suzlon Wind, Mr. Sumant Sinha leaving the company and addition of Mr. Andreas Nauen, as CEO RE-power from Siemens Wind.

### Order not enough; B-T-B at 0.4; Debt re-payment risk postponed

In our view, SUEL's backlog is not be enough to address business continuity concern as SUEL has begun FY11E with backlog of 1.1GW (new low in B-T-B of 0.5 – see chart 5) vs our volumes of 2155MW in FY11E ex-REpower. Realizing this, Suzlon is proactively addressing D/E by announcing rights issue to convert promoter debt into equity & fixed the debt repayment challenge with a 2 year moratorium in its US\$2.3bn debt refinancing.

#### Estimates (Mar)

(Rs)	2009A	2010A	2011E	2012E	2013E
Net Income (Adjusted - mn)	10,152	(11,944)	(1,502)	5,475	9,648
EPS	6.78	(7.67)	(0.965)	3.52	6.20
EPS Change (YoY)	-23.8%	NM	87.4%	NM	76.2%
Dividend / Share	0	0	0	1.50	1.75
Free Cash Flow / Share	(42.61)	5.77	(4.51)	(10.77)	(5.56)

#### Valuation (Mar)

	2009A	2010A	2011E	2012E	2013E
P/E	9.01x	NM	NM	17.36x	9.85x
Dividend Yield	0%	0%	0%	2.46%	2.87%
EV / EBITDA*	7.57x	22.59x	12.17x	7.55x	5.91x
Free Cash Flow Yield*	-67.17%	9.45%	-7.39%	-17.64%	-9.11%

\* For full definitions of *iQmethod*<sup>SM</sup> measures, see page 9.



Bharat Parekh >>

+91 22 6632 8656

Research Analyst  
DSP Merrill Lynch (India)  
bharat.parekh@baml.com

#### Stock Data

Price	Rs61.05
Price Objective	Rs59.00
Date Established	31-May-2010
Investment Opinion	C-3-7
Volatility Risk	HIGH
52-Week Range	Rs53.80-Rs145.85
Mrkt Val / Shares Out (mn)	US\$2,051 / 1,556.8
Average Daily Volume	20,830,440
BofAML Ticker / Exchange	SZEFY / BSE
Bloomberg / Reuters	SUEL IN / SUZL.BO
ROE (2011E)	-2.3%
Net Dbt to Eqty (Mar-2010A)	140.8%
Est. 5-Yr EPS / DPS Growth	30.0% / 30.0%
Free Float	46.9%

#### Key Changes

(Rs)	Previous	Current
Price Obj.	66.00	59.00
2011E EPS	3.24	-0.96
2012E EPS	5.63	3.52
2013E EPS	NA	6.20

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Refer to important disclosures on page 10 to 12. Analyst Certification on Page 8. Price Objective Basis/Risk on page 8. Link to Definitions on page 8.10943112

31 May 2010

# iQprofile<sup>SM</sup> Suzlon Energy Ltd.

Key Income Statement Data (Mar)	2009A	2010A	2011E	2012E	2013E
<b>(Rs Millions)</b>					
Sales	262,588	207,792	230,070	299,552	363,185
Gross Profit	94,020	71,511	73,738	94,349	114,427
Sell General & Admin Expense	(65,861)	(62,079)	(56,235)	(66,139)	(78,363)
Operating Profit	22,427	2,801	11,599	21,117	28,031
Net Interest & Other Income	(7,223)	(11,256)	(12,307)	(13,646)	(15,355)
Associates	NA	NA	NA	NA	NA
Pretax Income	15,204	(8,454)	(708)	7,471	12,676
Tax (expense) / Benefit	(3,128)	(3,561)	(1,355)	(3,003)	(4,247)
Net Income (Adjusted)	10,152	(11,944)	(1,502)	5,475	9,648
Average Fully Diluted Shares Outstanding	1,498	1,557	1,557	1,557	1,557

## Key Cash Flow Statement Data

Net Income	10,152	(11,944)	(1,502)	5,475	9,648
Depreciation & Amortization	5,731	6,630	5,904	7,093	8,032
Change in Working Capital	(39,658)	23,884	(2,269)	(19,968)	(16,283)
Deferred Taxation Charge	0	0	0	0	0
Other Adjustments, Net	3,597	(814)	(17)	392	569
Cash Flow from Operations	(20,177)	17,756	2,117	(7,009)	1,967
Capital Expenditure	(43,662)	(8,778)	(9,139)	(9,753)	(10,625)
(Acquisition) / Disposal of Investments	(26,480)	(148)	0	0	0
Other Cash Inflow / (Outflow)	(11,768)	41,900	0	0	0
Cash Flow from Investing	(81,910)	32,974	(9,139)	(9,753)	(10,625)
Shares Issue / (Repurchase)	13,833	(30,369)	0	0	0
Cost of Dividends Paid	0	0	0	(2,723)	(3,177)
Cash Flow from Financing	63,183	(52,385)	5,437	4,667	11,213
Free Cash Flow	(63,839)	8,978	(7,022)	(16,761)	(8,658)
Net Debt	117,997	97,637	104,659	124,143	135,978
Change in Net Debt	88,253	(20,361)	7,022	19,484	11,835

