

# UBS Investment Research

## Suzlon Energy

### Risk reward favourable, upgrade to Buy

#### ■ Upgrade to Buy from Sell and raise our price target by 10% to Rs45

YTD, Suzlon has been one of the best performing stocks in our capital goods coverage universe (up 74% YTD) largely, in our view, because of an improved order book. In 3Q FY12, Suzlon's order book increased to 5.8GW (up 22% QoQ). In rupees, the order book is Rs372bn (versus Rs323bn in 2QFY12). Despite its recent outperformance and the FCCB overhang, we believe the risk reward is favourable. We think: 1) large new orders address the issue of survival to some extent; and 2) the company should be able to manage the repayment of FCCBs. These are the two main reasons for our upgrade.

#### ■ FCCB is an overhang but we think situation has improved operationally

Suzlon may be able to honour repayments on FCCBs (due in June and October 2012 for ~Rs30bn) as: 1) it has reasonable cash reserves (Rs19bn); 2) Suzlon expects savings on working capital in 1H12; and 3) execution is likely to be better in 2012 on order book strength. While the issue will likely remain an overhang, we believe the stock offers an opportunity for investors who are willing to add risk to their portfolio (a robust order inflow has improved the situation).

#### ■ FY12 guidance revised; we lower our EPS estimates for FY12-14

Suzlon lowered FY12 revenue and EBIT margin guidance to Rs210-220bn (from Rs240-260bn) and 5-6% (200bps decline), respectively, on lower-than-expected volumes in 9M FY12. We lower our FY12/FY13/FY14 EPS estimates from Rs2.36/5.46/13.58 to Rs0.05/3.45/5.27. The company expects 40% top-line growth for FY13 (versus UBS estimate of 25%).

#### ■ Valuation: upgrade to Buy rating, raise price target from Rs41 to Rs45

We raise our DCF-based price target from Rs41 to Rs45. We assume a WACC of 12.4%.

Highlights (Rsm)	03/10	03/11	03/12E	03/13E	03/14E
Revenues	207,792.10	180,902.30	216,000.00	269,108.00	292,850.02
EBIT (UBS)	2,800.80	1,507.30	11,942.81	20,960.45	24,645.66
Net Income (UBS)	(11,946.50)	(10,709.20)	82.43	6,125.34	9,370.95
EPS (UBS, Rs)	(7.67)	(6.03)	0.05	3.45	5.27
Net DPS (UBS, Rs)	0.00	0.00	0.00	0.00	0.00

Profitability & Valuation	5-yr hist av.	03/11	03/12E	03/13E	03/14E
EBIT margin %	7.0	0.8	5.5	7.8	8.4
ROIC (EBIT) %	7.9	1.0	7.8	13.7	16.5
EV/EBITDA (core) x	20.9	22.7	7.7	5.3	4.2
PE (UBS) x	18.3	-9.2	>100	8.4	5.5
Net dividend yield %	0.2	0.0	0.0	0.0	0.0

Source: Company accounts, Thomson Reuters, UBS estimates. (UBS) valuations are stated before goodwill, exceptionals and other special items. Valuations: based on an average share price that year, (E): based on a share price of Rs29.05 on 17 Feb 2012 23:54 SGT

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## Global Equity Research

India

Industrial, Diversified

12-month rating **Buy**  
Prior: **Sell**

12m price target **Rs45.00/US\$0.91**  
Prior: **Rs41.00/US\$0.83**

Price **Rs29.05/US\$0.59**

RIC: SUZL.BO BBG: SUEL IB

20 February 2012

#### Trading data (local/US\$)

52-wk range	Rs57.65-17.70/US\$1.30-0.33
Market cap.	Rs51.6bn/US\$1.05bn
Shares o/s	1,777m (ORD)
Free float	10%
Avg. daily volume ('000)	34,601
Avg. daily value (m)	Rs826.6

#### Balance sheet data 03/12E

Shareholders' equity	Rs50.8bn
P/BV (UBS)	1.0x
Net Cash (debt)	(Rs110bn)

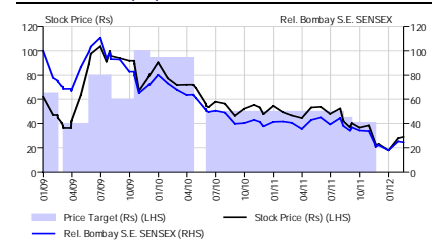
#### Forecast returns

Forecast price appreciation	+54.9%
Forecast dividend yield	0.0%
Forecast stock return	+54.9%
Market return assumption	13.5%
Forecast excess return	+41.4%

#### EPS (UBS, Rs)

	03/12E		03/11	
	From	To	Cons.	Actual
Q1	0.00	0.00	0.00	-
Q2	(0.47)	(0.47)	0.00	-
Q3E	1.41	0.25	1.41	-
Q4E	1.41	0.25	1.41	-
03/12E	2.36	0.05	2.36	-
03/13E	5.46	3.45	5.47	-

#### Performance (Rs)



Source: UBS

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This report has been prepared by UBS Securities India Private Ltd

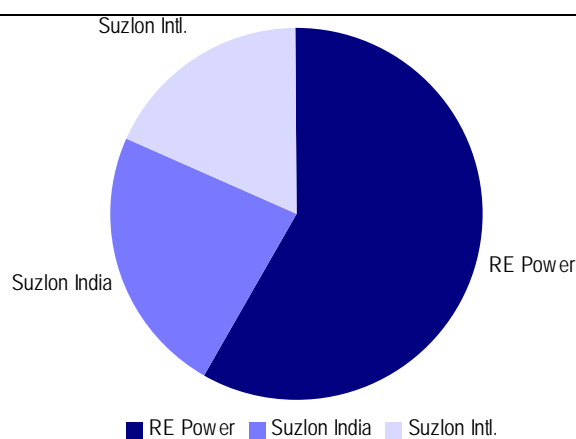
**ANALYST CERTIFICATION AND REQUIRED DISCLOSURES BEGIN ON PAGE 10.**

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## Diversified strong order book

