

Financial Snapshot:

Q4FY16 volumes of Suzlon Energy stood at 443MW with APAT of INR 500mn that had put the stock back on track of investors. EBITDA margins appear low at 14.1% which primarily owes to revenue mix i.e. lower Outage Management System (OMS) with increasing Wind Turbine Generator (WTG) volumes. Balance Sheet is on the way of healing with gradual debt reduction and improving working capital.

Suzlon has a robust order book of 1,243MW, of which largely to be executed in FY17E. With further order wins during the year, the volumes are estimated to stand around 1,500MW which seems achievable. The wind industry will be benefits from:

- (1) Improving technology which will lead to attractive IRRs despite fall in tariffs, and
- (2) High government initiatives on renewable energy.

Looking forward to the factors, we are confident of growth in wind installations over the next 2-3 years. And hence we recommend a BUY on Suzlon with a TP of Rs 29/share which is based on 10x FY18E EV/EBITDA.

Quarter Result Snapshot:

- The commercial launch of new model S111-120, which targets 40% of PLF will help suzlon gain market share in FY17E. Overall domestic wind installation is expected to grow to 4.3GW in FY17E of which suzlon targets 40% for itself.
- The company expects to grow its exports order book from FY18E, starting from American region.
- With an increase in installations, OMS revenue should grow steadily from FY18E. The revenue growth of OMS has been subdued owing to:
 - I. Exit from countries with few installations
 - II. Non -recognition of revenues from delayed payments.
- The company had won the bids for 280MW of solar power, which it intends to sell before scheduled commissioning timelines (i.e. Feb-May 17).

Valuation Outlook:

With improved volumes and profitability, balance sheet improving, robust order book recording and an gradual debt reduction, we have a positive bias on the stock and recommends a buy with a target price of INR 29/share.

DATE: 01/07/2016

Sector: Power- Generation & Distribution

Stock Summary:

Particular	
CMP (INR)	17.20
Target Price (INR)	29
Potential Upside	68.60%
O/S No. of Shares (cr.)	500.96
Market Cap. (cr.)	8760.78
Equity Cap. (cr.)	2541.54
52 Week High	28
52 Week Low	12.80
Face Value	2
NSE Code	SUZLON
BSE Code	532667

Share Holding Pattern:

Particular	March 16
Promoters	21.02%
Public (FII+DII)	78.92%
Others	0.00%
TOTAL	100%

Stock Performance:



Financial Summary:

Particular (INR mn)	4QFY 16	4QFY 15	YoY %	3QFY 16	QoQ %	FY14	FY15	FY16P	FY17E	FY18E
Net Sales	32,719	49,264	(34)	18,913	73	204,029	199,544	95,626	116,116	142,511
EBITDA	4,562	2,214	106	3,266	40	1,668	8,011	13,786	19,407	25,276
APAT	498	(6,061)	NM	(274)	NM	(27,248)	(23,606)	(1,715)	6,075	12,114
Dil. EPS (Rs)	0.1	(1.0)	NM	(0.0)	NM	(11.0)	(6.4)	(0.3)	1.0	2.0
P/E (x)						(1.5)	(2.5)	(46.5)	15.7	7.9
EV/EBITDA (x)						111.4	23.1	13.2	9.7	7.2

Quarterly Financials (Standalone):

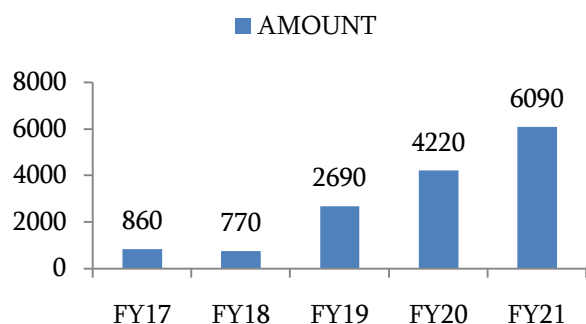
Particular (INR Mn)	4QFY16	4QFY15	YoY%	3QFY16	QoQ%	FY16	FY15	YoY%
Net Sales	32,719	49,264	-34	18,913	73	95,626	199,544	(52)
Material Expenses	20,774	34,945		10,257		56,046	136,187	
Employee Expenses	2,345	5,265		1,998		9,542	22,275	(57)
Other Operating Expenses	5,038	6,840		3,392		16,251	33,072	
EBITDA	4,562	2,214	106	3,266	NM	13,786	8,011	72
Interest Cost	3,022	5,552		2,661		12,261	20,647	
Depreciation	1,193	1,857		988		4,033	8,088	
Other Income	149	189		106		655	533	
Forex Gain/(Loss)	(3,204)	(6,060)		(858)		6,541	(67,971)	
PBT	(2,708)	(11,065)		(1,135)		4,689	(88,161)	
Tax	34	1,084		2		(110)	3,173	
Minority Interest	37	28		6		28	(243)	
Reported PAT	(2,706)	(12,121)	-78	(1,132)		4,826	(91,577)	(105)
EO Items	(3,204)	(6,060)		(858)		6,541	(67,971)	
APAT	498	(6,061)	-108	(274)	NM	(1,715)	(23,606)	(93)

