Dimensional Securities Pvt Ltd.

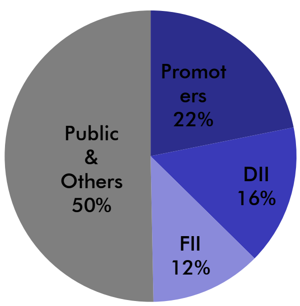
Date: 27th August, 2015
Recommendation: BUY
CMP: 22
Target Price: 30

Suzlon Energy Ltd.
Initiating Coverage Report

MARKET DATA	
NSE TICKER	SUZLON
Net worth (₹ Cr)	NM
P/BV Ratio (FY16E) (x)	NM
EPS (FY16E) (₹)	NM
Market Price (₹)	22.3
P / E Ratio (FY16E) (x)	NM
52 Week High (19/03/2015)(₹)	31.4
52 Week Low (22/10/2014) (₹)	10.9
Market Capitalisation (₹ Cr)	10,761

AVERAGE MONTHLY VOLUME ('000)	
BSE	9,467
NSE	43,502

SHARE HOLDING PATTERN



RETURN	3M	6M	12M
Suzlon	-17%	-14%	-4%
Sensex	-7%	-12%	-2%

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Suzlon is all set to script turnaround story on the back of Senvion's sale, fund raising from strategic investors and strong industry outlook for the wind power industry on the back of govt's growth plans and incentives doled out for the sector. We recommend to buy the stock with price target of 30 by March 2016.

Liquidity constraint addressed through asset sale & Fund infusion

In April 2015, Suzlon sold its German subsidiary Senvion (for Rs. 70 bn) and raised Rs. 18 bn from Dilip Shanghvi and Associates (DSA) to address the liquidity issue and focus on the growing domestic market. The money will be utilized for a) debt repayment worth Rs. 60 bn, 2) business operations (Rs. 24 bn) and 3) remaining for equity investment in Wind farm JV. With no further repayment till CY18, Suzlon has adequate liquidity to ride the growth.

To focus on the growth of domestic wind market

Government is targeting 60GW of wind energy by 2022 (2.5x of current installation) to meet the RE target of 175GW. We see healthy demand environment for next 5-6 years as the incentives like Accelerated depreciation, GBI has been restated in July 2014 and May 2013 respectively. The industry is estimated to reach 4.5 GW by FY18 from current installation size of 2.3 GW in FY15. Currently, Suzlon has order book of 1.1 GW, totaling Rs. 69 bn, which gives good revenue visibility for the current year.

Suzlon is expected to increase its market share to 45% by FY18

With 3.6 GW of installed capacity, Suzlon controls ~35% of total capacity in India. However, in the last three years, it was able to only commission 400-450 MW of wind turbines per year due to impending liquidity crisis. On the back in-house technology and new pipeline of turbine, we expect company to regain 45% market share- in annual installation by FY18. Operating leverage led by higher volumes, favorable industry dynamics and steady revenues from O&M will help company clock 14-16% operating margin by FY17.

Govt policy and execution related changes can be spoil the party

Wind industry continues to be driven by government push and incentives, though the wind tariff gap with conventional has narrowed on the back of technological improvement over the last many years. Any withdrawal or adverse policy changes can impact industry growth. Also, power transmission bottleneck and weak health of SEB remain industry wide concern. Suzlon ability to scale its execution would also remain key monitorable.

PAT to breakeven in FY17

We expect wind installation of 1.5 GW in FY17 and EBIDTA margin around ~15%. With interest outgo of Rs. 9.0 bn, we forecast the company to turn profitable in FY17. However, networth would continue to be negative.

Outlook and Valuation

As our CMP, the stock is trading at 19.5x FY17E earnings of Rs. 1.1 (on fully diluted basis) and 11.6x FY17E EV / EBIDTA. Applying discount rate of 20% on expected valuation of 15X FY19E earnings, we arrive at price target of Rs. 30, 35% upside from current level.

Financial Summary:

(Rs. Crs.)	Net Sales	Growth (%)	EBIDTA	EBIDTA (%)	PAT	EPS	P / E	ROE	ROCE
FY14*	5,627	74.0	(1,315)	(23.4)	(3,671)	NM	NM	NA	NA
FY15*	4,883	(13.0)	(833)	(17.1)	(9,355)	NM	NM	NA	NA
FY16E	8,027	64.3	925	11.5	(164)	NM	NM	NA	11.3
FY17E	11,819	47.2	1,747	14.8	683	1.1	19.5	NA	30.0

*FY14 & FY15 figures is only for Suzlon Wind (post Senvion sale)

Liquidity constraint addressed through asset sale & Fund infusion

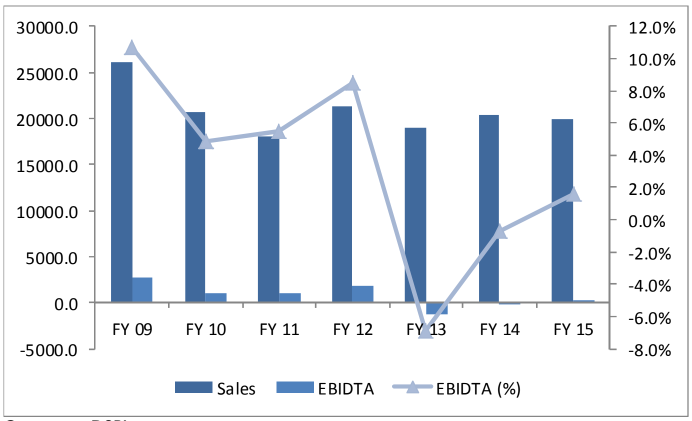
Suzlon was passing through turbulent times due to issues like high debt, poor market conditions on withdrawals of tax benefits and stress liquidity. In April 2015 through Senvion sale and preferential allotment to Dilip Shanghvi and Associates (DSA) the company has raised Rs. 88 bn. We believe that it has addressed its major issues and can focus on domestic market; the company seems well positioned to encash massive opportunity in India backed by the government's focus on Renewable Energy (RE). As a part of its renewed focus, it will focus on volumes in the domestic market and improve its operational performance.