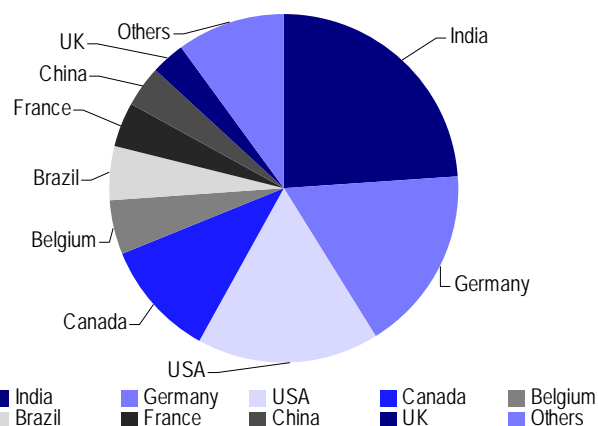
Suzlon has a strong order book of 5.8GW (Rs375bn in value term versus Rs323bn in 2QFY12). This has been the order backlog reported by the company till date. This was primarily due to strong order inflow in the past 3-4 months (>50% being repeat orders). Also, what is encouraging is the geographical diversification of the current order backlog. We view this as a strong positive as this reduces the company's revenue dependency on a particular geographical location.

Chart 1: Business-wise order book (5,755MW) break-up



Source: Company data

Chart 2: Geographical diversification an advantage



Source: Company data

Table 1: Major orders received by the company in the past four months

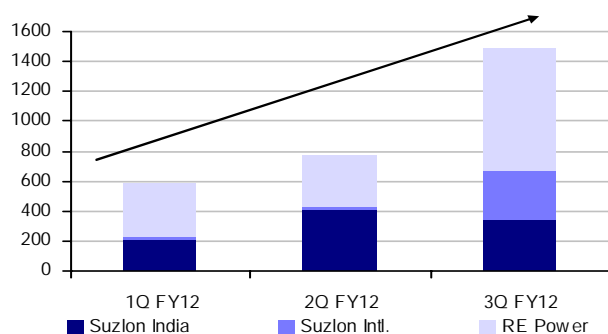
Date	Client	Order size (MW)	Amount (Rs m)
31-Jan-12	CLP India	100	6,000
30-Jan-12	N.A.	269	20,000
25-Jan-12	enXco - an EDF Energies Nouvelles company	50	3,000
19-Jan-12	N.A.	151	N.A.
12-Jan-12	East Coast US wind power	150	9,000
11-Jan-12	Servtec Group	24	N.A.
3-Jan-12	N.A.	120	N.A.
23-Dec-11	PSUs, Large Corporates and SMEs	166	9,350
12-Dec-11	Renerco Renewable Energy Concepts AG	35	N.A.
7-Dec-11	South African Dept. of Energy	420	N.A.
28-Nov-11	Coromandel Wind Energy Ltd.	76	4,700
23-Nov-11	EverPower	140	N.A.
21-Nov-11	Gail India Ltd	23	1,400
8-Nov-11	EDF EN Canada Inc.	150	N.A.
24-Oct-11	Vattenfall AB	122	N.A.
11-Oct-11	La Compagnie Du Vent, GDF Suez Group	47	N.A.
11-Oct-11	Gail India Ltd	26	1,530
4-Oct-11	Zuidlob Wind BV, part of Swedish Vattenfall	122	N.A.

Note: These include RE Power orders as well. Source: BSE India

## Stock outperformance on strong order inflows

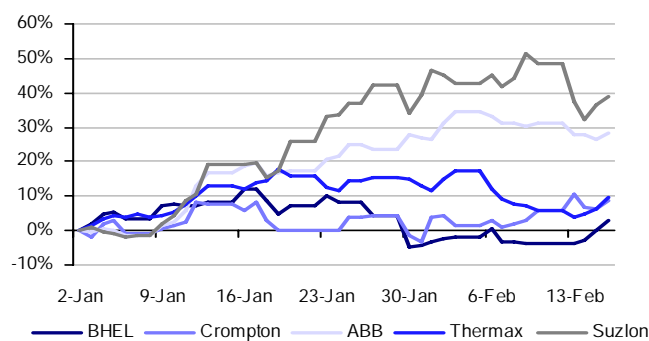
The stock has outperformed the market with a 74% increase YTD. This was primarily on strong order inflows announced by the company. In Q3 FY12, order inflow was for 1.49GW capacity, more than the ~1.35GW that the company secured in 1H FY12.

Chart 3: Order Inflow position in past nine months



Source: Company data

Chart 4: YTD stock perf. of our capital goods coverage universe



Note: Data as at 17 February 2012. Source: Bloomberg

In our view, poor order inflow has been a major investor concern for some time in Suzlon. We believe that the strong order inflow in the past few months was able to assuage investors' concerns to a large extent, resulting in a 74% YTD increase in the stock. However, despite the recent outperformance, we believe the risk reward is favourable at this point as on a 12-month basis, the stock is still trading at a 44% discount.