Margin Analysis:

Particular	4QFY16	4QFY15	YoY(%)	3QFY16	QoQ(%)	FY16	FY15	YoY(%)
Material Exp (% Net Sales)	63.5	70.9	-744	54.2	926	58.6	68.2	-964
Employee Exp (% Net Sales)	7.2	10.7	-352	10.6	-340	10.0	11.2	-118
Other Op Exp (% Net Sales)	15.4	13.9	151	17.9	-254	17.0	16.6	42
EBITDA Margin (%)	13.9	4.5	945	17.3	-332	14.4	4.0	1040
Net Profit Margin (%)	(8.3)	(24.6)	1633	(6.0)	-229	5.0	(45.9)	5094
Tax Rate (%)	(1.3)	(9.8)		(0.2)		(2.3)	(3.6)	

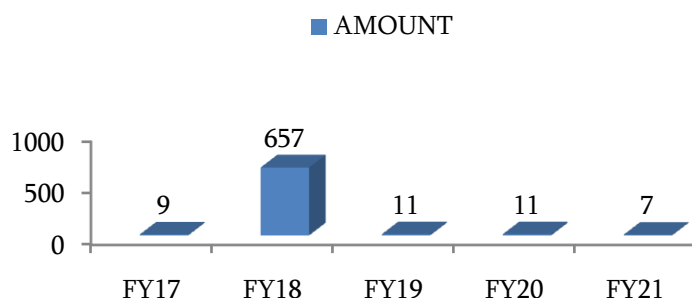
Maturity Profile: Debt In INR

DEBT (in INR)



Maturity Profile: Debt in USD

DEBT in (USD)



Valuation Estimates:

Particular (INR mn)	FY16	FY17E	FY18E
WTG Revenue	67,850	100,500	126,000
MW Sales	1,131	1,500	1,800
Rs mn/MW	60	67	70
O&M Revenue	14,740	15,616	16,511
Revenue From Operations	82,590	116,116	142,511
Employee Benefit Expenses	8,070	8,792	9,891
Other Expenses	12,750	16,202	18,991
Operating EBITDA	12,960	19,407	25,276
OPM	15.7%	16.7%	17.7%
Depreciation	3,130	3,520	3,745
Finance Costs	10,050	9,812	9,417
PBT	(4,210)	6,075	12,114
PAT	5,400	6,075	12,114
Long-term Debt	93,325	79,364	79,364
Working Capital Debt	19,100	17,000	12,000
Fully Diluted Shares (mn)	5,988	5,988	5,988

Peer Comparatives:

Company	Adj. EPS (INR/Share)			P/E (x)			EV/EBITDA (x)			ROE		
	FY16	FY17E	FY18E	FY16	FY17E	FY18E	FY16	FY17E	FY18E	FY16	FY17E	FY18E
Inox Wind	20.4	24.5	31.5	10.8	8.9	7.0	8.4	5.9	4.8	27.9	25.8	26.7
Suzlon Energy	-0.3	1.0	2.0	(46.5)	15.7	7.9	13.2	9.7	7.2	(6.7)	(10.1)	(27.6)
Cummins India	27.1	28.3	31.3	29.5	28.3	25.5	28.7	26.4	23.2	24.8	23.6	23.7
Thermax	23.4	26.3	27.4	31.4	27.9	26.7	17.0	17.1	15.0	12.4	13.0	12.5
Kalpataru Power	13.0	15.5	17.5	18.3	15.4	13.6	10.6	9.5	8.3	9.2	10.0	10.3
KEC International	7.4	10.0	10.6	18.6	13.8	13.0	8.5	7.3	6.7	13.5	15.8	14.7
Techno Electric	24.7	27.5	33.0	22.0	19.8	16.4	14.9	11.2	9.6	12.2	14.3	15.1
L&T	50.8	60.6	70.9	29.0	24.3	20.8	12.9	12.3	11.2	11.1	12.2	13.1
Crompton Greaves	2.1	2.3	3.3	32.0	29.3	19.9	6.9	6.6	3.5	2.5	17.2	2.5
Voltas	10.4	12.4	14.4	32.2	27.1	23.4	24.0	20.4	17.2	15.3	16.1	16.6