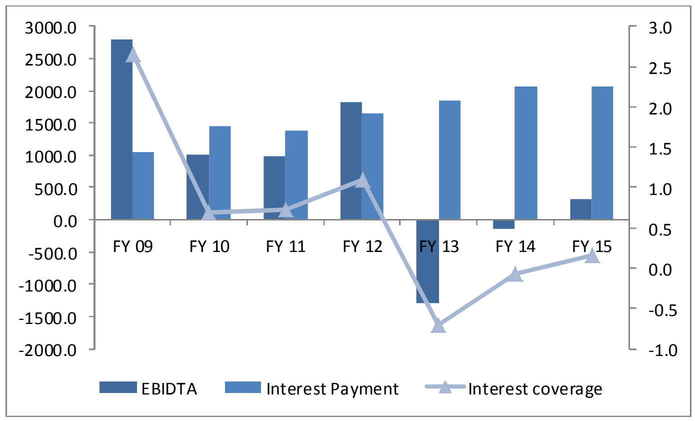
Suzlon with 3.6 GW installed capacity, controls ~35% of total capacity in India. In the last three years, it was able to only commission 400-450 MW of wind turbines per year due to impending liquidity crisis. We expect operating leverage (fixed expense to largely remain constant up to 1.8-2.0 GW of commissioning), pick up in volume led revenue growth, favorable industry dynamics and steady O&M revenue will help company to regain 14-16% operating margin by FY17.

Had been facing financial stress

Suzlon spent around Rs. 120-130 bn (mostly borrowed money) on two acquisitions (Hansen Transmission and REpower) in FY06 and FY07. The acquisitions were aimed at getting offshore wind technology and controlling supply chain of key parts for Wind turbines.

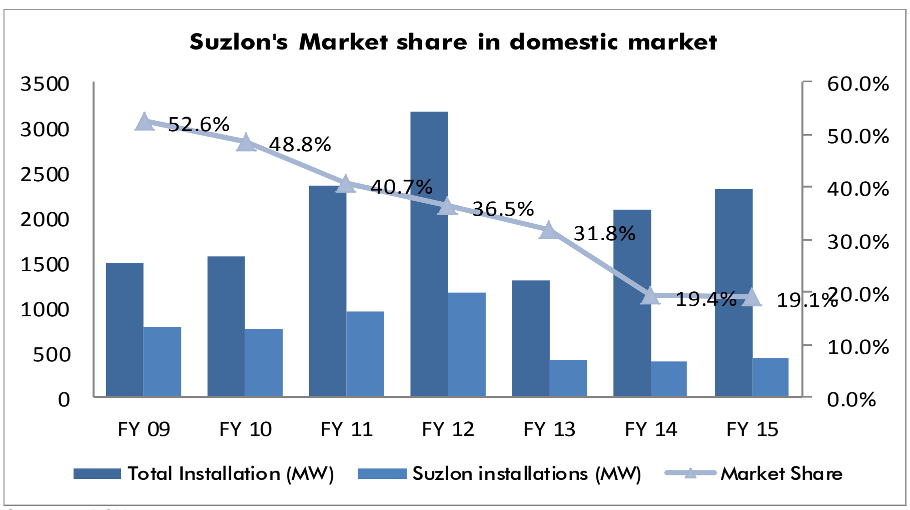
Quality issues and global financial crisis worsened the problem for Suzlon and put further strain on its leveraged balance sheet. The company defaulted on its convertible bond repayment, went through CDR and restructured FCCBs in last 3 years. Apart from debt repayment, the problems impacted the company's credibility to deliver which started impacting its operations.





Company, DSPL

Suzlon was a market leader for more than a decade (except for last few years where it lost significant market share to other companies like Gamesa, Inox etc.) in India with cumulative installation base of 8.6 GW. Weak liquidity and operational hiccups resulted in significant market share loss for the company; the market share came down to 19% in FY15 from around 50% prior to FY10.



Company, DSPL

Asset sale and DSA funding

To address the liquidity concerns and focus on domestic market, the company sold its German subsidiary Senvion (~Rs. 7000 crores) and raised Rs. 1800 crores from Dilip Shanghvi Family and Associates (DSA). The company intends to utilize this money for 1) debt repayment worth Rs. 60 bn, 2) business operations (Rs. 24 bn) and 3) equity investment of Wind farm JV with DSA (Rs. 4 bn)

Deal specifics:

- Senvion: Suzlon sold its German subsidiary Senvion (earlier known as REpower) to US based private equity fund Centerbridge Partners for about 1 bn Euros. It may receive earn out payments of 50 mn Euros on meeting certain performance criteria. The company also got licensing agreement to use Senvion's offshore technology license for India market and Senvion will get Suzlon's S111 license for US market.
- *Preferential allotment to DSA:* Suzlon allotted 100 crores share at Rs. 18 per share to DSA on preferential allotment for 17% stake in the company on fully diluted basis. Apart from fund infusion DSA will provide working capital for two years through credit enhancement. DSA and Suzlon has partnered for Wind Farm JV for a 450 MW wind installations over two years.

Effect on debt:

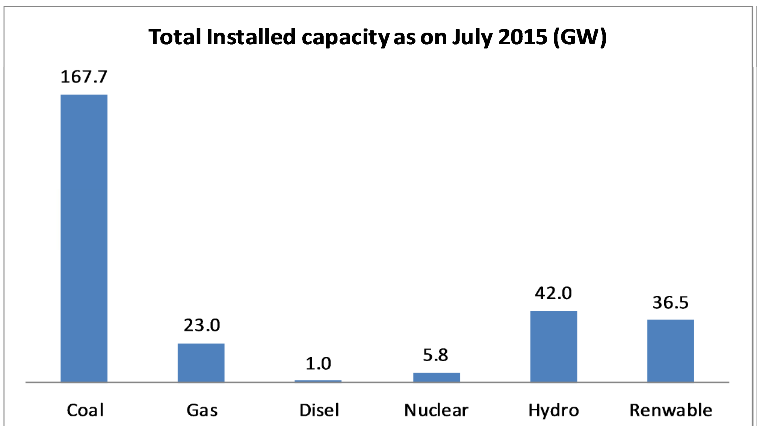
The partial debt repayment leads to no debt repayment obligation till 2018. We expect interest outgo of Rs. 9.0 – 9.5 bn on account of INR loan of Rs. 57bn (@11% p.a.) and bond of USD 647 mn (@ 6.25% p.a.). As on Q1FY16, the company has ~USD 328 mn outstanding FCCBs, we expect USD 299 mn (convertible @ Rs. 15.5 / share) FCCBs to convert into equity shares while balance will be redeemed in future. As we expect ~USD 299 mn FCCBs to convert into equity shares we have not considered any interest outflow for the same.