Table 2: Capital Goods—stock price performance

Company	Perf 1w	Perf 2w	Perf 1m	YTD	Perf 3m	Perf 6m	Perf 1 yr
Crompton Greaves	6.74	10.49	20.60	37.37	35.28	7.01	-44.20
ABB Limited (India)	2.64	-0.57	27.86	64.53	49.44	5.49	23.43
Thermax	14.11	1.96	15.55	46.45	24.32	0.28	-23.59
Bharat Heavy Elec.	17.26	13.93	13.77	36.70	14.32	-20.18	-33.56
Suzlon Energy	-5.05	-1.97	34.19	73.76	26.89	-31.10	-44.18
Average	7.14	4.77	22.39	51.76	30.05	-7.70	-24.42

Source: Bloomberg

## FCCB repayment overhang

The FCCB repayments remain an overhang as the due dates for repayment approach. The repayment of the FCCBs (near-term) is to be done in two tranches for the total value of ~Rs30bn—one in June 2012 and another in October 2012. Funding of the FCCB repayments remains a major concern for investors. In the recent conference call, the company had highlighted some of the sources through which it plan to fund these repayments:

- From its current cash surplus, US\$100m can be fully utilised for this after factoring in the day-to-day requirement. The company highlighted that it has recently been sanctioned Rs11bn as incremental working capital facilities.
- It also plans to sell some assets (a wind farm for ~\$60m and some other non-core assets) for a total of US\$100m. The company is currently in the process

of finalising these deals and expects to close them in the next 3-4 months. We have confirmed this development from independent sources.

- It expects to generate FCF of US\$250-300m in the next 9-12 months from faster execution of orders forming part of the order book. The company believes that a major chunk of its current order book will be executed in FY13. This has led to it expecting ~40% top-line growth (versus UBS estimate of 25%).
- It is in talks with Edison Wind for speedier release of the receivables of ~\$200m/Rs10bn due to Suzlon.

**Table 3: FCCBs schedule for Suzlon**

FCCBs	Outstanding amount (US\$ m)	Conversion price (Rs.)	Maturity date	Coupon rate	Maturity value with redemption prem.
June 2012 -Old	211.3	97.26	Jun-12	0%	145.23%
October 2012 -Old	121.4	97.26	Oct-12	0%	144.88%
June 2012 -Exchange	35.6	76.68	Jun-12	7.50%	150.24%
October 2012 -Exchange	20.8	76.68	Oct-12	7.50%	157.72%
July 2014 -New Issuance	90	90.38	Jul-14	0%	134.20%
April 2016 - New Issuance	175	54.01	Apr-16	5.00%	108.70%

Source: Company data

With several options available (as highlighted above) as well as the cash-rich status of its subsidiaries (~Rs12.4bn of RE Power), we think Suzlon should be in a position to make the FCCB repayments. Also, with order flow pick-up, it may be in a position to raise funds from the market or there is also a possibility of re-negotiating (quite unlikely) the deal as done earlier. In a nutshell, the recent developments make us believe that there is a fair chance that it will be able to honour the obligations.

**However, we believe that this is a significant risk and will continue to remain an overhang until it is resolved.**

### Estimate revisions

We revise our EPS estimates from Rs2.36/5.46/13.58 to Rs0.05/3.45/5.27 for FY12/FY13/FY14 factoring in the lower guidance for FY12.

**Table 4: Change in estimates to factor in revised guidance**

Rs m except EPS	FY12			FY13			FY14		
	Old	New	% change	Old	New	% change	Old	New	% change
Revenue	270,961	216,000	-20.3%	340,748	269,108	-21.0%	405,976	292,850	-27.9%
EBITDA	27,878	18,966	-32.0%	36,080	28,444	-21.2%	45,016	33,032	-26.6%
EBITDA Margin	10.3%	8.8%	-1.5%	10.6%	10.6%	0.0%	11.1%	11.3%	0.2%
PAT	4,188	85	-98.0%	9,713	6,128	-36.9%	24,131	9,373	-61.2%
EPS	2.36	0.05	-98.0%	5.46	3.45	-36.9%	13.58	5.27	-61.2%

Source: UBS estimates

### UBS estimates versus consensus

Our FY12/FY13/FY14 EPS estimates are 9%-65% above consensus. We think the main reason why our EPS (and hence margin) estimates are above consensus

is that the consensus estimate may have not factored in the order inflow growth yet.

**Table 5: UBS versus consensus**

Rs m except per share data	FY12E			FY13E			FY14E		
	UBS-e	Cons. Est.	% diff	UBS-e	Cons. Est.	% diff	UBS-e	Cons. Est.	% diff
Revenue	216,000	213,001	1%	269,108	257,763	4%	292,850	268,726	9%
EBITDA	18,966	18,012	5%	28,444	24,096	18%	33,032	24,024	37%
EBITDA Margin	8.78%	8.46%	0.3%	10.57%	9.35%	1.2%	11.28%	8.94%	2.3%
PAT	85	63	35%	6,128	5,646	9%	9,373	5,693	65%
EPS	0.05	0.04	35%	3.45	3.18	9%	5.27	3.20	65%

Note: Data as at 17th February 2012; Source: Bloomberg, UBS estimates

## Valuation: upgrade to Buy; raise price target to Rs45

We upgrade our rating to Buy from Sell as we believe that the current risk reward profile is favourable. Our DCF-based price target is Rs45. The key DCF assumptions are: 1) intermediate growth of 10%; 2) long-term growth rate of 5%, and 3) a WACC of 12.4%.