## Key Balance Sheet Data

Property, Plant & Equipment	80,884	44,695	47,929	50,589	53,182
Other Non-Current Assets	73,933	73,542	73,795	73,821	73,849
Trade Receivables	53,928	31,740	48,289	74,354	95,788
Cash & Equivalents	30,698	29,043	27,458	15,363	17,918
Other Current Assets	134,203	111,199	112,373	137,798	161,448
Total Assets	373,646	290,218	309,844	351,925	402,185
Long-Term Debt	148,696	126,679	132,116	139,506	153,896
Other Non-Current Liabilities	NA	NA	NA	NA	NA
Short-Term Debt	NA	NA	NA	NA	NA
Other Current Liabilities	115,523	94,216	109,670	141,192	169,993
Total Liabilities	264,219	220,896	241,787	280,699	323,889
Total Equity	109,427	69,323	68,058	71,227	78,296
Total Equity & Liabilities	373,646	290,218	309,844	351,926	402,185

## iQmethod<sup>SM</sup> - Bus Performance\*

Return On Capital Employed	8.6%	1.4%	5.7%	6.4%	8.5%
Return On Equity	12.1%	-15.7%	-2.3%	8.3%	13.7%
Operating Margin	8.5%	1.3%	5.0%	7.0%	7.7%
EBITDA Margin	10.7%	4.5%	7.6%	9.4%	9.9%

## iQmethod<sup>SM</sup> - Quality of Earnings\*

Cash Realization Ratio	-2.0x	NM	NM	-1.3x	0.2x
Asset Replacement Ratio	7.6x	1.3x	1.5x	1.4x	1.3x
Tax Rate (Reported)	20.6%	NM	NM	40.2%	33.5%
Net Debt-to-Equity Ratio	107.8%	140.8%	153.8%	174.3%	173.7%
Interest Cover	2.5x	0.2x	0.9x	1.5x	1.8x

## Key Metrics

\* For full definitions of iQmethod<sup>SM</sup> measures, see page 9.

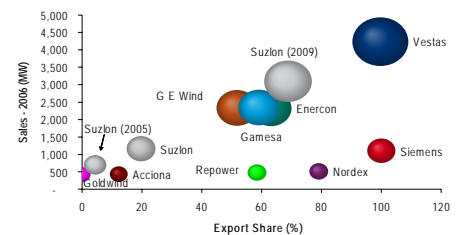
## Company Description

Suzlon Energy is the fifth largest wind-turbine manufacturer in the world with 10% global & over 50% market share in India. Its global delivery model, market leadership in India and focused approach to globalization are some of the key competitive advantages. The company enhances its competitive advantage by focusing on R&D in Europe, production in low cost countries such as India/China and focusing on sales in countries with high growth potential

## Investment Thesis

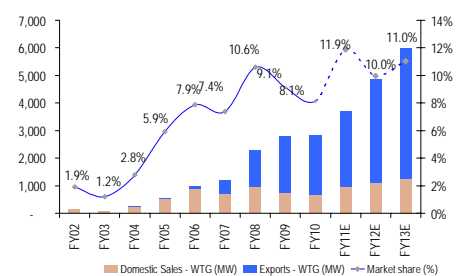
We rate Suzlon Underperform on weak wind markets ahead leading to deteriorated outlook and development of secondary market for turbines in India, which could create potential risk to its volumes. Longer term, expect Suzlon to emerge as 3rd largest global wind turbine company by FY12 led by: a) Multifold expansion in addressable market, b) Maintenance of its 50pct share in India - access to 'windy' sites, concept-to-commissioning model and control over component supply, c) Global delivery model.

Chart 1: Suzlon - export opportunity, next frontier of growth



Source: BofAML Global Research Company, BTM Consult ApS

Chart 2: Suzlon - Sales and Global market share



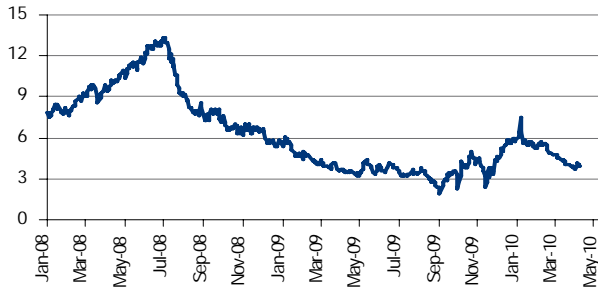
Source: BofAML Global Research Company, BTM Consult ApS