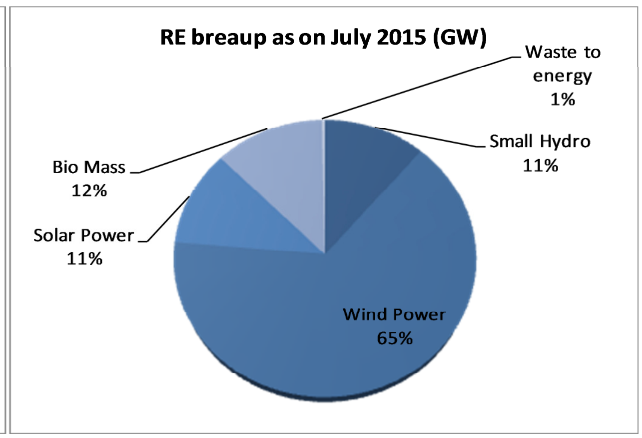
To focus on the Indian market demand

Importance of renewable energy in domestic market

Despite of huge coal reserves in India, actual production fall short of actual requirements and the gap is met through imports. The thermal coal import constitutes 6-7% of total imports; valued at above USD 10 bn. The coal import has increased substantially to 150 mt in 2014 from 100 mt in 2012 and 50 mt in 2009. As per industry an estimate, the imports may increase to 190-200 mt by 2017 which will put further strain to our import bill.

The following chart shows India's installed power generation capacity as on July 2015 and its reliance on thermal power. The Indian power sector is dominated by coal with 61% of total 276 GW power generations followed by Hydro and Renewable energy (RE). The share of RE is paltry 13% of the total installed capacity and provides huge opportunity.





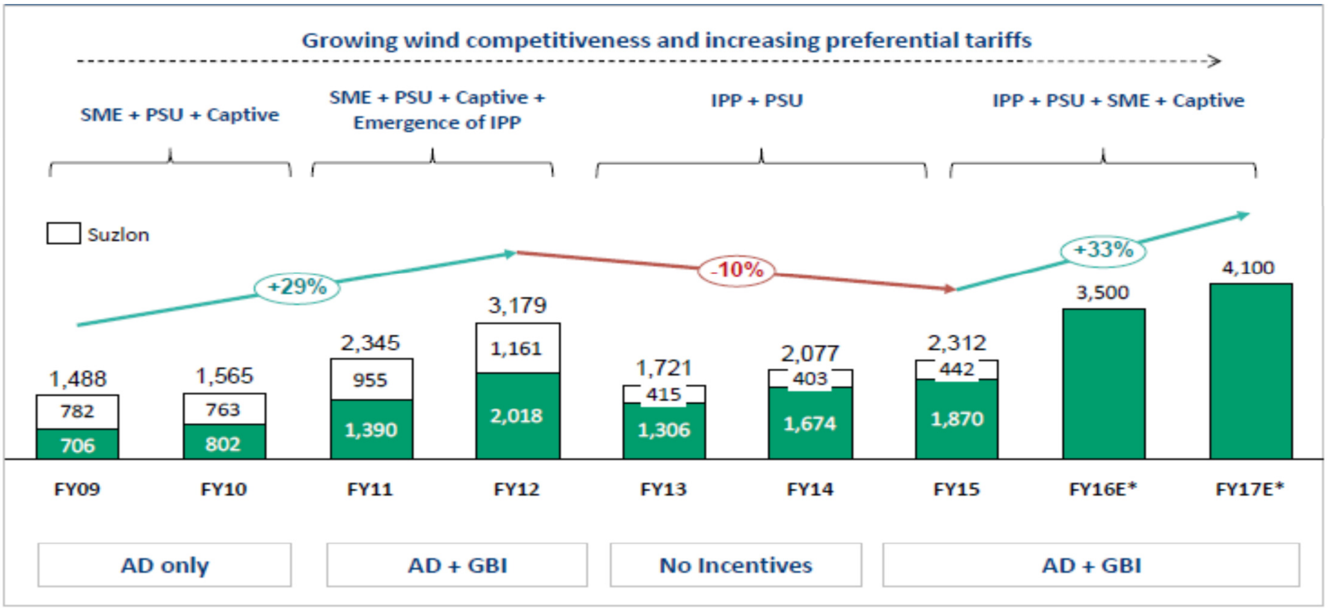
Industry Source, DSPL

RE is different than conventional power generation technologies; the capital cost is higher than conventional fossil power plants but have zero fuel costs. The other advantages of renewables are as below:

- Though tariff is currently higher, it remains constant for entire life of the project while cost of conventional power is linked to variable (fuel) cost component.
- RE helps to comply with international pressure to reduce carbon emissions. It also reduces pollution and water use.
- The use of renewable resources is expected to reduce India's dependence on expensive imported fossil fuel which will improve our fiscal condition.

Government's Focus on renewable energy:

The Government of India has set an ambitious RE generation target of 175 GW by 2022, in order to achieve its climate goals and enhance energy security. The government targets to achieve the same through 60GW of Wind energy installation, 100 GW of Solar energy and balance through other technology sources. As per the present estimates, India has an estimated RE potential of about 895 GW against current installation of 36 GW leaving huge untapped opportunity. Following figure shows evolution of various incentives and its impact on Wind Turbine installation.

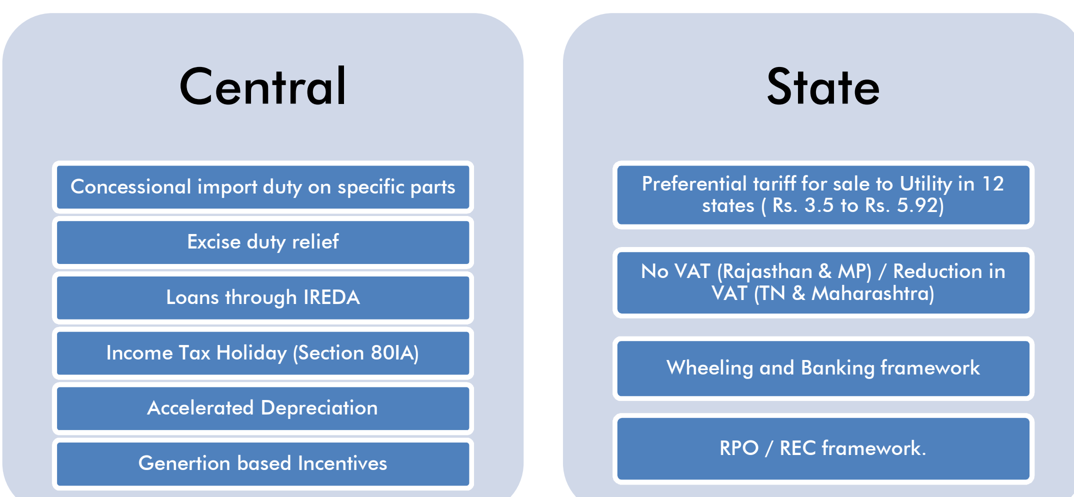


Company, DSPL

Barring few countries, wind energy growth is driven by incentives and India is no exception. Incentives are required to encourage fresh investments and also to address infrastructure related issues in India.