**Table 6: Our DCF valuation**

Rs m (except per share data)	Valuation
PV of FCFE during high growth phase	18,565
PV of FCFE during intermediate growth phase	37,966
PV of Terminal Value	121,829
Value of Operating Assets of the firm	178,360
Value of Cash & Non-operating assets	29,043
Value of Firm	207,403
Less: Value of Outstanding Debt	126,679
Value of Equity	80,724
Value of Equity per share	45

Source: UBS estimates

## 3Q FY12 results

Suzlon reported sales of Rs50.3bn (up 12% YoY) and pre-ex loss of Rs2.5bn (up 78% YoY). EBITDA improved significantly by 50% YoY to Rs3.7bn with the EBITDA margin at 7.3%. On a nine-month basis, revenue grew 36% YoY to Rs145.4bn with pre-ex loss of Rs3.3bn (versus Rs13bn in 3QFY11).

Table 7: Suzlon—3QFY12 consolidated results

(Rs m)	3QFY12	3QFY11	% change	2QFY12	% change	9MFY12	9MFY11	% change
Net Sales	50,335	44,944	12.0%	51,309	-1.9%	145,441	107,181	35.7%
Consumption of raw materials	33,347	30,306	10.0%	33,039	0.9%	94,516	73,444	28.7%
Staff Cost	5,277	4,146	27.3%	4,845	8.9%	14,786	12,202	21.2%
Others	8,032	8,037	-0.1%	8,669	-7.4%	23,337	21,717	7.5%
Total Expenditure	46,656	42,489	9.8%	46,554	0.2%	132,638	107,363	23.5%
EBITDA	3,679	2,455	49.9%	4,755	-22.6%	12,803	(182)	7130.5%
Other Income	300	339	-11.6%	236	27.2%	857	771	11.1%
Interest	3,576	2,949	21.2%	3,576	0.0%	10,130	8,231	23.1%
Depreciation	1,704	1,425	19.6%	1,479	15.2%	4,594	4,062	13.1%
Extra-ordinary items	(374)	(635)	+41.0%	1,309	-128.6%	1,469	(2,349)	162.6%
Profit before Tax	(1,675)	(2,215)	+24.4%	1,244	-234.6%	405	(14,053)	102.9%
Tax	(1,342)	(308)	-335.5%	(658)	-104.0%	(2,141)	(1,394)	-53.5%
Profit from associates	-	(29)	NA	(209)	NA	(333)	(192)	-73.0%
Minority Interests	(153)	(17)	-809.5%	(103)	-48.6%	(286)	(290)	+1.4%
Reported PAT	(2,865)	(2,536)	-13.0%	480	-696.8%	(1,783)	(15,350)	88.4%
Recurring PAT	(2,490)	(1,901)	-31.0%	(829)	-200.5%	(3,252)	(13,002)	75.0%
EBITDA margin	7.3%	5.5%	1.8%	9.3%	-2.0%	8.8%	-0.2%	9.0%
PAT margin	-4.9%	-4.2%	-0.7%	-1.6%	-3.3%	-2.2%	-12.1%	9.9%
Effective tax rate	-80.1%	-13.9%	-66.2%	52.9%	-133.0%	529.1%	-9.9%	539.0%

Source: Company data

## Segment results

In 3QFY12, the Wind Turbine Generator (WTG) segment revenue increased 12% YoY and other segments' revenue rose 25% YoY. However, Foundry & Forging (F&F) revenue declined 50% YoY. EBITDA margins improved across segments resulting in an overall EBITDA margin improvement by 277bps YoY to 7.9%. On a nine-month basis, revenue grew across segments with WTG increasing 36% YoY, F&F increasing 9% YoY, and others increasing 25% YoY. The WTG segment EBITDA improved significantly to Rs13.3bn (versus an EBITDA loss of Rs937m in 3QFY11) to result in an overall EBITDA margin of 9.7%.

Table 8: Suzlon—3QFY12 consolidated segment results

(Rs m)	3QFY12	3QFY11	% change	2QFY12	% change	9MFY12	9MFY11	% change
Segment revenue								
WTG	49,450	44,079	12.2%	50,413	-1.9%	142,795	105,249	35.7%
Foundry and Forging	451	907	-50.2%	1,020	-55.7%	2,617	2,397	9.2%
Others	76	60	25.0%	167	-54.8%	356	286	24.5%
Less: Inter-segment	(119)	(717)	83.5%	(888)	86.7%	(1,940)	(1,901)	-2.1%
Total	49,858	44,329	12.5%	50,711	-1.7%	143,829	106,031	35.6%
Segment EBITDA (Rs m)								
WTG	3,828	2,206	73.5%	4,163	-8.1%	13,332	(937)	1522.3%
Foundry and Forging	55	25	119.4%	230	-75.9%	323	76	322.7%
Others	59	45	32.6%	138	-57.4%	282	235	20.3%
Total	3,942	2,276	73.2%	4,531	-13.0%	13,936	(626)	2325.6%
Capital employed								
WTG	169,583	135,600	25.1%	157,199	7.9%	157,199	153,539	2.4%
Foundry and Forging	7,889	8,788	-10.2%	7,602	3.8%	7,602	9,409	-19.2%
Others	2,151	2,218	-3.0%	2,225	-3.3%	2,225	2,351	-5.4%
Total	179,623	146,606	22.5%	167,026	7.5%	167,026	165,299	1.0%