## Stock Data

Price to Book Value

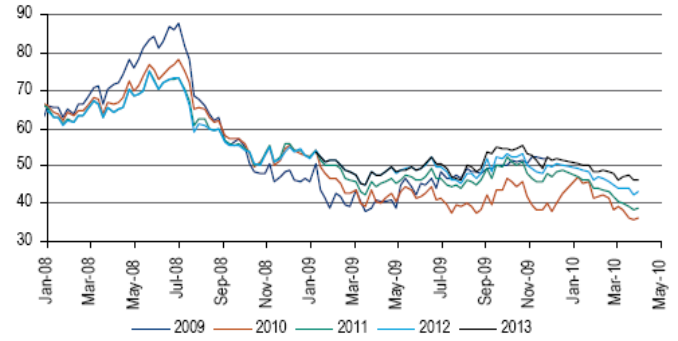
1.5x

**Chart 3: Gas price (\$/Mmbtu): falling as the weather gets warmer**



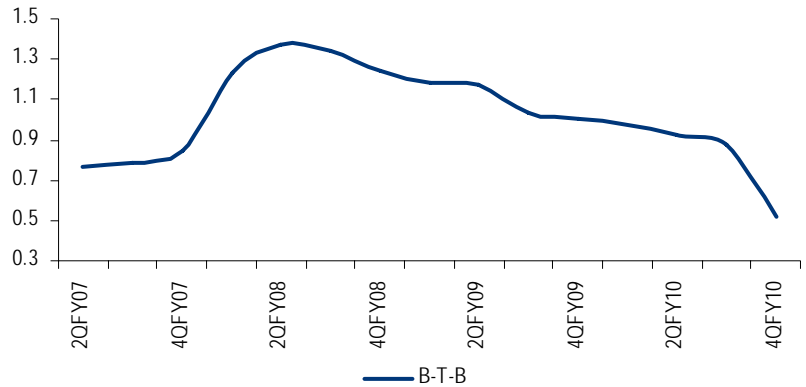
Source: BofA Merrill Lynch Global Research

**Chart 4: ERCOT power prices (\$/MWh)**



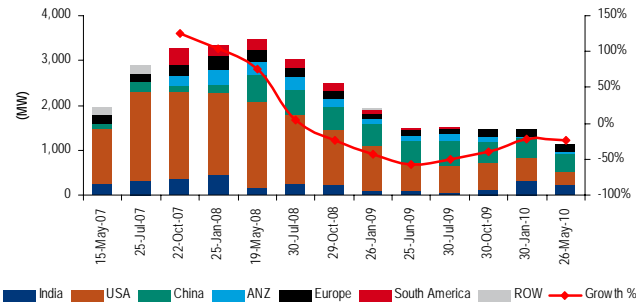
Source: BofA Merrill Lynch Global Research

**Chart 5: Suzlon: Dwindling visibility**



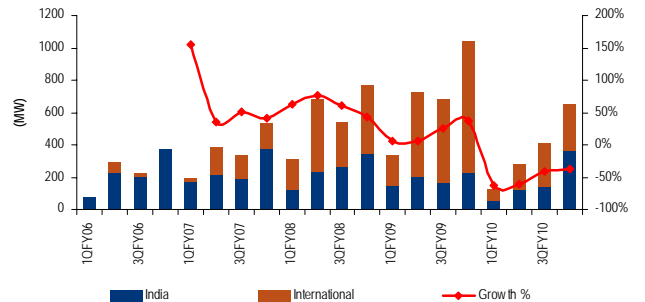
Source: Company, BofA Merrill Lynch Global Research

**Chart 6: Suzlon: Geographical WTG order backlog (MW)**



Source: Company

**Chart 7: Suzlon: Geographical WTG volume (MW)**



Source: Company

Table 1: Suzlon - Refinancing of debt

Debt type (Rs mn)	Balance on				
	4QFY09	1QFY10	2QFY10	3QFY10	4QFY10
Acquisition loans	34,020	32,530	30,970	21,590	20,830
FCCBs	25,360	18,640	23,040	22,290	21,510
Working Capital / Capex loans	65,140	74,060	69,010	60,860	62,840
Loans from promoter group	0	5,620	11,750	11,750	11,750
<b>Gross debt</b>	<b>124,520</b>	<b>130,850</b>	<b>134,770</b>	<b>116,490</b>	<b>116,930</b>
Cash	(13,590)	(8,620)	(9,520)	(10,410)	(15,410)
<b>Net debt</b>	<b>110,930</b>	<b>122,230</b>	<b>125,250</b>	<b>106,080</b>	<b>101,520</b>