On back of incentives, FY12 was very good year for the Indian wind industry with 3.1 GW installations. The Govt. withdrew both AD and GBI benefits in FY12 which led to installations of only 1.7 GW in FY13, a drastic reduction of 45% on yoy basis. To reinstate the investor confidence and achieve ambitious target the government re-introduced AD and GBI benefits.

Under the National Action Plan on Climate Change (NAPCC), the GOI has set a target of having 15% renewable energy (against current share of 13%) in electricity generation mix by 2020. To encourage the investments into Renewable energy space both central and state government gives incentives to investors. Following figure highlights major incentives for the sector.



Industry Source, DSPL

The Government reinstated Accelerated Depreciation (AD) benefit in July, 2014 in addition to Generation Based Incentives (GBI) to encourage investment in the sector. The wind energy generator is eligible to use only one benefit; but as industry has both kinds of investors, these schemes will help for incremental investments. Under AD, 100% depreciation is allowed for tax purpose whereas under GBI additional incentive of 50 paisa per unit is provided for electricity generated.

Renewable Purchase Obligation (RPO) framework

RPO requires a percentage of all electricity to be sourced from renewables; the distribution companies and open access companies has to either buy electricity generated by RE source or in lieu has to buy Renewable Energy Certificate (REC) from the market. RPO is the biggest draw for the IPPs as it ensures off take by SEBs despite being expensive. However, the compliance of the RPOs has not been to the mark and hasn't led to the sector performing to its potential.

State	Tariffs fixed by commissions in INR per kWh	Validity of tariff (year)	RP0(%) specified	State Nodal Agency	Charges for captive users
Tamilnadu	3.51	20	11%	TNEB	10 % (includes 5% for banking if applicable)
Karnataka	4.2	10	10%	KREDL	2% to 5%
Maharashtra	4 to 5.5 (if AD availed)	13	9%	MEDA	Actual OA charges
Rajasthan	5.3 to 5.5 (if AD availed)	20	9%	RRECL	50% of normal OA charges
Andhra Pradesh	4.8	10	7%	NEDCAP	Actual OA charges
Madhya Pradesh	5.92 (For FY 14 to FY16)	25	7%	MPURJA	2% plus transmission charge
Gujarat	4.15 (from 11th Aug 2012 to FY16)	25	9%	GEDA	4%

Industry sources, DSPL

In May 2015, the Supreme Court (Hindustan Zinc vs. Rajasthan Electricity Regulatory Commission) pronounced a landmark judgment on the applicability of RPOs regulations. It will support the state electricity board to enforce RPO regulations more effectively.

Till date, the enforcement of RPO regulations has been lax due to various reasons, one being stay granted by various high courts like in case of Gujarat, MP and Tamil Nadu among others. Due to recent Supreme Court ruling the existing stay may become redundant and will help SEBs to impose RPO regulations more forcefully and effectively.

Other major Steps taken by the government:

National Clean Energy Fund:

The government increased the clean energy tax (cess) (tax levied on coal production and import) to Rs. 200 per tonne in 2015 union budget; it is expected to increase the fund corpus by more than Rs. 12K crores for the year. The ministry of new and renewable energy (MNRE) has sanctioned projects totaling around Rs. 15K to be disbursed from NCEF but not much has been allocated till date. The fund lying under this largely remains unutlised. The government is expected to utilize this to support its target for RE.

Green Energy Corridor:

The project is aimed at synchronizing electricity produced from renewable sources, such as Solar and Wind, with conventional power stations in the grid. The government planned to invest Rs. 43K crores into two parts by 2017. Out of this amount, approximately Rs. 21.8K Crores will be invested to strengthen the interstate transmission system and balance on intra state grid network. If implemented as per the plan it can provide big push to RE investment in the country.

Potential of Wind Energy:

As per the Center for Wind Energy Technologies, India has potential of generating 102 GW of wind energy (assuming 80m hub height) through on shore. Only seven states constitute 90% of the total potential capacity, it constitutes 99% of total installations as on date.

India's on shore Wind energy potential @80m hub height (GW)			
State	**Estimated Potential**	**Installations as on March 2015**	**Target for 2022**
Andhra Pradesh	14,497	1,038	8,100
Gujarat	35,071	3,643	8,800
Karnataka	13,593	2,639	6,200
Madhya Pradesh	2,931	877	6,200
Maharashtra	5,961	4,438	7,600
Rajasthan	5,050	3,308	8,600
Tamil Nadu	14,152	7,457	11,900
Others	11,533	39	2,600
Total	**102,788**	**23,439**	**60,000**

Industry sources, DSPL

The wind potential figure varies due to various assumptions relating to land availability, source of modeled wind resource data and geographic information system technique deployed. The new studies using advanced techniques predict wind power potential significantly higher than earlier estimates. It is estimated that India has the potential to develop 350 GW of offshore wind energy as well.

At present wind power accounts for 8.7 percent of the installed power capacity in India but it only contributes 1.6 percent of the power generated. Historically most of the investment into sector is driven by only government policies, any withdrawl of taxes has impacted incremental investments. Given the large opportunity and government's focus on RE, following challenges need to be addressed.

1. As wind turbines are installed in remote areas, proper grid network is required for power evacuation. Across most of the states the grid does not have sufficient spare capacity to evacuate the same.
2. Strict enforcement of Renewable Purchase Obligations (RPOs).
3. Land & environment clearance: Obtaining necessary clearance from authorities is time consuming.
4. Poor road and port infrastructure causes a logistic challenge for transportation of blade with 45-60 meter length.

Repowering (Replacement of old and inefficient turbines by the new one):

The wind turbine has usual life span of 20-25 years; the old turbines has lower PLF (~15%) due to old technology. As per industry estimates, India has 2.5-3 GW of wind turbine installations prior to 2000. The performance of old turbines can be significantly improved due to technology advancement; if issues (like fragmented land ownership, disposals of old equipment etc.) are tackled properly it could provide an additional thrust to Indian Wind energy sector.