Source: Company data

# Suzlon Energy

Income statement (Rsm)	03/07	03/08	03/09	03/10	03/11	03/12E	% ch	03/13E	% ch	03/14E	% ch
Revenues	79,991.80	136,794.30	262,587.90	207,792.10	180,902.30	216,000.00	19.4	269,108.00	24.6	292,850.02	8.8
Operating expenses (ex deprecn)	(66,658.30)	(118,412.50)	(238,540.10)	(198,361.60)	(172,821.00)	(197,034.09)	14.0	(240,664.07)	22.1	(259,818.22)	8.0
EBITDA (UBS)	13,333.50	18,381.80	24,047.80	9,430.50	8,081.30	18,965.91	134.7	28,443.93	50.0	33,031.80	16.1
Depreciation	(1,718.00)	(2,893.60)	(5,731.40)	(6,629.70)	(6,574.00)	(7,023.10)	6.8	(7,483.47)	6.6	(8,386.14)	12.1
Operating income (EBIT, UBS)	11,615.50	15,488.20	18,316.40	2,800.80	1,507.30	11,942.81	692.3	20,960.45	75.5	24,645.66	17.6
Other income & associates	830.50	2,645.50	2,717.50	694.60	1,066.00	1,279.20	20.0	1,407.12	10.0	1,407.12	0.0
Net interest	(2,763.40)	(5,969.40)	(9,012.10)	(11,950.30)	(11,356.70)	(11,941.90)	5.2	(13,840.38)	15.9	(13,514.58)	-2.4
Abnormal items (pre-tax)	0.00	0.00	(4,851.90)	2,118.90	(2,532.80)	0.00	-	0.00	-	0.00	-
Profit before tax	9,682.60	12,164.30	7,169.90	(6,336.00)	(11,316.20)	1,280.11	-	8,527.20	566.1	12,538.20	47.0
Tax	(1,034.60)	(1,988.30)	(2,881.20)	(3,561.30)	(1,852.70)	(1,083.25)	-41.5	(2,250.44)	107.7	(2,991.22)	32.9
Profit after tax	8,648.00	10,176.00	4,288.70	(9,897.30)	(13,168.90)	196.86	-	6,276.76	3088.4	9,546.99	52.1
Abnormal items (post-tax)	0.00	0.00	0.00	0.00	0.00	0.00	-	0.00	-	0.00	-
Minorities / pref dividends	(7.70)	129.50	(1,923.90)	69.70	(73.10)	(114.43)	56.5	(151.42)	32.3	(176.04)	16.3
Net income (local GAAP)	8,640.30	10,305.50	2,364.80	(9,827.60)	(13,242.00)	82.43	-	6,125.34	7330.8	9,370.95	53.0
Net Income (UBS)	8,640.30	10,305.50	7,216.70	(11,946.50)	(10,709.20)	82.43	-	6,125.34	7330.8	9,370.95	53.0
Tax rate (%)	10.69	16.35	40.18	-	-	84.62	-	26.39	-68.8	23.86	-9.6
Pre-abnormal tax rate (%)	10.69	16.35	23.97	-	-	84.62	-	26.39	-68.8	23.86	-9.6
Per share (Rs)	03/07	03/08	03/09	03/10	03/11	03/12E	% ch	03/13E	% ch	03/14E	% ch
EPS (local GAAP)	6.01	7.17	1.61	(6.31)	(7.45)	0.05	-	3.45	7330.8	5.27	53.0
EPS (UBS)	6.01	7.17	4.92	(7.67)	(6.03)	0.05	-	3.45	7330.8	5.27	53.0
Net DPS	1.16	1.14	0.00	0.00	0.00	0.00	-	0.00	-	0.00	-
Cash EPS	7.20	9.18	8.82	(3.42)	(2.33)	4.00	-	7.66	91.5	9.99	30.5
BVPS	24.42	56.35	54.94	42.41	36.72	28.60	-22.1	32.05	12.1	37.32	16.5
Balance sheet (Rsm)	03/07	03/08	03/09	03/10	03/11	03/12E	% ch	03/13E	% ch	03/14E	% ch
Net tangible fixed assets	23,088.50	42,952.60	80,884.00	44,694.70	47,220.50	50,370.60	6.7	44,319.50	-12.0	37,138.23	-16.2
Net intangible fixed assets	17,643.20	13,923.10	71,770.20	63,583.30	66,163.10	66,163.10	0.0	66,163.10	0.0	66,163.10	0.0
Net working capital (incl. other assets)	32,251.80	34,790.20	75,156.50	49,586.10	39,663.40	40,858.66	3.0	44,647.49	9.3	46,365.85	3.8
Other liabilities	(1,624.90)	(2,058.90)	(4,417.40)	(1,828.00)	(2,943.90)	(2,943.90)	0.0	(2,943.90)	0.0	(2,943.90)	0.0
Operating invested capital	71,358.60	89,607.00	223,393.30	156,036.10	150,103.10	154,448.46	2.9	152,186.19	-1.5	146,723.28	-3.6
Investments	155.70	31,418.00	50.80	10,922.90	9,668.90	9,668.90	0.0	9,668.90	0.0	9,668.90	0.0
Total capital employed	71,514.30	121,025.00	223,444.10	166,959.00	159,772.00	164,117.36	2.7	161,855.09	-1.4	156,392.18	-3.4
Shareholders' equity	35,110.80	81,013.30	82,312.30	66,012.60	65,255.80	50,833.23	-22.1	56,960.87	12.1	66,334.11	16.5
Minority interests	166.10	10,268.80	23,134.50	3,309.80	3,092.30	3,179.43	2.8	3,328.55	4.7	3,502.29	5.2
Total equity	35,276.90	91,281.10	105,446.80	69,322.41	68,348.10	54,012.66	-21.0	60,289.42	11.6	69,836.40	15.8
Net debt / (cash)	36,237.40	29,743.90	117,997.30	97,636.59	91,423.90	110,104.70	20.4	101,565.67	-7.8	86,555.78	-14.8
Other debt-deemed items	0.00	0.00	0.00	0.00	0.00	0.00	-	0.00	-	0.00	-
Total capital employed	71,514.30	121,025.00	223,444.10	166,959.00	159,772.00	164,117.36	2.7	161,855.09	-1.4	156,392.18	-3.4
Cash flow (Rsm)	03/07	03/08	03/09	03/10	03/11	03/12E	% ch	03/13E	% ch	03/14E	% ch
Operating income (EBIT, UBS)	11,615.50	15,488.20	18,316.40	2,800.80	1,507.30	11,942.81	692.3	20,960.45	75.5	24,645.66	17.6
Depreciation	1,718.00	2,893.60	5,731.40	6,629.70	6,574.00	7,023.10	6.8	7,483.47	6.6	8,386.14	12.1
Net change in working capital	(12,589.10)	(5,371.60)	(41,009.00)	23,511.50	7,287.50	(4,309.95)	-	(7,663.71)	77.8	(5,924.28)	-22.7
Other (operating)	1,728.20	5,871.50	4,068.60	1,067.50	4,443.30	4,393.89	-1.1	5,282.00	20.2	5,613.04	6.3
Operating cash flow (pre tax/interest)	2,472.60	18,881.70	(12,892.60)	34,009.50	19,812.10	19,049.86	-3.8	26,062.22	36.8	32,720.56	25.5
Net interest received / (paid)	(2,763.40)	(5,969.40)	(9,012.10)	(11,950.30)	(11,356.70)	(11,941.90)	5.2	(13,840.38)	15.9	(13,514.58)	-2.4
Dividends paid	(1,673.80)	(1,713.46)	0.00	(2.00)	(2.30)	(2.30)	0.00	(2.30)	0.00	(2.30)	0.00
Tax paid	(1,034.60)	(1,988.30)	(2,881.20)	(3,561.30)	(1,852.70)	(1,083.25)	-41.5	(2,250.44)	107.7	(2,991.22)	32.9
Capital expenditure	(22,160.00)	(23,167.70)	(45,822.00)	38,090.40	(5,550.20)	(10,173.20)	83.3	(1,432.37)	-85.9	(1,204.88)	-15.9
Net (acquisitions) / disposals	0.00	0.00	0.00	0.00	0.00	0.00	-	0.00	-	0.00	-
Other	(79.70)	155.70	(50.80)	(10,872.10)	1,254.00	0.00	-	0.00	-	(.00)	-
Share issues	2.49	116.30	2.50	116.80	441.30	0.00	-	0.00	-	0.00	-
Cash flow (inc)/dec in net debt	(25,236.41)	(13,685.16)	(70,656.20)	45,831.00	2,745.50	(4,150.80)	-	8,536.73	-	15,007.59	75.8
FX / non cash items	(11,858.89)	20,178.66	(17,597.20)	(25,470.29)	3,467.19	(14,530.01)	-	2.30	-	2.30	0.0
Balance sheet (inc)/dec in net debt	(37,095.30)	6,493.50	(88,253.40)	20,360.71	6,212.69	(18,680.80)	-	8,539.03	-	15,009.89	75.8
Core EBITDA	13,333.50	18,381.80	24,047.80	9,430.50	8,081.30	18,965.91	134.7	28,443.93	50.0	33,031.80	16.1
Maintenance capital expenditure	(22,160.00)	(23,167.70)	(45,822.00)	38,090.40	(5,550.20)	(10,173.20)	83.3	(1,432.37)	-85.9	(1,204.88)	-15.9
Maintenance net working capital	(12,589.10)	(5,371.60)	(41,009.00)	23,511.50	7,287.50	(4,309.95)	-	(7,663.71)	77.8	(5,924.28)	-22.7
Operating free cash flow, pre-tax	(21,415.60)	(10,157.50)	(62,783.20)	71,032.40	9,818.60	4,482.76	-54.3	19,347.85	331.6	25,902.64	33.9

