

February 22, 2008
Sample Research Report

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SUZLON ENERGY LTD.

RATING: BUY
TARGET PRICE: INR 500

| INR bn, except per share data | | | FY2008 | FY2009 | FY2010 | FY2011 | FY2012 | FY2013 |
|-------------------------------|-------------|-------------------------|--------|--------|--------|--------|--------|--------|
| Recent price | 308.35 | Revenue | 134.4 | 218.4 | 334.8 | 478.3 | 629.4 | 755.3 |
| Volume (3m avg.) | 2.7 mn | Operating income | 19.0 | 35.6 | 60.8 | 93.1 | 127.0 | 155.2 |
| Market Cap, bn | 445.5 | Operating margin | 14.1% | 16.3% | 18.2% | 19.5% | 20.2% | 20.6% |
| Shares out., bn | 1.4 | Net Income | 11.5 | 25.0 | 46.1 | 73.2 | 101.7 | 125.4 |
| 52wk range | 186.4-460.0 | Net margin | 8.6% | 11.5% | 13.8% | 15.3% | 16.2% | 16.6% |
| | | EPS | 7.73 | 16.02 | 28.95 | 45.36 | 62.59 | 77.17 |
| | | P/E | 39.9 | 19.2 | 10.7 | 6.8 | 4.9 | 4.0 |
| | | P/S | 3.31 | 2.04 | 1.33 | 0.93 | 0.71 | 0.59 |

Note: FY ends March 31.

Source: Reuters, Yahoo! Finance, analyst estimates

Summary

Suzlon Energy Ltd. (Suzlon) is an India-based wind turbine generator producer. It is world's fifth largest player in the market with a global market share of over 7%. The wind power market is expected to grow at a fast pace in the next several decades as governments around the world implement their environmental programs aimed at increasing the share of renewable energy in total energy production. For example, Europe and China have aggressive targets for 2020 and are committed to achieving them. With rising oil prices, alternative energy has become even more attractive, both in terms of energy security and in terms of cost. And, unlike solar energy, land used for windfarms can still be used for other purposes, e.g. for agriculture, while the manufacturing of generators does not require expensive semiconductors.

Suzlon is actively expanding in global markets, while also keeping its home India, where it accounts for over 50% of the market, under control. Integrated production process should help the company protect its margins, while building up manufacturing capacity should ensure that the company does not miss out on profitable opportunities.

We believe that the prospects of the Wind industry favor any active player in this market. However, Suzlon is expected to grow faster in the coming years than its peers. Besides, the company's net margin is higher than for comparable companies and we believe this is also a worthy fact.

INVESTMENT HIGHLIGHTS

Wind power is a priority for most developed and some developing countries

In an effort to reduce greenhouse emissions and dependence on oil imports, exacerbated by the rising oil prices, many countries have established medium- to long-term goals of generating power from alternative (especially renewable) energy sources. Wind is one of the most promising and most encouraged alternative sources of energy. Unlike biodiesel, it does not generate greenhouse emissions, and unlike solar power, it does not take large plots of land and does not require expensive silicon.

On March 09, 2007, the European Council agreed that the European Union would increase the share of renewable energy to 20% by the year 2020¹. Wind power is already widely used in many European countries and is expected to form an important part of this 20% target. Already now, wind farms account for approximately 19% of electricity production in Denmark, 9% in Spain and Portugal, and 6% in Germany and the Republic of Ireland (2007 data)².

China has set similar targets. According to a press release from Suzlon³, China's Renewable Energy Law, which came into effect in China on January 01, 2006, is one of the largest state-sponsored commitments toward renewable energy in the world. The law sets two targets: 5,000 MW by 2010, at an annual average of 800 MW per year, current installed capacity being below 1,000 MW; and 30,000 MW by 2020, at an annual average of 2,500 MW by 2020. Global Wind Energy Council (GWEC) expects⁴ China to have a capacity of around 50,000 MW by 2015.

Installed wind capacity is forecast to continue growing at fast rates worldwide

Following the commitment by many countries to increase the share of renewable sources of energy in their growing total power production, analysts and industry experts predict that the installed capacity of wind power generators is going to grow at double-digit annual rates in the following years.