Independent power Producer (IPP) will play a major role in shaping up the renewable industry:

IPPs are long term investors in power generation segment and to facilitate them, the Ministry of New & Renewable Energy (MNRE) introduced Generation Based Incentive (GBI) mechanism in December 2009. In last 2-3 years (post discontinuation of AD benefit in 2012) 80% of investment in wind market has been made by IPPs.

The trend is likely to continue because of 1) huge renewable energy potential 2) Policy Support and 3) Government's aggressive target. Leading private equity firms and international financial institutions have invested significantly in last few years. We believe that IPPs will play a pivotal role in the next phase of development in wind energy segment; it will help to improve the quality of wind projects and make industry environment more efficient.

Suzlon, geared for reaping opportunity in domestic market:

The company is now gearing itself for volume lead growth; it is spending Rs. 300 Crores to enhance manufacturing for larger blade length for S111 model which is more advanced and generates better PLF and return ratios. Currently, the company has order book of 1.1 GW totaling Rs. 69 bn (Excluding 450 MW for wind farm JV with DSA) which gives good revenue visibility for the year. As the government is targeting 60GW of wind energy by 2022, resulting in yearly installations of 6GW, we see healthy demand environment for next 5-6 years.

Looking at Suzlon's operational history, huge client base (more than 1800 clients in India), R&D focus and huge unutilized capacity, we expect the company to be a major beneficiary in RE space.

End-to-End solutions – A perfect Business model for India:

Suzlon pioneered end-to-end solution in domestic market; it covers everything from land and site identification, supply of wind turbines, development of site infrastructure, installation, power evacuation to operation and maintenance over the entire life of the project. It also assists in obtaining necessary approvals as well.

This was very unique to domestic market as AD investors are mostly interested in such service offerings; foreign companies like Vestas and Gamesa prefer equipment supply over end-to-end solutions. Typically, 25% of total yearly installations are contributed by AD market where Suzlon enjoys more than 50-60% market share.

Technology is the thrust area for the company; acquisition of Repower and evolution of different Wind Turbines shows its technology focus. Suzlon has consistently invested 1-1.5% of sales in R&D; the latest S111 turbine is expected to increase 20% yield over its previous S9X turbine. Unlike other Indian companies, Suzlon has wide product portfolio with control over technology. It has an advantage due to its global presence as well. Suzlon is a vertically integrated company with large installed capacity of various wind turbine parts, gear box being an exception where it has exclusive contract.

Following table highlights major players in domestic market with their installed capacity, product offering, their technology partner and installations in FY15.

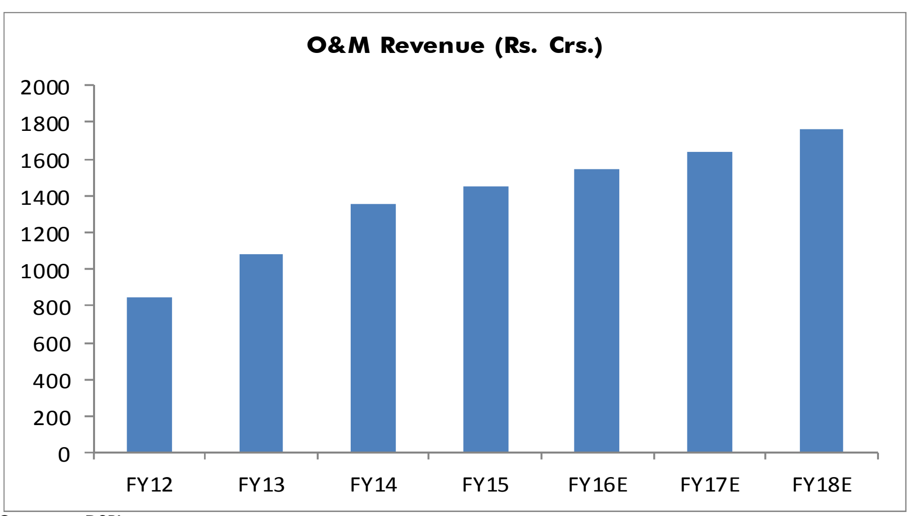
Company Name	Installed Capacity (MW)	Commissioned in FY15 (MW)	Product offered, WTG rating, KW	Technology Tie up
Suzlon	3,600	441	600 / 1250 / 1500 / 2100	Own
Gamesa	1,500	657	800/ 850 / 2000	Own
Inox Wind	1,100	272	2000	AMSC, Austria
Wind World (India) Ltd.	1,000	232	800	Own
Vestas	1,000	42	1650 / 1800 / 2000	Own
ReGen Powertech	750	424	1500	VENSYS

Company, DSPL

The industry is estimated to reach 4.5 GW by FY18 from current installation size of 2.3 GW in FY15 due to recall of AD and GBI and changing customer profile (large scale installations). We expect Suzlon to regain 45% market share by FY18 on its inherent market strengths.

Operation & Maintenance (O&M) provides steady revenue with strong contribution margins:

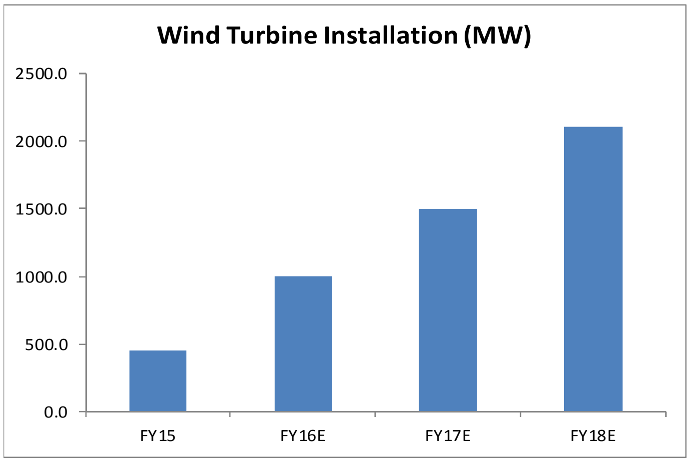
Any new Wind Turbine installation (Turnkey projects) includes free O&M service for initial two years; post that the developer charges Rs. 1 mn / MW of installed capacity. Suzlon has total O&M contracts for ~14 GW wind turbines; it is annuity revenue with contribution margins of ~50% and cost escalation of 5% every year. As last few years were low of additions, we expect 6-7% O&M revenue growth and post FY18 it can grow above 10%. Despite emergence of IPPs, we don't risk to this business given the fact that they are still don't have meaningful scale for in-house O&M from a cost perspective.