Source: Company

Table 2: Suzlon - 4QFY10 & FY10 Results Review

For the Period (Rs mn)	4QFY09	4QFY10	%YoY	FY09	FY10	%YoY
<b>Order Book Suzlon -WTG (MW)</b>	<b>1,463</b>	<b>1,126</b>	<b>-23.0%</b>	<b>1,463</b>	<b>1,126</b>	<b>-23.0%</b>
- Domestic	75	230	206.7%	75	230	206.7%
- International	1,388	896	-35.4%	1,388	896	-35.4%
Order Book Suzlon -WTG (Rs mn)	79,010	61,740	-21.9%	79,010	61,740	-21.9%
Order Inflow Suzlon -WTG (MW)	593	293	-50.5%	799	1,123	40.6%
<b>Volume Suzlon - WTG (MW)</b>	<b>1,046</b>	<b>651</b>	<b>-37.8%</b>	<b>2,790</b>	<b>1,460</b>	<b>-47.7%</b>
- Domestic	230	361	57.0%	749	688	-8.1%
- International	816	290	-64.5%	2,041	772	-62.2%
<b>Sales (Rs mn)</b>	<b>84,660</b>	<b>60,730</b>	<b>-28.3%</b>	<b>231,090</b>	<b>181,370</b>	<b>-21.5%</b>
Suzlon -WTG	57,030	41,500	-27.2%	158,970	96,350	-39.4%
- Domestic	14,370	20,110	39.9%	44,200	40,660	-8.0%
- International	42,660	21,390	-49.9%	114,770	55,690	-51.5%
<b>REpower</b>	<b>27,630</b>	<b>19,230</b>	<b>-30.4%</b>	<b>72,120</b>	<b>85,020</b>	<b>17.9%</b>
Avg. Realisation (Rs mn/MW)	58.4	44.4	-23.9%	57.2	63.9	11.8%
Suzlon -WTG	54.5	63.7	16.9%	57.0	66.0	15.8%
- Domestic	62.5	55.7	-10.8%	59.0	53.7	-9.0%
- International	52.3	73.8	41.1%	56.2	72.1	28.3%
<b>REpower</b>	<b>68.5</b>	<b>26.9</b>	<b>-60.8%</b>	<b>57.5</b>	<b>61.7</b>	<b>7.3%</b>
<b>Sales</b>	<b>91,213</b>	<b>60,836</b>	<b>-33.3%</b>	<b>260,817</b>	<b>206,197</b>	<b>-20.9%</b>
Other Operating Income	866	806	-7.0%	1,771	1,596	-9.9%
<b>Income from Operations</b>	<b>92,079</b>	<b>61,642</b>	<b>-33.1%</b>	<b>262,588</b>	<b>207,792</b>	<b>-20.9%</b>
Raw materials	(58,042)	(38,219)	-34.2%	(168,568)	(136,282)	-19.2%
as % of sales	63.0%	62.0%		64.2%	65.6%	
Staff Cost	(6,279)	(4,226)	-32.7%	(21,658)	(21,454)	-0.9%
as % of sales	6.8%	6.9%		8.2%	10.3%	
Other Expenditure	(19,564)	(13,849)	-29.2%	(44,204)	(40,625)	-8.1%
as % of sales	21.2%	22.5%		16.8%	19.6%	
<b>Total Expenditure</b>	<b>(83,885)</b>	<b>(56,294)</b>	<b>-32.9%</b>	<b>(234,429)</b>	<b>(198,361)</b>	<b>-15.4%</b>
as % of sales	91.1%	91.3%		89.3%	95.5%	
<b>EBITDA</b>	<b>8,194</b>	<b>5,349</b>	<b>-34.7%</b>	<b>28,159</b>	<b>9,431</b>	<b>-66.5%</b>
EBITDA Margin	8.9%	8.7%		10.7%	4.5%	
EBITDA / MW (Rs mn)	4.3	3.9	-9.6%	5.4	2.5	-54.7%
Depreciation	(2,009)	(1,451)	-27.8%	(5,731)	(6,630)	15.7%
<b>EBIT</b>	<b>6,185</b>	<b>3,898</b>	<b>-37.0%</b>	<b>22,427</b>	<b>2,801</b>	<b>-87.5%</b>
EBIT Margin	6.7%	6.3%		8.5%	1.3%	
Interest expenses	(3,082)	(3,002)	-2.6%	(9,012)	(11,950)	32.6%
Other Income	205	104	-49.4%	1,789	695	-61.2%
<b>PBT</b>	<b>3,308</b>	<b>1,000</b>	<b>-69.8%</b>	<b>15,204</b>	<b>(8,454)</b>	<b>-155.6%</b>
PBT Margin	3.6%	1.6%		5.8%	-4.1%	
Provision for taxation	(802)	(2,953)	268.1%	(3,128)	(3,561)	13.9%
Tax rate	24.3%	295.3%		20.6%	-42.1%	
<b>PAT (pre-minorities)</b>	<b>2,505</b>	<b>(1,953)</b>	<b>-178.0%</b>	<b>12,076</b>	<b>(12,016)</b>	<b>-199.5%</b>
Add: Share in profit's from Associates	-	122	N.A.	23	161	594.8%
Minority Interest	(949)	(120)	-87.4%	(1,947)	(90)	-95.4%
<b>Rec. PAT</b>	<b>1,556</b>	<b>(1,951)</b>	<b>-225.4%</b>	<b>10,152</b>	<b>(11,944)</b>	<b>-217.6%</b>
PAT Margin	1.7%	-3.2%		3.9%	-5.7%	
Exceptional Income/ (Expenses)	1,593	67	-95.8%	(7,788)	2,119	-127.2%
<b>Reported PAT</b>	<b>3,149</b>	<b>(1,885)</b>	<b>-159.9%</b>	<b>2,365</b>	<b>(9,825)</b>	<b>-515.5%</b>