Steve Sawyer, secretary general of the Global Wind Energy Council (GWEC), notes that installations of wind power consistently outstripped growth forecasts, adding: "We've been projecting that the rate of growth will slow down to below 20% for some years now, but 2007 looks like being more than 25%."⁵ In fact, the growth in 2007 was at 31% year-over-year⁶.

Old wind power installations will need to be replaced with modern more efficient devices

Some countries, mainly in Europe, have been using wind turbines for decades. Technological obsolescence and physical wear will require their replacement with modern, higher capacity and more efficient turbines. This increases the potential market for turbine manufacturers and provides additional opportunities for the whole market.

Rising oil prices make wind energy more price-competitive

The price of oil has risen significantly in the past few years, making alternative sources of energy relatively cheaper. Also, oil is a non-renewable resource and eventually it will run out (although there is no consensus as to when this will happen), requiring switching to renewables, which is already happening. According to Wikipedia, in 2004, wind energy cost one-fifth of what it did in the 1980s. Although supply chain problems have led to a rise in wind power installation costs in recent years, this is not as significant as the rises in the price of fossil fuels.

¹ "World Wind Energy Association - WWEA welcomes decision by European Union to increase share of Renewable Energy to 20% by 2020," http://www.windea.org/home/index.php?option=com_content&task=view&id=173&Itemid=40.

² "Wind power - Wikipedia, the free encyclopedia," http://en.wikipedia.org/wiki/Wind_power#_note-0.

³ Source: Suzlon website, http://www.suzlon.com/News.aspx?cp=1_3.

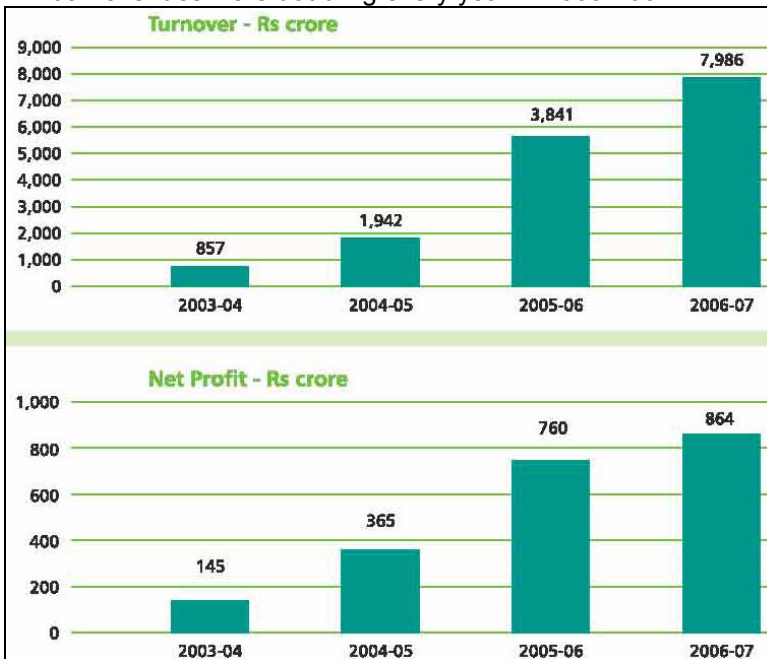
⁴ "GWEC: US, China & Spain lead world wind power market in 2007," [http://www.gwec.net/index.php?id=30&no_cache=1&tx_ttnews\[tt_news\]=139&tx_ttnews\[backPid\]=4&cHash=6691aa654e](http://www.gwec.net/index.php?id=30&no_cache=1&tx_ttnews[tt_news]=139&tx_ttnews[backPid]=4&cHash=6691aa654e).

⁵ "China seen surging to top wind turbine maker in 09," <http://www.alertnet.org/thenews/newsdesk/L0773451.htm>.

⁶ "GWEC: US, China & Spain lead world wind power market in 2007," [http://www.gwec.net/index.php?id=30&no_cache=1&tx_ttnews\[tt_news\]=139&tx_ttnews\[backPid\]=4&cHash=6691aa654e](http://www.gwec.net/index.php?id=30&no_cache=1&tx_ttnews[tt_news]=139&tx_ttnews[backPid]=4&cHash=6691aa654e).