Financials:

Income Statement:

Particular (INR mn)	FY14	FY15	FY16	FY17E	FY18E
Revenue	204,029	199,544	95,626	116,116	142,511
Growth %	7.9	(2.2)	(52.1)	21.4	22.7
Raw Material Consumption	144,354	136,187	56,046	71,714	88,352
Employee Expenses	22,314	22,275	9,542	8,792	9,891
Other Expenses	35,693	33,072	16,251	16,202	18,991
Total Expenses	202,361	191,533	81,839	96,708	117,234
EBIDTA	1,668	8,011	13,786	19,407	25,276
EBIDTA %	0.8	4.0	14.4	16.7	17.7
EBIDTA Growth %	(116.9)	380.3	72.1	40.8	30.2
Depreciation	7,769	8,088	4,033	3,520	3,745
EBIT	(6,101)	(76)	9,754	15,888	21,531
Other Income (including EO Items)	(7,237)	(67,438)	7,196	-	-
Interest	20,700	20,647	12,261	9,812	9,417
PBT	(34,037)	(88,161)	4,689	6,075	12,114
Tax	1,444	3,173	(110)	-	-
Minority Interest	282	(243)	28	-	-
RPAT	(35,200)	(91,577)	4,826	6,075	12,114
EO Items	(7,952)	(67,971)	6,541	-	-
APAT	(27,248)	(23,606)	(1,715)	6,075	12,114
APAT growth %	27.8	13.4	92.7	NM	99.4
Adj EPS	(11.0)	(6.4)	(0.3)	1.0	2.0

Balance Sheet:

Particular (INR mn)	FY14	FY15	FY16	FY17E	FY18E
SOURCES OF FUNDS					
Share Capital	4,976	7,415	10,041	11,980	11,980
Reserves	(10,415)	(98,638)	(80,834)	(61,981)	(49,867)
TOTAL SHAREHOLDERS FUND	(3,759)	(73,164)	(70,793)	(50,002)	(37,888)
Minority Interest	584	636	32	250	250
Long Term Debt	116,409	107,866	92,263	86,420	88,184
Short Term Debt	54,124	45,758	19,097	17,000	12,000
TOTAL DEBT	170,533	153,623	111,360	103,420	100,184
Deferred Taxes	7,379	6,489	126	100	100
Long Term Provisions	3,548	3,911	4,226	2,863	3,514
Total Sources of Fund	178,285	91,496	44,950	56,632	66,160
APPLICATION OF FUNDS					
Net Block	43,667	37,647	19,178	15,730	14,485
CWIP	4,334	3,561	-	2,500	3,500
Goodwill	91,479	20,787	76	-	-
Investments, LT loans and advances	12,247	8,470	9,368	8,983	11,846
CURRENT ASSETS					
Inventories	40,329	33,608	25,646	34,357	41,777
Trade receivables	59,455	67,005	26,971	35,630	42,948
Cash & equivalents	24,480	27,933	9,455	10,172	13,223
Loans & Advances	26,614	18,303	8,971	19,451	21,396
TOTAL CURRENT ASSETS	150,878	146,849	71,043	99,610	119,345
CURRENT LIABILITIES AND PROVISIONS					
Current Liabilities	54,956	45,562	28,053	44,424	51,390
Provisions	69,364	80,257	26,662	25,768	31,626
TOTAL CURRENT LIABILITIES	124,320	125,819	54,715	70,192	83,016
NET CURRENT ASSETS	26,558	21,030	16,328	29,418	36,329
TOTAL APPLICATION OF FUNDS	178,285	91,496	44,950	56,631	66,160

Cash Flow Statement:

Particular (INR mn)	FY14	FY15	FY16	FY17E	FY18E
Reported PBT	(34,037)	(88,161)	4,689	6,075	12,114
Non-operating & EO items	7,237	67,438	(7,196)	-	-
Interest	17,925	20,647	12,261	9,812	9,417
Depreciation	7,769	8,088	4,033	3,520	3,745
Working capital change	(3,712)	5,777	(20,349)	(7,310)	(3,552)
Tax Paid	(1,444)	(3,173)	110	-	-
Other operating items	14,310	30,161	(6,579)	5,086	
OPERATING CASH FLOW	8,047	40,776	(13,032)	17,184	21,725
Capex	(6,567)	(7,363)	45,880	(2,500)	(3,500)
Free Cash Flow	1,480	33,413	32,848	14,684	18,225
Investments & Others	1,839	7,515	(897)	(7,560)	(2,520)
INVESTING CASH FLOW	(4,728)	151	44,983	(10,060)	(6,020)
Capital issuance	2,120	82	18,000	15,297	-
Debt issuance	6,921	(16,910)	(58,380)	(11,892)	(3,236)
Interest	(7,471)	(20,647)	(10,050)	(9,812)	(9,417)
FCFE	930	(4,144)	(35,582)	(7,020)	5,571
Dividend	-	-	-	-	-
FINANCING CASH FLOW	1,570	(37,475)	(50,430)	(6,407)	(12,653)
NET CASH FLOW	4,889	3,453	(18,479)	717	3,051
Closing cash	24,480	27,933	9,455	10,172	13,223

