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Pte.+

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Stock Rating
Overweight

Industry View
In-Line

Suzlon Energy

Hansen FY09 Results: Weak

Quick Comment - Negative for Suzlon: Hansen (61.3% owned subsidiary) reported weak results for FY09 and cited lack of visibility for FY10. While this is somewhat negative for Suzlon, our Overweight recommendation is based on commencement of healing at the company notwithstanding a difficult operating environment for the global wind industry. We believe that restructuring of its outstanding debt, future order wins, among others, are likely to be stock catalysts over the rest of the year.

Hansen's FY09 Results: Hansen Transmission (covered by Allen Wells) reported FY09 results Friday. The shipments, revenue, as well as profits, were lower than MS expectations. It shipped 5.9GW of wind turbine gearboxes at an average ASP of €86.4/W. Net profit was €45 m with margin of 7.4%. Inventory level has increased to €209 m from €136 m in previous year, mainly due to rescheduling of orders and buildup of inventory of crucial components such as bearings.

Hansen's FY10 Guidance: Hansen's management has guided to low to moderate revenue growth for FY10, which are slightly lower than our estimates. In terms of capacity expansion plan, Hansen has confirmed plans to increase capacity to 14.3 GW by FY13 (vs. 7.3GW currently). However, it seems that management is likely to scale back its capacity expansion, if the global wind market growth does not recover next year.

Implications for Suzlon: After selling a 10% stake in January 2009, Suzlon now owns a 61.3% stake in Hansen. While Hansen is a high quality asset, it generates lower RoE than Suzlon's core wind turbine business. As the capacity constraints in the wind gear box market ease, the rationale for continued ownership of Hansen by Suzlon is questionable, in our view. While we understand that management has no intention of divesting Hansen, we believe that a full divestment would likely be positive for both Suzlon as well as Hansen. In our recent report (see *"Repair and Heal; Assuming Coverage with OW"*, dated May 11, 2009), we had highlighted a strong possibility of an additional partial 10% divestment.

Key Ratios and Statistics

Reuters: SUZL.BO Bloomberg: SUEL IN
India Clean Energy

Price target	Rs94.00
Upside to price target (%)	23
Shr price, close (May 15, 2009)	Rs76.70
52-Week Range	Rs320.80-33.05
Sh out, dil, curr (mn)	1,499
Mkt cap, curr (mn)	Rs114,957
EV, curr (mn)	Rs154,970
Avg daily trading value (mn)	Rs1,105

Fiscal Year ending	03/08	03/09e	03/10e	03/11e
ModelWare EPS (Rs)	7.62	9.22	6.89	10.68
Prior ModelWare EPS (Rs)	-	-	-	-
Consensus EPS (Rs)§	7.37	6.59	6.28	8.24
Revenue, net (Rs mn)	136,794	248,087	264,413	308,105
EBITDA (Rs mn)	19,894	30,440	36,780	44,162
ModelWare net inc (Rs mn)	11,406	13,814	10,327	16,010
P/E	34.6	4.6	11.1	7.2
P/BV	4.9	0.8	1.3	1.1
RNOA (%)	19.7	17.1	11.5	12.4
ROE (%)	32.7	17.1	12.4	17.4
EV/EBITDA	21.8	5.9	6.8	5.2
Div yld (%)	0.4	2.9	1.2	1.8
FCF yld ratio (%)	(1.4)	(84.6)	(2.9)	20.0
Leverage (EOP) (%)	36.8	124.4	130.4	92.6

Unless otherwise noted, all metrics are based on Morgan Stanley ModelWare framework (please see explanation later in this note).


§ = Consensus data is provided by FactSet Estimates.

e = Morgan Stanley Research estimates

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	<p>Morgan Stanley ModelWare is a proprietary analytic framework that helps clients uncover value, adjusting for distortions and ambiguities created by local accounting regulations. For example, ModelWare EPS adjusts for one-time events, capitalizes operating leases (where their use is significant), and converts inventory from LIFO costing to a FIFO basis. ModelWare also emphasizes the separation of operating performance of a company from its financing for a more complete view of how a company generates earnings.</p>
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(as of April 30, 2009)

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Stock Rating Category	Coverage Universe		Investment Banking Clients (IBC)		
	Count	% of Total	Count	Total IBC	% of % of Rating Category
Overweight/Buy	668	30%	205	35%	31%
Equal-weight/Hold	1005	45%	272	46%	27%
Not-Rated/Hold	33	1%	8	1%	24%
Underweight/Sell	517	23%	108	18%	21%
Total	2,223		593		

Data include common stock and ADRs currently assigned ratings. An investor's decision to buy or sell a stock should depend on individual circumstances (such as the investor's existing holdings) and other considerations. Investment Banking Clients are companies from whom Morgan Stanley or an affiliate received investment banking compensation in the last 12 months.