Suzlon's revenues and profits are rising at a fast pace⁷

Annual revenues were doubling every year in 2003-2007:



Source: Suzlon.

As the company is building up its production capacities and the market is expected to grow at a fast pace, Suzlon's revenues are likewise expected to progress at quick rates.

Integrated wind turbine production

Suzlon reports that it is one of the most integrated turbine manufacturers – with manufacturing capability along the full value chain – ranging from components to complete wind turbine systems. A significant step in this vertical integration came from the acquisition of Hansen Transmissions International NV, engaged in the business of design, development, manufacturing and supply of industrial and wind gear boxes, which is the second largest wind energy gearbox manufacturer in the world, according to the company. Vertical integration allows the company to realize cost savings and design better systems where all components can be designed as one system, not as separate parts. In addition, the gearbox business provides additional sales, allowing to benefit from competitors' success as well.

Increasing production capacity

According to Suzlon, "the company currently has a combined manufacturing base of 2,700 MW of annual capacity, and is undertaking an aggressive expansion program to expand its base to 5,700 MW of capacity by Q3 FY2008-09." This will more than double the company's manufacturing capacity, allowing it to capture more business in this high-growth market and maintain its market share.

Suzlon's subsidiary Hansen Transmissions, the world's second largest wind gearbox manufacturer⁸, announced plans to expand its Belgian facilities to 5,800 MW and build its manufacturing facilities in India with a capacity of 3,500 MW. This capacity increase is being done in phases to reach a total capacity of 9,300 MW by the fourth quarter of FY09.

A leading wind turbine producer

Suzlon is one of the main global industry players and the main one in India. According to 2006 data, Suzlon is world's fifth largest wind turbine manufacturer. Although its share at the time was less than 8%, it still is an important player. This provides the company with greater visibility than smaller producers. In India, Suzlon controls more than half of the local market. Worldwide expertise and a leading rank should allow Suzlon to compete successfully against the few larger players and the numerous smaller ones.

⁷ 1 Indian crore equals INR 10 million.

⁸ According to Suzlon.

Suzlon has already proven its ability to grow its business, and increasing capacity should help the company grow quickly in the future.

Suzlon is actively signing new clients and has a growing order backlog

Suzlon has been actively signing new contracts worldwide. Most recently, it announced new orders from Australia, Spain and China. Thus, since the beginning of 2008, Suzlon has announced the following additions to its order book:

- 145.4 MW in Spain (two separate orders);
- 56.7 MW in Australia;
- 100 MW in China.

The aggregate backlog as of January 29, 2008, totaled \$4.3 billion (3,357 MW, including the orders mentioned above), versus \$4.1 billion⁹ on October 20, 2007 (3,251 MW) – a quarter-over-quarter growth of 3.3%. Since Q1-FY07, the backlog (as measured in INR) has increased by more than 4.4 times. Current backlog stands at 5.4 times the revenues of Q3-FY07, i.e. more than historical annual revenues.

Geographical diversification reduces risk

Suzlon does most of its business abroad, with 54% of total sales during the last reported quarter generated abroad. Moreover, the backlog is 87% foreign, suggesting that the share of foreign business will grow further.

As of FY07, Suzlon had clients in 14 countries covering four continents: Australia, Belgium, Brazil, China, Denmark, Germany, Greece, Holland, India, Italy, New Zealand, Portugal, South Korea and the United States. Such diversification reduces the company's exposure to a decline in a single geographic market and allows it to benefit from the growing interest towards wind energy in all parts of the world, not missing important opportunities.

Asian origin may provide competitive advantage against larger competitors from the West

Suzlon is the only non-western wind turbine manufacturer with significant market share. As such it may have the advantage of being perceived as more "friendly" by customers and governments in Asia-Pacific. Similarly, the company may have greater insight into the specifics of Asia-Pacific markets.

In addition, Suzlon controls over half of its home market, i.e. India, and in 2007, India was in the fourth place among countries installing new wind capacity – over 1,700 MW, and in terms of total installed capacity – 8,000 MW¹⁰.

Recent public offering raised €440 million for Hansen to be used for manufacturing facilities expansion in China and India.

Suzlon's subsidiary Hansen underwent an IPO raising €440 million. This money is planned to be spent building additional manufacturing capacity in India and China. Additional cash inflow should help the company avoid having to issue new debt.