Source: Company accounts, UBS estimates. (UBS) valuations are stated before goodwill, exceptionals and other special items. Note: For some companies, the data represents an extract of the full company accounts.



## Company profile

Suzlon Energy is the world's fifth largest wind turbine manufacturer and the largest in Asia. Suzlon offers integrated wind power solutions, including consultancy, manufacturing, project execution, and operations and maintenance services. Suzlon has made two acquisitions in Europe: 1) gear box manufacturer Hansen Technologies in 2006; and 2) turbine manufacturer Repower in 2007.

Valuation (x)	5Yr Avg	03/10	03/11	03/12E	03/13E	03/14E
P/E (local GAAP)	30.7	NM	NM	NM	8.4	5.5
P/E (UBS)	18.3	-11.1	-9.2	>100	8.4	5.5
P/CEPS	6.8	NM	NM	7.3	3.8	2.9
Net dividend yield (%)	0.2	0.0	0.0	0.0	0.0	0.0
P/BV	4.3	2.0	1.5	1.0	0.9	0.8
EV/revenue (core)	1.8	1.1	1.0	0.7	0.6	0.5
EV/EBITDA (core)	20.9	24.5	22.7	7.7	5.3	4.2
EV/EBIT (core)	NM	NM	NM	12.2	7.2	5.7
EV/OpFCF (core)	NM	3.2	18.7	NM	7.8	5.4
EV/op. invested capital	2.4	1.2	1.2	1.0	1.0	0.9

Enterprise value (Rsm)	03/10	03/11	03/12E	03/13E	03/14E
Average market cap	130,447.3	95,280.54	51,632.31	51,632.31	51,632.31
+ minority interests	3,309.80	3,092.30	3,179.43	3,328.55	3,502.29
+ average net debt (cash)	107,816.9	94,530.25	100,764.3	105,835.1	94,060.72
+ pension obligations and other	0.00	0.00	0.00	0.00	0.00
- non-core asset value	(10,922.90)	(9,668.90)	(9,668.90)	(9,668.90)	(9,668.90)
Core enterprise value	230,651.2	183,234.1	145,907.1	151,127.1	139,526.4