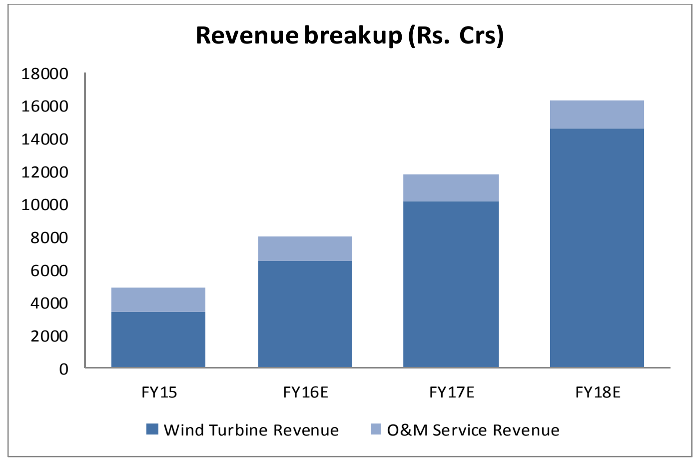


Company, DSPL

Financials:

We expect Suzlon to commission 1 GW of wind turbine installations in FY16; ~970 MW in India and balance in overseas market. Its fixed expenses are expected to remain constant up to 1.8-2.0 GW of commissioning; we expect EBIDTA margins to improve gradually to 15% by FY17E. We expect overall revenue to grow by 50% led by 63% growth in Wind turbine revenue and 5% growth in O&M service revenue during FY15-FY18.

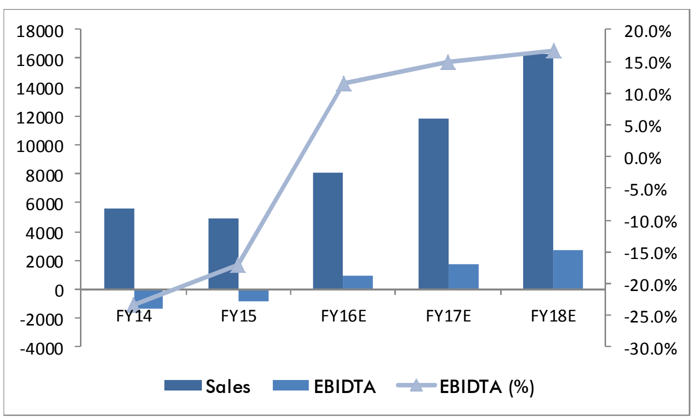


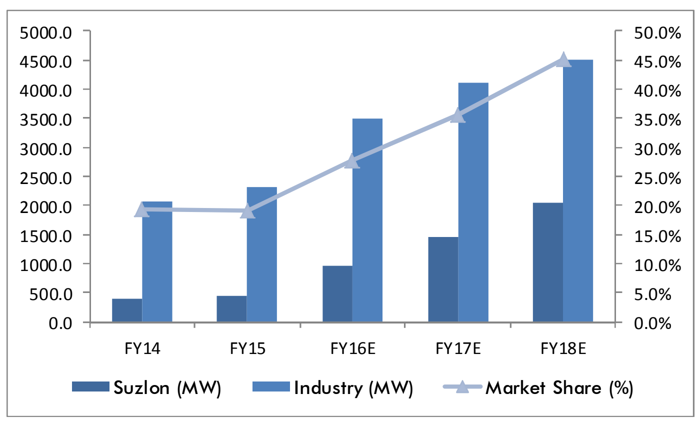


Company, DSPL

Financials to improve with Market share regain:

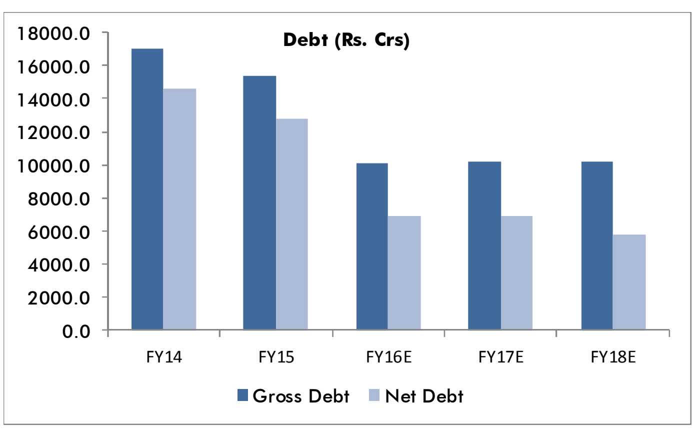
We expect Suzlon to commission 1 GW of wind turbine installations in FY16; ~970 MW in India and balance in overseas market. Its fixed expenses are expected to remain constant up to 1.8-2.0 GW of commissioning; we see EBIDTA margins to improve gradually to 15% by FY17E. The interest outflow would also remain around Rs. 90-95 bn till FY18 as they do not have any debt repayment liabilities till 2018.

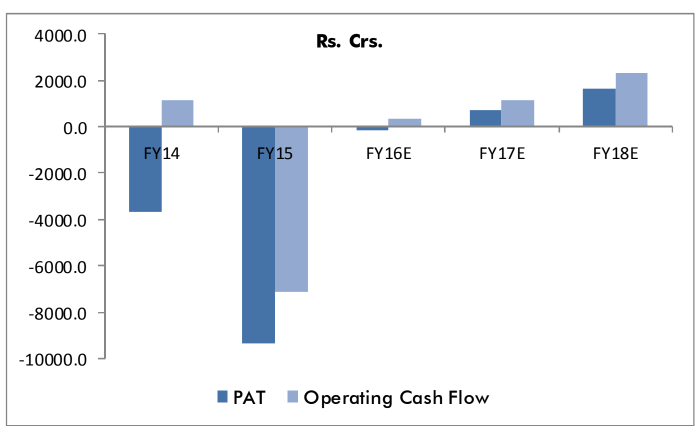




Company, DSPL

Net debt to come down driven by improvement in profitability





Company, DSPL

As the company has huge unutilized capacity, we do not expect any major capex for next 2-3 years; we have considered capex of Rs. 300 crores in coming years, mainly to upgrade its blade manufacturing facility. Post debt repayment of Rs. 50 bn (out of guidance Rs. 60 bn), the company has cash of Rs. 30 bn which will be utilized for its business expansion and working capital requirements. We assume interest outflow to remain constant at Rs. 9.0 - 9.5 bn with no debt repayment obligation till 2018.