Source: Company

Table 3: Suzlon - Consolidated Profit & Loss Statement

Year End Mar31 (Rs mn)	FY09	FY10	FY11E	FY12E	FY13E
<b>MW Sold</b>	<b>2790</b>	<b>2837</b>	<b>3715</b>	<b>4867</b>	<b>5977</b>
<i>% growth</i>	<i>21%</i>	<i>2%</i>	<i>31%</i>	<i>31%</i>	<i>23%</i>
<b>Total Operating Income</b>	<b>262,588</b>	<b>207,792</b>	<b>230,070</b>	<b>299,552</b>	<b>363,185</b>
<i>Growth</i>	<i>92%</i>	<i>-21%</i>	<i>11%</i>	<i>30%</i>	<i>21%</i>
<b>COGS</b>	<b>168,568</b>	<b>136,282</b>	<b>156,332</b>	<b>205,203</b>	<b>248,758</b>
as % of sales	64.2%	65.6%	67.9%	68.5%	68.5%
<b>Contribution</b>	<b>94,020</b>	<b>71,511</b>	<b>73,738</b>	<b>94,349</b>	<b>114,427</b>
Contribution %	35.8%	34.4%	32.1%	31.5%	31.5%
<b>Operating &amp; Other Expenses</b>	<b>44,204</b>	<b>40,625</b>	<b>38,851</b>	<b>45,624</b>	<b>54,969</b>
- % of sales	16.8%	19.6%	16.9%	15.2%	15.1%
<b>Staff Cost</b>	<b>21,658</b>	<b>21,454</b>	<b>17,384</b>	<b>20,515</b>	<b>23,394</b>
- % of sales	8.2%	10.3%	7.6%	6.8%	6.4%
<b>EBITDA</b>	<b>28,159</b>	<b>9,431</b>	<b>17,503</b>	<b>28,210</b>	<b>36,064</b>
<i>Growth</i>	<i>37%</i>	<i>-67%</i>	<i>86%</i>	<i>61%</i>	<i>28%</i>
<i>EBITDA Margin %</i>	<i>10.7%</i>	<i>4.5%</i>	<i>7.6%</i>	<i>9.4%</i>	<i>9.9%</i>
EBITDA (Rs mn/ MW)	8.0	2.0	4.4	5.4	5.5
Suzlon Wind	15,883	(154)	7,284	14,071	18,226
<b>Depreciation</b>	<b>5,731</b>	<b>6,630</b>	<b>5,904</b>	<b>7,093</b>	<b>8,032</b>
<b>EBIT</b>	<b>22,427</b>	<b>2,801</b>	<b>11,599</b>	<b>21,117</b>	<b>28,031</b>
EBIT Margins %	8.5%	1.3%	5.0%	7.0%	7.7%
Suzlon Wind	13,283	(3,274)	3,730	9,867	13,522
Other Income	1,789	695	887	715	428
Interest	9,012	11,950	13,194	14,362	15,784
<b>PBT</b>	<b>15,204</b>	<b>(8,454)</b>	<b>(708)</b>	<b>7,471</b>	<b>12,676</b>
PBT Margins %	5.8%	-4.1%	-0.3%	2.5%	3.5%
<b>Total Tax</b>	<b>3,128</b>	<b>3,561</b>	<b>1,355</b>	<b>3,003</b>	<b>4,247</b>
Tax Rate	20.6%	-42.1%	-191.3%	40.2%	33.5%
<b>Rec PAT (pre-minority &amp; Associate income)</b>	<b>12,076</b>	<b>(12,016)</b>	<b>(2,063)</b>	<b>4,468</b>	<b>8,429</b>
- Margin	4.6%	-5.8%	-0.9%	1.5%	2.3%
<b>Share in Associates profits</b>	<b>23</b>	<b>161</b>	<b>798</b>	<b>1424</b>	<b>1817</b>
<b>Minority Interest</b>	<b>1,947</b>	<b>90</b>	<b>237</b>	<b>418</b>	<b>597</b>
Preference Dividends	0	0	0	0	0
<b>Rec PAT to Eq. shareholders</b>	<b>10,152</b>	<b>(11,944)</b>	<b>(1,502)</b>	<b>5,475</b>	<b>9,648</b>
<i>Growth %</i>	<i>-20.8%</i>	<i>-217.6%</i>	<i>-87.4%</i>	<i>-464.6%</i>	<i>76.2%</i>
Rec PAT Margins %	3.9%	-5.7%	-0.7%	1.8%	2.7%
<b>Exceptionals</b>	<b>(7,788)</b>	<b>2,119</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Reported PAT</b>	<b>2,365</b>	<b>(9,825)</b>	<b>(1,502)</b>	<b>5,475</b>	<b>9,648</b>
<i>Growth %</i>	<i>-77%</i>	<i>-515%</i>	<i>-85%</i>	<i>-465%</i>	<i>76%</i>