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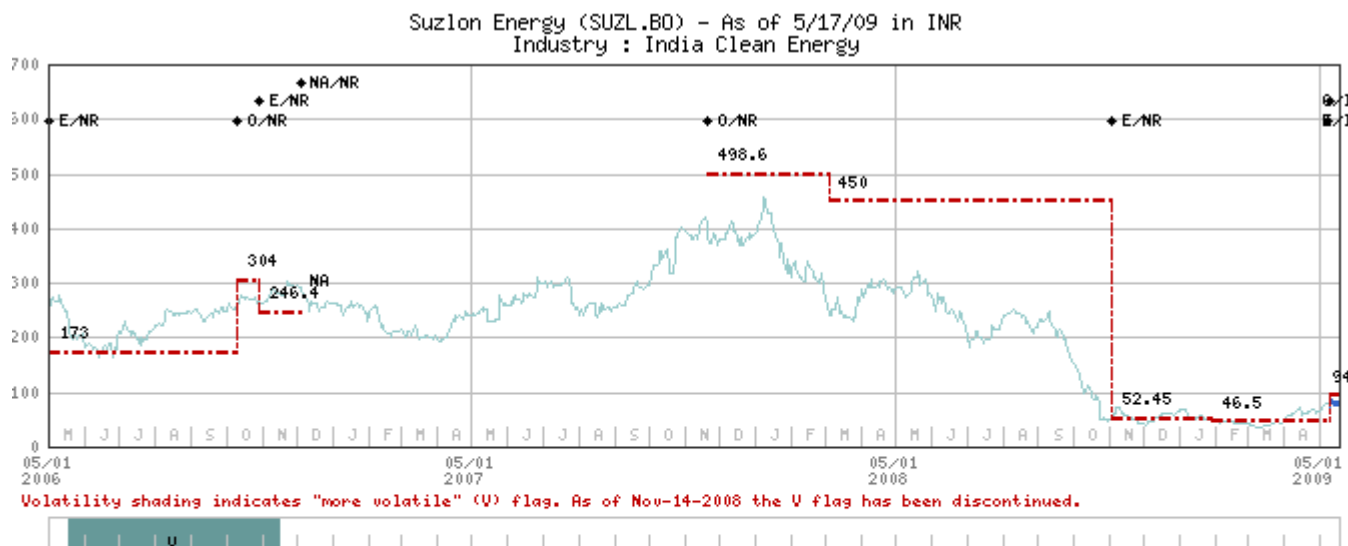
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Overweight (O or Over) - The stock's total return is expected to exceed the total return of the relevant country MSCI Index, on a risk-adjusted basis over the next 12-18 months.
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 Not-Rated (NR) - Currently the analyst does not have adequate conviction about the stock's total return relative to the relevant country MSCI Index on a risk-adjusted basis, over the next 12-18 months.
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Stock Price, Price Target and Rating History (See Rating Definitions)



Stock Rating History: 5/1/06 : E/NR; 10/11/06 : O/NR; 10/30/06 : E/NR; 12/4/06 : NA/NR; 11/20/07 : O/NR; 11/3/08 : E/NR; 5/8/09 : E/I; 5/11/09 : O/I
 Price Target History: 11/28/05 : 173; 10/11/06 : 304; 10/30/06 : 246.4; 12/4/06 : NA; 11/20/07 : 498.6; 3/4/08 : 450; 11/3/08 : 52.45; 1/29/09 : 46.5; 5/11/09 : 94

Source: Morgan Stanley Research Date Format : MM/DD/YY Price Target -- No Price Target Assigned (NA)
 Stock Price (Not Covered by Current Analyst) — Stock Price (Covered by Current Analyst) ■
 Stock and Industry Ratings (abbreviations below) appear as ♦ Stock Rating/Industry View
 Stock Ratings: Overweight (O) Equal-weight (E) Underweight (U) Not-Rated (NR) More Volatile (U) No Rating Available (NA)
 Industry View: Attractive (A) In-line (I) Cautious (C) No Rating (NR)

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Industry Coverage: India Clean Energy

Company (Ticker)	Rating (as of)	Price (05/15/2009)
Sunil Gupta Suzlon Energy (SUZL.BO)	O (05/11/2009)	Rs76.7

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