Suzlon wind (Excluding Senvion) financials is shown in following table.

Suzlon Wind - Income Statement (Rs. Crs.)	FY12	FY13	FY14	FY15
Revenue	**10003**	**3228**	**5627**	**4883**
Less: COGS	6392	2616	4335	3138
Gross Profit	3611	612	1292	1745
Gross Profit (%)	36.1%	19.0%	23.0%	35.7%
Employee Benefit Expense	1027	833	787	747
as % of sales	10.3%	25.8%	14.0%	15.3%
Other Expenses	1889	1598	1587	1336
as % of sales	18.9%	49.5%	28.2%	27.4%
Exchange loss / (Gain)	43	250	233	495
Total Expense	2959	2681	2607	2578
EBIDTA	**652**	**-2069**	**-1315**	**-833**
EBIDTA %	6.5%	-64.1%	-23.4%	-17.1%
Less: Depreciation	389	428	375	376
EBIT	263	-2497	-1690	-1209
EBIT %	2.6%	-77.4%	-30.0%	-24.8%
Interest Cost	1374	1532	1785	1766
PBT	-1111	-4029	-3475	-2975
Less: Exceptional items	-227	643	179	6312
Less: Taxes	76	189	17	68
PAT	**-960**	**-4861**	**-3671**	**-9355**

Company, DSPL

Comment on Q1 FY16 results:

The company reported highest quarterly volumes of 205 MW in domestic market, highest is 3 years. The company added 188 MW of new order during the quarter, taking total order book at 1107 MW at the end of Q1 FY16. Order book constitutes 89% from IPP customers.

The company reported gross margins of 45% on account of execution of non-legacy orders and favorable product mix; going ahead the management has guided for 35% gross margins. The company reiterated that as business operations are normalized other variable expenses and liquidated damaged (known as LD) will come down which will help company to improve the margins.

Excluding exceptional gain of Rs. 1289 crores (on account of reversal of Senvion impairment provision), the quarterly result reflects company's focus on profitable growth.

Risk & concerns:

- In the recent past poor liquidity impacted company's execution capabilities which resulted in high Liquidity Damages Charges (known as LD), the company has provided Rs. 1.7 bn as LD charges in FY15. Any execution delay in future may result in provision of LD charge which may lower the operating margins.
- Our assumptions are based on continuation of existing center / state incentives for the sector, any incentive withdrawal may significantly impact the fresh investment. As Suzlon's revival plan is based on domestic market, the withdrawal may generate fresh challenges for the company.

Potential Triggers:

- Given the government's focus on RE, the industry requires avg. 6GW of installations on yearly basis, we have assumed total installations of 4-4.5 GW till FY18. Any upward installations may help the company as it has the highest installed capacity in the industry.
- Industry related:
  - Implementation of Green Energy corridor will provide big push to RE investment in the sector
  - Strict compliance of RPO guidelines will encourage RE generations.

OUTLOOK & VALUATION:

Suzlon seems to be a potential turnaround on back of government's focus, corporate actions taken by the management and its inherent strength in domestic market. It is better placed in the industry as it has strong presence in all gamut of wind turbine businesses against selective presence by leading competitors.

We see gradual improvement in the company's performance along with gaining market share and expect rerating in the stock. Conversion of FCCB (USD 299 mn) into equity shares will add another ~116 crores share to current 483 crores outstanding shares. We see increase in free float to limit the upside in near to mid-term.

As our CMP, the stock is trading at 19.5x FY17E earnings of Rs. 1.1 (on fully diluted basis) and 11.6x FY17E EV / EBIDTA. Applying discount rate of 20% on expected valuation of 15X FY19E earnings, we arrive at price target of Rs. 30, 35% upside from current level.

PEER COMPARISON:

Company Name	CMP	Mkt. Cap	Sales		EBIDTA (%)		P / E		EV / EBIDTA	
		(Rs. Crs.)	FY16E	FY17E	FY16E	FY17E	FY16E	FY17E	FY16E	FY17E
Inox Wind Ltd.	345	7658	4793	6382	15.4	16.1	15.3	10.8	10.2	7.2
Suzlon Energy Ltd.	22	10448	8283	11963	11.5	14.8	NM	19.1	21.2	11.4

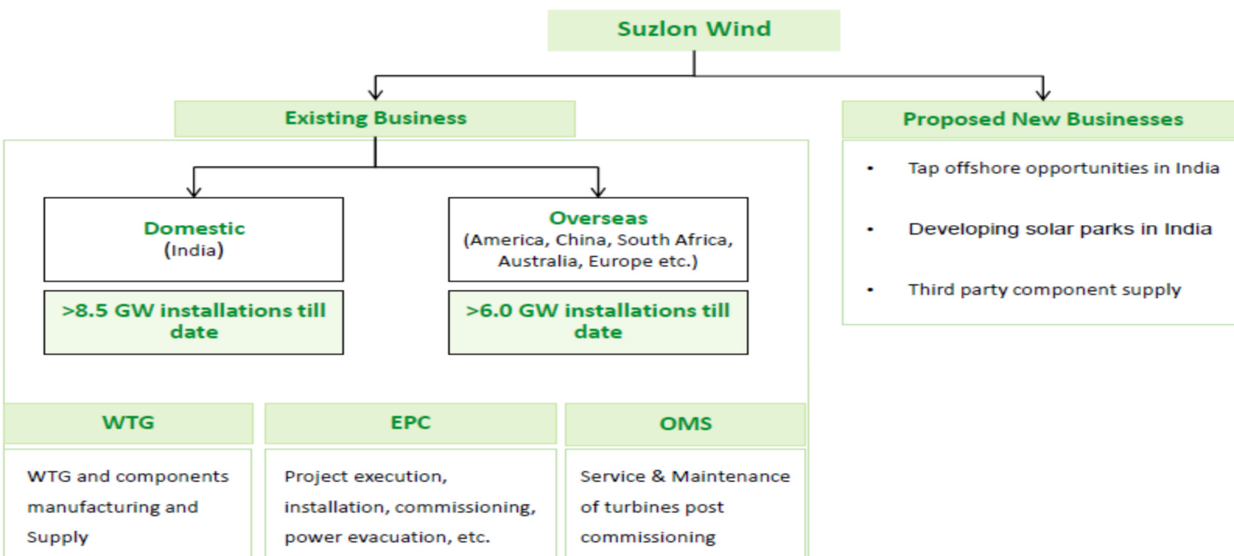
Company Background:

Suzlon was the 5th largest wind turbine manufacturer (prior to its stake sale in Senvion) with total wind installations of 22GW worldwide. Prior to its stake sale in Senvion, it controlled 6-7% of total global wind market by installation. Unlike other Indian companies it has consistently invested 1-1.5% of sales in R&D and for technology up gradations; acquisition of REpower (later changed to Senvion) was aimed at taking control of offshore technology.