Source: Company, BofA Merrill Lynch Global Research

**Table 4: Suzlon - Consolidated Balance Sheet**

<b>Year End Mar31 (Rs mn)</b>	<b>FY09</b>	<b>FY10</b>	<b>FY11E</b>	<b>FY12E</b>	<b>FY13E</b>
<b>Equity Capital</b>	2,997	3,114	3,114	3,114	3,114
Reserves & Surplus	68,187	59,791	58,289	61,041	67,512
Misc Exp / Unrealised gain on Dilution	14,029	2,951	2,951	2,951	2,951
Share Application Money / ESOP	1,054	157	157	157	157
<b>Total Networth</b>	<b>86,267</b>	<b>66,013</b>	<b>64,511</b>	<b>67,263</b>	<b>73,734</b>
Preference Capital	25	25	25	25	25
<b>Net Worth (incl preference capital)</b>	<b>86,292</b>	<b>66,038</b>	<b>64,536</b>	<b>67,288</b>	<b>73,759</b>
Secured Loans	102,766	81,230	77,125	83,057	95,989
Unsecured Loans	19,899	23,939	33,939	34,939	35,939
Foreign Currency Loans	26,030	21,510	21,052	21,510	21,968
<b>Loans</b>	<b>148,696</b>	<b>126,679</b>	<b>132,116</b>	<b>139,506</b>	<b>153,896</b>
Minority Interest	23,135	3,285	3,522	3,939	4,537
<b>Total Networth + Liabilities</b>	<b>258,123</b>	<b>196,002</b>	<b>200,174</b>	<b>210,733</b>	<b>232,192</b>
Gross Block	79,254	54,335	66,603	76,356	86,981
Accumulated Depreciation	18,210	13,770	19,674	26,767	34,799
<b>Net Block</b>	<b>61,044</b>	<b>40,565</b>	<b>46,929</b>	<b>49,589</b>	<b>52,182</b>
CWIP	19,840	4,130	1,000	1,000	1,000
<b>Net Fixed Assets</b>	<b>80,884</b>	<b>44,695</b>	<b>47,929</b>	<b>50,589</b>	<b>53,182</b>
Investments	51	10,923	10,923	10,923	10,923
Goodwill	71,770	61,047	61,047	61,047	61,047
Inventories	71,737	59,943	56,091	73,601	89,478
Sundry Debtors	53,928	31,740	48,289	74,354	95,788
Cash & Bank Balances	30,698	29,043	27,458	15,363	17,918
Other CA & Loans & Advances	62,466	51,256	56,281	64,197	71,970
<b>Current Assets</b>	<b>218,829</b>	<b>171,982</b>	<b>188,119</b>	<b>227,515</b>	<b>275,154</b>
Current Liab & Provisions	115,523	94,216	109,670	141,192	169,993
<b>Net Current Assets</b>	<b>103,306</b>	<b>77,766</b>	<b>78,449</b>	<b>86,323</b>	<b>105,161</b>
Deferred Tax & Other Assets	(1,868)	(965)	(711)	(685)	(657)
Foreign currency monetary translation diff. a/c	3,980	2,537	2,537	2,537	2,537
<b>Total Assets</b>	<b>258,123</b>	<b>196,002</b>	<b>200,174</b>	<b>210,733</b>	<b>232,192</b>

Source: Company, BofA Merrill Lynch Global Research

Table 5: Suzlon - Consolidated Cash Flow Statement

Year End Mar31 (Rs mn)	FY09	FY10	FY11E	FY12E	FY13E
<b>PBT</b>	<b>15204</b>	<b>(8454)</b>	<b>(708)</b>	<b>7471</b>	<b>12676</b>
Tax Paid	(3128)	(3561)	(1355)	(3003)	(4247)
Change in DTL	1650	(903)	(254)	(25)	(28)
Add: D&A	5731	6630	5904	7093	8032
Add: Share of profits from REpower	23	161	798	1424	1817
Chg in Inventories	(30888)	11794	3852	(17509)	(15878)
Chg in Debtors	(7022)	22188	(16549)	(26065)	(21434)
Chg in Loans & Advances	(44216)	11210	(5025)	(7916)	(7772)
Chg in CL	42468	(21307)	15454	31522	28801
<i>Change in Working Capital</i>	<i>(39658)</i>	<i>23884</i>	<i>(2269)</i>	<i>(19968)</i>	<i>(16283)</i>
<b>Cash Flow from Operations</b>	<b>(20177)</b>	<b>17756</b>	<b>2117</b>	<b>(7009)</b>	<b>1967</b>
Extraordinary Items + Tax Adjustments	(7788)	2119	0	0	0
Capex	(43662)	29560	(9139)	(9753)	(10625)
Change in Investments/ Goodwill	(26480)	(148)	0	0	0
Others	(3980)	1443	0	0	0
<b>Cash Flow from Investing Activities</b>	<b>(81910)</b>	<b>32974</b>	<b>(9139)</b>	<b>(9753)</b>	<b>(10625)</b>
Change in Debt	49350	(22016)	5437	7390	14390
Change in Equity	3	117	0	0	0
Change in Preference capital	0	0	0	0	0
Change in Reserves & Minority	13830	(30486)	(0)	0	0
Dividend and Dividend Tax	0	0	0	(2723)	(3177)
<b>Cash Flow from Financing Activities</b>	<b>63183</b>	<b>(52385)</b>	<b>5437</b>	<b>4667</b>	<b>11213</b>
<b>Increase/(Decrease) in Cash</b>	<b>(38904)</b>	<b>(1655)</b>	<b>(1585)</b>	<b>(12095)</b>	<b>2555</b>
Opening Cash and Bank Balance	69602	30698	29043	27458	15363
<b>Closing Cash and Bank Balance</b>	<b>30698</b>	<b>29043</b>	<b>27458</b>	<b>15363</b>	<b>17918</b>