Ratios:

Particular	FY14	FY15	FY16	FY17E	FY18E
PROFITABILITY %					
GPM	29.2	31.8	41.4	38.2	38.0
EBITDA margin	0.8	4.0	14.4	16.7	17.7
EBIT margin	(3.0)	(0.0)	10.2	13.7	15.1
APAT margin	(17.4)	(45.8)	5.0	5.2	8.5
RoE	(1,333.6)	61.4	(6.7)	(10.1)	(27.6)
Core RoCE	(4.1)	(0.1)	20.2	38.8	43.3
RoCE	(7.8)	(51.9)	25.4	31.3	35.1
EFFICIENCY					
Tax rate %	(4.2)	(3.6)	(2.3)	-	-
Asset turnover (x)	4.7	5.3	5.0	7.4	9.8
Inventory (days)	72.1	61.5	97.9	108.0	107.0
Debtor (days)	106.4	122.6	102.9	112.0	110.0
Payables (days)	50.0	45.2	107.1	94.6	86.6
Cash conversion cycle (days)	128.5	138.9	93.8	125.4	130.4
Debt/EBITDA (x)	102.2	19.2	8.1	5.3	4.0
Net D/E	(38.9)	(1.7)	(1.4)	(1.9)	(2.3)
Interest coverage	(0.3)	(0.0)	0.8	1.6	2.3
VALUATION					
EPS (Rs/sh)	(11.0)	(6.4)	(0.3)	1.0	2.0
DPS(Rs/sh)	-	-	-	-	-
BV (Rs/sh)	(1.5)	(19.7)	(14.2)	(8.3)	(6.3)
P/E	(1.5)	(2.5)	(46.5)	15.7	7.9
P/BV	(10.6)	(0.8)	(1.1)	(1.9)	(2.5)
EV/EBITDA	111.4	23.1	13.2	9.7	7.2
EV/Revenues	0.9	0.9	1.9	1.6	1.3
OCF/EV (%)	4.3	22.1	(7.2)	9.1	11.9
FCF/EV (%)	0.8	18.1	18.1	7.8	10.0
FCFE/MCAP (%)	2.3	(7.0)	(44.6)	(7.3)	5.8

DISCLAIMER

Trifid Research respects and values the Right to Policy of each and every individual. We are esteemed by the relationship and by becoming our clients; you have a promise from our side that we shall remain loyal to all our clients and non-clients whose information resides with us. This Privacy Policy of Trifid Research applies to the current clients as well as former clients. Below are the word by word credentials of our Privacy Policy:

1. Your information, whether public or private, will not be sold, rented, exchanged, transferred or given to any company or individual for any reason without your consent.
2. The only use we will be bringing to your information will be for providing the services to you for which you have subscribed to us.
3. Your information given to us represents your identity with us. If any changes are brought in any of the fields of which you have provided us the information, you shall bring it to our notice by either calling us or dropping a mail to us.
4. In addition to the service provided to you, your information (mobile number, E-mail ID etc.) can be brought in use for sending you newsletters, surveys, contest information, or information about any new services of the company which will be for your benefit and while subscribing for our services, you agree that Trifid Research has the right to do so.
5. By subscribing to our services, you consent to our Privacy Policy and Terms of Use.
6. Trifid research does not guarantee or is responsible in any which way, for the trade execution of our recommendations, this is the sole responsibility of the client.
7. Due to the market's volatile nature, the trader may/ may not get appropriate opportunity to execute the trades at the mentioned prices and Trifid Research hold's no liability for any profit/ loss incurred whatsoever in this case.
8. It is the responsibility of the client to view the report timely from our Premium member section on our website: www.trifidresearch.com and the same will also be mailed to this registered email id.
9. Trifid research does not hold any liability or responsibility of delay in mail delivery of reports, as this depends on our mail service provider's network infrastructure.
10. The clients can call us for any query related to buying/selling the securities, based on our recommendations.