

**BUY**
**CMP: 75**

<b>BSE Code</b>	532667
<b>NSE Code</b>	SUZLON

**Key Data**

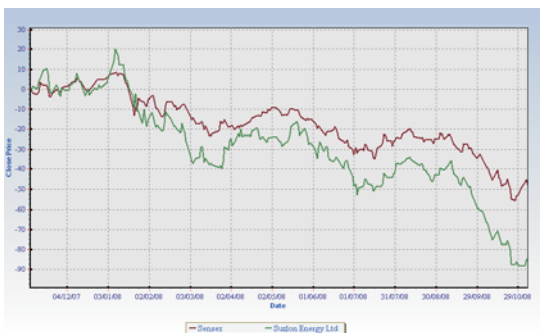
Sensex	9964
52 week H/L (Rs.)	460/42
Oct H/L (Rs.)	160/42
Market Cap (Rs cr)	10578
Avg. daily volume (6m)	3164773
Face Value	2

Source: Capitaline

**Shareholding Pattern (%)**

Promoters	65.83
Institution	3.60
Foreign holding	21.69
Non-promoter corporate holding	1.24
Public & Others	7.64

Source: Capitaline

**One-Year Performance (Rel. to Sensex)**


Source: Capitaline

**Result Highlights**

- Net sales (Cons- Excl Hansen & Re-power) grew by 33% (YoY) basis, to Rs. 4181 crore, and reported loss of Rs. 130 crore on back of exchange loss on currency.
- Operating margins (cons) stood at 9.9% down by 740 bps from 17.2%
- Order book for Suzlon decline to 2500 MW ( Rs 14100 crore).
- Suspended the proposed Domination agreement with Re-power and also the right issue.

**Financial Quarterly Results (Consolidated)**

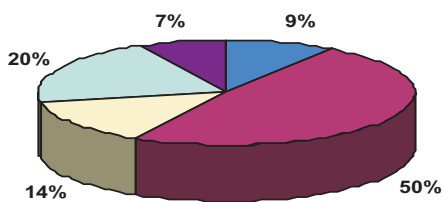
Rs. In Crore	Q2FY09	Q2FY08	% Chg	Q1FY09	% Chg
Net Sales	4,181.8	3,137.5	33.29	2760.46	51.49
Total Expenditure	3,769.2	2,597.1	45.13	2500.43	50.74
Operating Profit	412.6	540.4	(23.64)	260.03	58.68
Other Income	15.9	43.5	(63.48)	77.07	(79.41)
Depreciation	62.5	38.4	62.77	92.88	(32.69)
Interest	188.5	121.3	55.34	138.55	36.03
PBT	177.5	424.1	(58.15)	105.67	67.97
Tax	30.2	32.8	(7.75)	63.38	(52.32)
PAT	147.3	391.3	(62.37)	42.29	248.24
Extraordinary Item	277.8	16.5		40.94	578.55
APAT	-130.5	374.8		1.35	
<b>Equity</b>	299.7	299.7		299.70	
EPS	-0.9	2.5		0.01	
CEPS	-0.5	2.8		0.63	

**Margin (%)**

OPM	9.9	17.2	9.42
EBIDTA	10.2	18.6	12.2
NPM	-3.1	11.9	0.0

**Management is looking to sell  
Some stake of Re-power due to  
Appreciation in Prices**

**Order book ( Geog Wise)**



■ India ■ US □ Europe & S America □ China ■ Aus. And NZ

## Revenue Rise, but loss occurred on back on currency Exchange

During the Q2FY09, company reported the revenue growth of 33% of Rs. 4181 crore (727.20 MW) as against Rs.3137 Crore (382.40 MW), and reported a loss of Rs. 130 Crore on back of currency exchange. OPM fallen by 740 bps on back of rising raw material prices.

## Suspension of Domination agreement and Right Issue

Suzlon has decided to avoid exercise the domination and profit transfer agreement with RE-power, due to opposition from lenders who will be financing the next rounds of growth for RE-power. However, with Suzlon struggling to bag any orders in the last 6 months, we remain confident on the belief that the next stage of growth at Suzlon would be powered by RE-power technology (3MW, 5MW and 6MW turbines), which looks unlikely in the short term. Suzlon also suspended its right issue of Rs. 1800 Crore on back of unfavorable market conditions.

## Order book on decline trend.....

In Q2 FY09, order book declined by 73% on YoY basis from Rs. 1742 crore to 6472 crore. However, on the conference call the management said that that the company is negotiating some large sized, multi year orders with existing and new customers.

Decline in order book in on back of suzlon's quality perception issue, with around 104 blades on the company's work horse turbine, the 2.1 MW ( V2 Version) cracking due to the in ability of the design to handle the stress created in operation.

## Subsidiaries: - A Sliver lining .....

Suzlon subsidiaries has reported excellent growth in revenues terms. Hansen reported growth in sales by 73% and REpower by 98% on YoY basis.

## Risk Concern

- Slow Down in Global Wind Market
- Cancellation of debt will increase the debt which will result in lower profitability & margins

## Management Guidance

Management is quite confident of achieving a growth of 40%-50% in FY09. According to the management on annual basis EBIDTA margin without exceptional cost will be at 14%.

**Suzlon to grow at double the pace  
Of the market**

**Valuation & Recommendation.**

Stock has underperformed the Indian market massively from its peak on back successive bad news. We believe most of the bad news has already 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 and Suzlon continues to look excellent, but short term picture look gloomy on due to challenging environment. We are cutting our EPS estimate for FY09 from Rs. 10.70 to Rs.6 on back lower visibility of order.

At CMP stock trades 11.7x FY09E earnings with an EPS of Rs.6 per share. We have neutral rating on the stock

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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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