Growth (%)	5Yr Avg	03/10	03/11	03/12E	03/13E	03/14E
Revenue	22.6	-20.9	-12.9	19.4	24.6	8.8
EBITDA (UBS)	-11.8	-60.8	-14.3	134.7	50.0	16.1
EBIT (UBS)	-40.0	-84.7	-46.2	NM	75.5	17.6
EPS (UBS)	-	-	-21.5	-	NM	53.0
Cash EPS	-	-	-31.9	-	91.5	30.5
Net DPS	-	-	-	-	-	-
BVPS	10.7	-22.8	-13.4	-22.1	12.1	16.5

Margins (%)	5Yr Avg	03/10	03/11	03/12E	03/13E	03/14E
EBITDA / revenue	9.7	4.5	4.5	8.8	10.6	11.3
EBIT / revenue	7.0	1.3	0.8	5.5	7.8	8.4
Net profit (UBS) / revenue	1.9	NM	NM	0.0	2.3	3.2

Return on capital (%)	5Yr Avg	03/10	03/11	03/12E	03/13E	03/14E
EBIT ROIC (UBS)	7.9	1.5	1.0	7.8	13.7	16.5
ROIC post tax	-	-	-	1.2	10.1	12.6
Net ROE	4.4	(16.1)	(16.3)	0.1	11.4	15.2

Coverage ratios (x)	5Yr Avg	03/10	03/11	03/12E	03/13E	03/14E
EBIT / net interest	2.1	0.3	0.2	1.1	1.6	1.9
Dividend cover (UBS EPS)	-	-	-	-	-	-
Div. payout ratio (% , UBS EPS)	-	-	-	-	-	-
Net debt / EBITDA	5.1	NM	NM	5.8	3.6	2.6

Efficiency ratios (x)	5Yr Avg	03/10	03/11	03/12E	03/13E	03/14E
Revenue / op. invested capital	1.4	1.1	1.2	1.4	1.8	2.0
Revenue / fixed assets	2.1	1.6	1.6	1.9	2.4	2.7
Revenue / net working capital	4.1	3.4	4.2	5.6	6.5	6.7

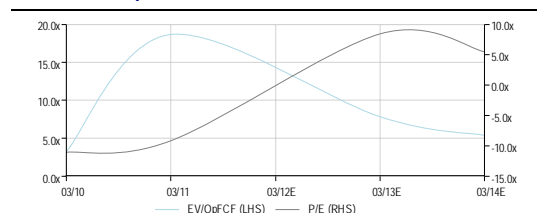
Investment ratios (x)	5Yr Avg	03/10	03/11	03/12E	03/13E	03/14E
OpFCF / EBIT	NM	NM	6.5	0.4	0.9	1.1
Capex / revenue (%)	6.8	NM	3.1	4.7	0.5	0.4
Capex / depreciation	2.5	NM	0.8	1.4	0.2	0.1

Capital structure (%)	5Yr Avg	03/10	03/11	03/12E	03/13E	03/14E
Net debt / total equity	NM	NM	NM	NM	NM	NM
Net debt / (net debt + equity)	53.1	59.7	58.4	68.4	64.1	56.6
Net debt (core) / EV	21.3	46.7	51.6	69.1	70.0	67.4

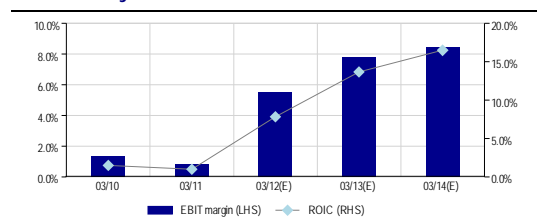
Source: Company accounts, UBS estimates. (UBS) valuations are stated before goodwill, exceptionals and other special items.

Valuations: based on an average share price that year, (E): based on a share price of Rs29.05 on 17 Feb 2012 23:54 SGT Market cap(E) may include forecast share issues/buybacks.

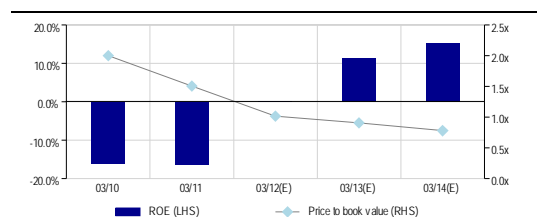
## Value (EV/OpFCF & P/E)



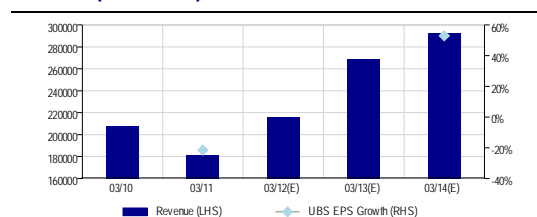
## Profitability



## ROE v Price to book value



## Growth (UBS EPS)



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## ■ Suzlon Energy

Suzlon Energy is the world's fifth largest wind turbine manufacturer and the largest in Asia. Suzlon offers integrated wind power solutions, including consultancy, manufacturing, project execution, and operations and maintenance services. Suzlon has made two acquisitions in Europe: 1) gear box manufacturer Hansen Technologies in 2006; and 2) turbine manufacturer Repower in 2007.

## ■ Statement of Risk

We believe the key risks for Suzlon are liquidity and cash flows, and a later-than-expected recovery in wind orders globally.