In India Suzlon is a market leader for more than 16 years (except for last few years where it lost significant market share to other companies like Gamesa, Inox etc.) with cumulative installation base of 8.6 GW.

Renewed focus:

Post global crisis and quality concerns of product in develop market, the company continued to face problems; in last 4-5 years liquidity crisis further inflated the problems for the company. As mentioned earlier, the company restructured its debt and sold non-core assets to address the liquidity issue, Suzlon finally sold Senvion to Centerbridge Partners, LP for a sum of 1 bn Euros. In February 2015 Dilip Shanghvi and Associates (DSA) infused Rs. 1800 crores in the company for 17% stake. With two later deals, the company has repaid Rs. 6000 Crores to domestic lenders and will mainly focus on domestic operations. Following chart shows company's renewed focus. The company has started exploring opportunity for hybrid systems, it has bid for 110 MW solar projects in Telangana.



Company, DSPL

Profit & Loss

(Rs. Crs.)	FY14	FY15	FY16E	FY17E
Net sales	**20,403**	**19,954**	**8,027**	**11,819**
YoY (%)		**-2%**	**-60%**	**47%**
Total expenses				
Raw Material Cost	14,435	13,619	4,694	7,085
Employee costs	2,231	2,228	838	931
Other Manufacturing Cost	2,404	3,307	1,570	2,057
EBITDA	**-141**	**316**	**925**	**1,747**
YoY (%)		**-324%**	**193%**	**89%**
EBIDTA (%)	**-0.7%**	**2%**	**12%**	**15%**
Depreciation	777	809	355	363
EBIT	**(918)**	**(493)**	**570**	**1,384**
Interest	2,070	2,065	902	898
Other income	71	53	168	197
PBT	**(2,916)**	**(2,505)**	**(164)**	**683**
Less: Taxation	144	317	0	0
Effective tax rate (%)	-5.0%	-12.7%	0.0%	0.0%
Less: Minority Interest	0	0	0	0
Recurring PAT	**(3,061)**	**(2,822)**	**(164)**	**683**
YoY (%)		**-7.8%**	**NM**	**NM**
PAT (%)	**-15.0%**	**-14.1%**	**-2.0%**	**5.8%**
Exceptional items (net of tax)	(487)	(6,312)	0	0
Reported PAT	**(3,548)**	**(9,134)**	**(164)**	**683**

Balance Sheet

(Rs. Crs.)	FY14	FY15	FY16E	FY17E
Equity capital	504	748	1,198	1,198
Reserves	(1,051)	(9,864)	(6,246)	(5,563)
Net worth	**(547)**	**(9,116)**	**(5,048)**	**(4,366)**
Total borrowings	15,164	15,362	10,107	9,963
Minority Interest + othe	230	1,864	64	64
Non Current Liabilities	1,093	1,040	370	427
Current Liabilities	14,321	12,582	4,950	6,266
Total liabilities	**30,261**	**21,732**	**10,443**	**12,355**
Net block	13,515	6,000	1,745	1,682
Investments	4	15	15	15
Others	1,272	1,032	421	691
Current assets				
Inventories	4,033	3,361	1,649	2,267
Debtors	2,687	2,755	1,627	2,267
Cash	2,448	2,543	3,175	3,003
Other Current assets	6,302	6,027	1,810	2,618
Total assets	**30,261**	**21,732**	**10,443**	**12,542**

Key Ratios

	FY14	FY15	FY16E	FY17E
Recurring EPS (Rs)	(12.2)	(7.5)	(0.3)	1.1
Reported EPS (Rs)	(14.1)	(24.4)	(0.3)	1.1
Book value (Rs)	(2.2)	(11.6)	(8.4)	(7.3)
Dividend per share (Rs)	0.0	0.0	0.0	0.0
Net Debt Equity Ratio	(32.0)	(1.7)	(1.4)	(1.6)
Payable Days	95	83	93	80
Debtor Days	48	50	74	70
Inventory Days	106	90	75	70
ROCE (%)	-5.2%	-3.6%	11.3%	30%
Recurring ROE (%)	-1150.4%	73.4%	2.7%	-15%
ROA (%)	-10.3%	-10.9%	-1.0%	6%
Div Yield (%)				
Valuation Ratios				
PE (x)	(1.8)	(2.9)	(81.0)	19.5
Cash P/E (x)	(1.6)	(0.9)	(81.0)	19.5
Price/book value (x)	(10.0)	(1.9)	(2.6)	(3.1)
Market cap/sales (x)	1.3	1.7	1.7	1.1
EV/sales (x)	1.9	2.2	2.9	2.0
EV/EBITDA (x)	7.7	8.1	21.9	11.6
Earnings growth				
EBITDA (%)	-89%	-324%	NM	NM
EPS (%)	-47%	-100%	NM	NM
PAT (%)	-25%	-8%	NM	NM

Cash Flow

(Rs. Crs.)	FY14	FY15	FY16E	FY17E
Net profit	(3,061)	(2,822)	(164)	683
Depn and w/o	777	809	355	363
Others	3,310	2,019	743	685
Change in working cap	615	(859)	(576)	(562)
Op. Cash flow	**1,641**	**(853)**	**358**	**1,168**
Capex (Gross*)				
Capex (Net)	(2,343)	6,940	4,000	(300)
Investments	32	(11)	0	0
Inv. Cash flow	**(2,311)**	**6,928**	**4,000**	**(300)**
Dividend	0	0	0	0
Fresh Equity	142	244	3,733	(3,283)
Minority interest	0	0	0	0
Debt	1,863	(1,691)	(5,256)	(143)
Others	(2,070)	(2,065)	(902)	(898)
Fin. Cash flow	**(65)**	**(3,512)**	**(2,426)**	**(4,323)**
Net change in cash	(736)	2,563	1,932	(3,455)
Opening cash	1,959	2,448	2,543	3,175
Closing cash	**2,448**	**2,543**	**3,175**	**3,003**

We don't have actual balance sheet numbers post Senvion stake sale.
Past data is not comparable due to business restructuring and liquidity constraints

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