Source: Company, BofA Merrill Lynch Global Research

Table 6: Suzlon - Consolidated Key Ratios & Valuations

Year End Mar31	FY09	FY10	FY11E	FY12E	FY13E
Period Ending Shares (mn)	1498	1557	1557	1557	1557
Weighted Average Number of Shares	1498	1557	1557	1557	1557
Share Price (Rs)	61	61	61	61	61
Mkt Cap (Rs mn)	91471	95040	95040	95040	95040
EPS Rec. (Rs)	6.8	-7.7	-1.0	3.5	6.2
CEPS (Rs)	10.6	-3.4	2.8	8.1	11.4
DPS (Rs)	0.0	0.0	0.0	1.5	1.8
BV (Rs)	57.6	42.4	41.4	43.2	47.4
P/E (x)	9.0	-8.0	-63.3	17.4	9.9
P/CEPS (x)	5.8	-17.9	21.6	7.6	5.4
Yield (%)	0.0%	0.0%	0.0%	2.5%	2.9%
P/BV (x)	1.1	1.4	1.5	1.4	1.3
EV/EBITDA (x)	8.3	20.8	11.6	7.9	6.5
RoCE (%)	8.6%	2.2%	18.4%	6.4%	8.5%
RoE (%)	12.1%	-15.7%	-2.3%	8.3%	13.7%
PAT/EBIT	45%	-426%	-13%	26%	34%
EBIT/Sales	9%	1%	5%	7%	8%
Sales/Assets	117%	92%	116%	146%	164%
Assets/Networth	268%	298%	304%	312%	314%
Net Debt (Rs mn)	117997	97637	104659	124143	135978
EV (Rs mn)	232628	195986	203245	223147	235580
D/E (x)	1.08	1.41	1.54	1.74	1.74
Net Debt/EBITDA (x)	4.2	10.4	6.0	4.4	3.8
Interest Coverage (x)	2.5	0.2	0.9	1.5	1.8
Debt to Total Assets (x)	0.6	0.6	0.7	0.7	0.7
Depreciation /Gross Block (%)	9.4%	9.9%	9.8%	9.9%	9.8%
Effective Interest Rate (%)	7.3%	8.7%	10.2%	10.6%	10.8%

Source: Company, BofA Merrill Lynch Global Research

## Price objective basis & risk

### Suzlon Energy (SZEYF)

Our PO of Rs59 (Rs66) is based on our sum-of-the-parts analysis. We valued Suzlon's wind business at 13x 1-year forward earnings, at Rs52 (Rs57) per share, which is set at a 20% discount to its European comparable which has been its historical average. This we believe is fair given Suzlon's long term growth and return profile. We value Suzlon's 26% stake in gearbox business of Hansen at Rs8 (Rs9) per share using BofAML valuation for Hansen.

Upside risk to our rating is de-leveraging by asset sale & pick-up in USA market leading to new order wins. Downside risks: Headwinds for wind turbine business and execution risk in the wake of component shortages and blade retrofit issues.

## Link to Definitions

### Industrials

Click [here](#) for definitions of commonly used terms.

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I, Bharat Parekh, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or view expressed in this research report.

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31 May 2010

India - Engineering/Construction/Utilities Coverage Cluster

Investment rating	Company	BofAML ticker	Bloomberg symbol	Analyst
<b>BUY</b>				
	Adani Enterprises Ltd.	ANIEF	ADE IN	Bharat Parekh
	Adani Power Ltd.	XADPF	ADANI IN	Bharat Parekh
	Bharat Heavy	BHHEF	BHEL IN	Bharat Parekh
	Essar Shipping, Ports & Logistics Ltd.	XESSF	ESRS IN	Manish Sarawagi
	Gujarat State Petronet Ltd	GJRSF	GUJS IN	Vidyadhar Ginde
	GVK Power & Infrastructure Ltd.	GVPWF	GVKP IN	Manish Sarawagi
	IRB Infrastructure Developers Ltd.	XIRBF	IRB IN	Manish Sarawagi
	IVRCL Infrastruc	IIFRF	IVRC IN	Bharat Parekh
	Jaiprakash Associates Limited	JPRKF	JPA IN	Bharat Parekh
	Jaiprakash Power Ventures Ltd.	XJSHF	JPVL IN	Bharat Parekh
	Lanco Infratech Ltd.	LNIFF	LANCI IN	Manish Sarawagi
	Larsen & Toub -G	LTORF	LTOD LI	Bharat Parekh
	Larsen & Toubro	LTOUF	LT IN	Bharat Parekh
	Mundra Port SEZ	XMANF	MSEZ IN	Bharat Parekh
	Nagarjuna Const	NGRJF	NJCC IN	Bharat Parekh
	NCC-GDR	XAKUF	NJGR LX	Bharat Parekh
	Reliance Infrastructure	RCTDF	RELI IN	Bharat Parekh
<b>NEUTRAL</b>				
	Gujarat Inds	GUJIF	GIP IN	Bharat Parekh
	Neyveli Lignite	NEYVF	NLC IN	Bharat Parekh
	Tata Pwr. Co.	XTAWF	TPWR IN	Bharat Parekh
<b>UNDERPERFORM</b>				
	ABB	ABVFF	ABB IN	Bharat Parekh
	Gail India	XGLAF	GAIL IN	Vidyadhar Ginde
	Gail Limited - G	GAILF	GAID LI	Vidyadhar Ginde
	GMR Infrastructure Ltd.	GMRLF	GMRI IN	Manish Sarawagi
	NTPC Ltd	NTHPF	NATP IN	Bharat Parekh
	Suzlon Energy	SZEYF	SUEL IN	Bharat Parekh
<b>RVW</b>				
	Indraprastha Gas	IAGSF	IGL IN	Vidyadhar Ginde