## ■ Analyst Certification

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### UBS Investment Research: Global Equity Rating Allocations

UBS 12-Month Rating	Rating Category	Coverage <sup>1</sup>	IB Services <sup>2</sup>
Buy	Buy	57%	36%
Neutral	Hold/Neutral	37%	35%
Sell	Sell	7%	17%
UBS Short-Term Rating	Rating Category	Coverage <sup>3</sup>	IB Services <sup>4</sup>
Buy	Buy	less than 1%	0%
Sell	Sell	less than 1%	12%

1:Percentage of companies under coverage globally within the 12-month rating category.

2:Percentage of companies within the 12-month rating category for which investment banking (IB) services were provided within the past 12 months.

3:Percentage of companies under coverage globally within the Short-Term rating category.

4:Percentage of companies within the Short-Term rating category for which investment banking (IB) services were provided within the past 12 months.

Source: UBS. Rating allocations are as of 31 December 2011.

### UBS Investment Research: Global Equity Rating Definitions

UBS 12-Month Rating	Definition
Buy	FSR is > 6% above the MRA.
Neutral	FSR is between -6% and 6% of the MRA.
Sell	FSR is > 6% below the MRA.
UBS Short-Term Rating	Definition
Buy	Buy: Stock price expected to rise within three months from the time the rating was assigned because of a specific catalyst or event.
Sell	Sell: Stock price expected to fall within three months from the time the rating was assigned because of a specific catalyst or event.

**KEY DEFINITIONS**

**Forecast Stock Return (FSR)** is defined as expected percentage price appreciation plus gross dividend yield over the next 12 months.

**Market Return Assumption (MRA)** is defined as the one-year local market interest rate plus 5% (a proxy for, and not a forecast of, the equity risk premium).

**Under Review (UR)** Stocks may be flagged as UR by the analyst, indicating that the stock's price target and/or rating are subject to possible change in the near term, usually in response to an event that may affect the investment case or valuation.

**Short-Term Ratings** reflect the expected near-term (up to three months) performance of the stock and do not reflect any change in the fundamental view or investment case.

**Equity Price Targets** have an investment horizon of 12 months.

**EXCEPTIONS AND SPECIAL CASES**

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**Company Disclosures**

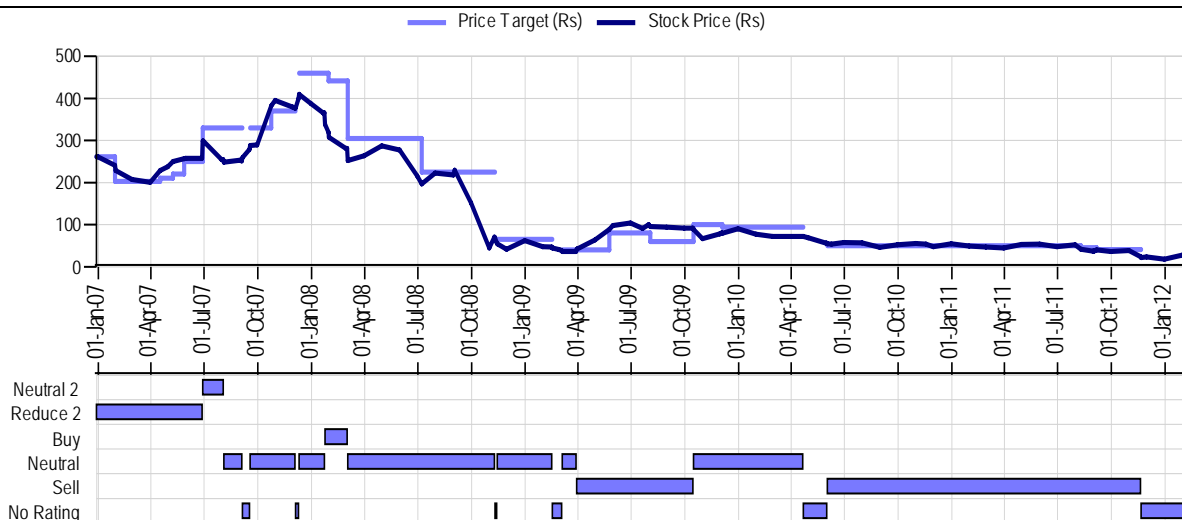
<b>Company Name</b>	<b>Reuters</b>	<b>12-mo rating</b>	<b>Short-term rating</b>	<b>Price</b>	<b>Price date</b>
<b>Suzlon Energy</b>	SUZL.BO	Buy	N/A	Rs29.05	17 Feb 2012

Source: UBS. All prices as of local market close.

Ratings in this table are the most current published ratings prior to this report. They may be more recent than the stock pricing date

Unless otherwise indicated, please refer to the Valuation and Risk sections within the body of this report.

Suzlon Energy (Rs)



Source: UBS; as of 17 Feb 2012

Note: On August 4, 2007 UBS revised its rating system. (See 'UBS Investment Research: Global Equity Rating Definitions' table for details). From September 9, 2006 through August 3, 2007 the UBS ratings and their definitions were: Buy 1 = FSR is > 6% above the MRA, higher degree of predictability; Buy 2 = FSR is > 6% above the MRA, lower degree of predictability; Neutral 1 = FSR is between -6% and 6% of the MRA, higher degree of predictability; Neutral 2 = FSR is between -6% and 6% of the MRA, lower degree of predictability; Reduce 1 = FSR is > 6% below the MRA, higher degree of predictability; Reduce 2 = FSR is > 6% below the MRA, lower degree of predictability. The predictability level indicates an analyst's conviction in the FSR. A predictability level of '1' means that the analyst's estimate of FSR is in the middle of a narrower, or smaller, range of possibilities. A predictability level of '2' means that the analyst's estimate of FSR is in the middle of a broader, or larger, range of possibilities. From October 13, 2003 through September 8, 2006 the percentage band criteria used in the rating system was 10%.

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