iQmethod<sup>SM</sup> Measures Definitions

Business Performance	Numerator	Denominator
Return On Capital Employed	NOPAT = (EBIT + Interest Income) * (1 - Tax Rate) + Goodwill Amortization	Total Assets – Current Liabilities + ST Debt + Accumulated Goodwill Amortization
Return On Equity	Net Income	Shareholders' Equity
Operating Margin	Operating Profit	Sales
Earnings Growth	Expected 5-Year CAGR From Latest Actual	N/A
Free Cash Flow	Cash Flow From Operations – Total Capex	N/A
<b>Quality of Earnings</b>		
Cash Realization Ratio	Cash Flow From Operations	Net Income
Asset Replacement Ratio	Capex	Depreciation
Tax Rate	Tax Charge	Pre-Tax Income
Net Debt-To-Equity Ratio	Net Debt = Total Debt, Less Cash & Equivalents	Total Equity
Interest Cover	EBIT	Interest Expense
<b>Valuation Toolkit</b>		
Price / Earnings Ratio	Current Share Price	Diluted Earnings Per Share (Basis As Specified)
Price / Book Value	Current Share Price	Shareholders' Equity / Current Basic Shares
Dividend Yield	Annualised Declared Cash Dividend	Current Share Price
Free Cash Flow Yield	Cash Flow From Operations – Total Capex	Market Cap. = Current Share Price * Current Basic Shares
Enterprise Value / Sales	EV = Current Share Price * Current Shares + Minority Equity + Net Debt + Sales Other LT Liabilities	
EV / EBITDA	Enterprise Value	Basic EBIT + Depreciation + Amortization

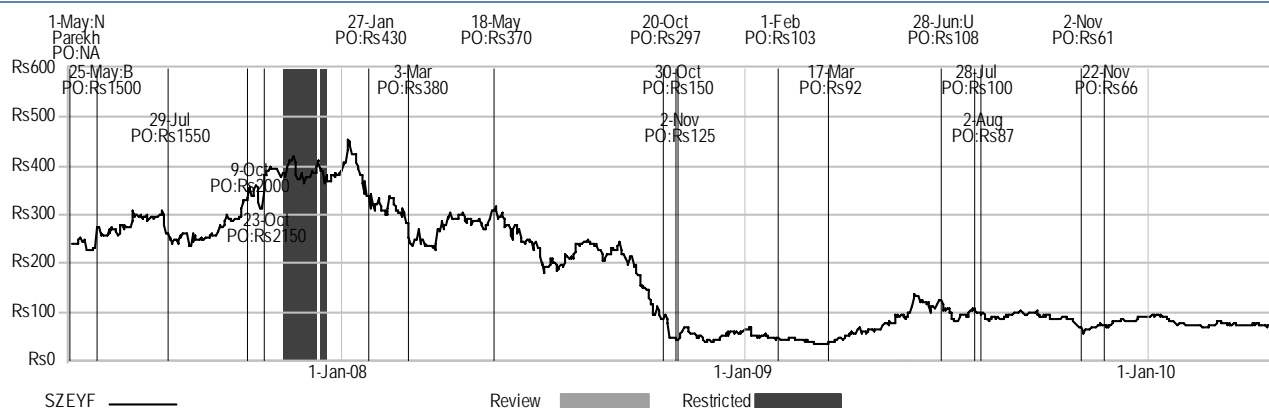
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B : Buy, N : Neutral, S : Sell, U : Underperform, PO : Price objective, NA : No longer valid

"Prior to May 31, 2008, the investment opinion system included Buy, Neutral and Sell. As of May 31, 2008, the investment opinion system includes Buy, Neutral and Underperform. Dark Grey shading indicates that a security is restricted with the opinion suspended. Light grey shading indicates that a security is under review with the opinion withdrawn. The current investment opinion key is contained at the end of the report. Chart is current as of April 30, 2010 or such later date as indicated. BofAML price charts do not reflect analysts' coverage of the stock at prior firms. Historical price charts relating to companies covered as of December 31, 2008 by former Banc of America Securities LLC (BAS) analysts are available to BAS clients on the BAS website."

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Coverage Universe	Count	Percent	Inv. Banking Relationships*	Count	Percent
Buy	20	55.56%	Buy	11	61.11%
Neutral	6	16.67%	Neutral	2	40.00%
Sell	10	27.78%	Sell	5	50.00%

### Investment Rating Distribution: Global Group (as of 01 Apr 2010)

Coverage Universe	Count	Percent	Inv. Banking Relationships*	Count	Percent
Buy	1818	52.41%	Buy	952	58.01%
Neutral	873	25.17%	Neutral	490	61.95%
Sell	778	22.43%	Sell	355	49.72%

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Investment rating	Total return expectation (within 12-month period of date of initial rating)	Ratings dispersion guidelines for coverage cluster*
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Underperform	N/A	≥ 20%

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