Plans to list overseas may improve the liquidity of the company's stock and provide access to new capital markets

In January 2008, Suzlon's chairman Tulsi Tanti said that the company could list overseas¹¹. Although he declined to give further details, this suggests that the company is looking at this possibility and such a move should help both to increase the company's stock liquidity and give it access to new capital markets.

⁹ INR 163.28 billion, converted at INR 39.780 per USD 1.

¹⁰ Ibid.

¹¹ Source: Reuters.

INVESTMENT RISKS

Fast growth of the wind turbine market has led to supply bottlenecks

Suzlon, as well as other manufacturers and independent publications¹², cite supply bottlenecks as causes for deliveries disruptions and rising costs of installations. Large wind turbine installations require specialized materials and products (such as tubular towers etc.), which can be manufactured by a few facilities worldwide. Thus, the speed of the caravan is limited to the speed of its slowest camel, and for the wind turbine caravan, supplies have become the slowest camel.

Chinese producers expected to become stronger competitors in global markets

With China providing incentives and setting targets for the wind industry, the global activity of Chinese wind turbine manufacturers is expected to intensify. According to Steve Sawyer of the Global Wind Energy Council (GWEC)¹³, no Chinese manufacturers are exporting at this time, but several are expected to begin exporting their products in 2009-2010. Chinese competition may erode margins for other players, especially if the Chinese government decides to subsidize its home producers.

Currency risks

Suzlon's activity in a multitude of international markets creates various currency exposures. However, for a US-based investor, the main risk is in the USD-INR exchange rate. If the US dollar appreciates, the value of Suzlon's shares to US-based investors may decline.

Local communities may oppose wind power installations

Suzlon has reported that it had problems with local communities in one of its projects in India, making the company consider project relocation to other regions, as well as other extraordinary costs. Local residents have refused to sell their land at historical market prices, asking significantly higher prices, effectively creating a new market price multiples higher than in regions without such projects. Similar problems are likely to happen in various regions around the world. Local communities may also be concerned about environmental issues (e.g. effects on the migration of birds etc.) and have other reasons to oppose the installation of wind generators.

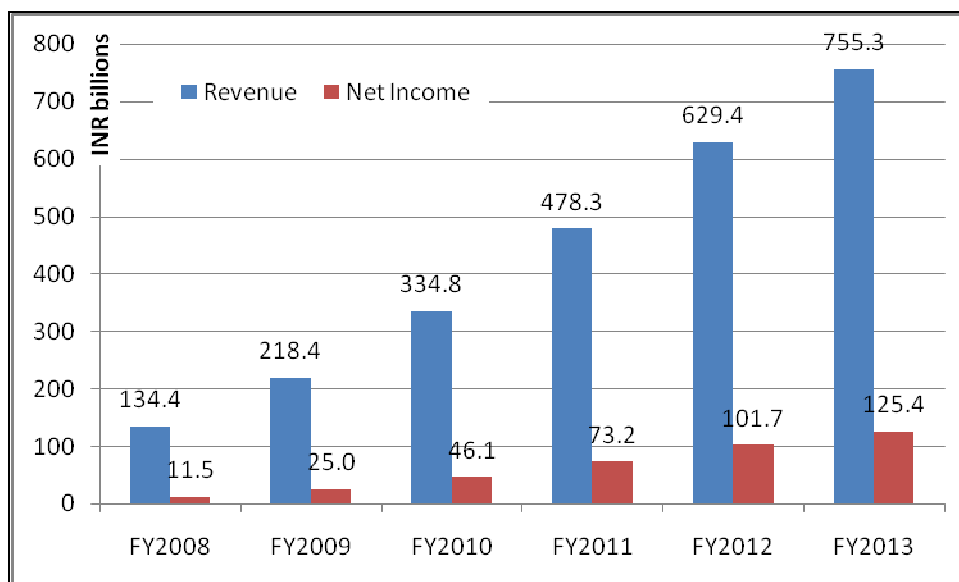
¹² For example, Wikipedia.

¹³ "Reuters AlertNet - INTERVIEW-China seen surging to top wind turbine maker in 09," <http://www.alertnet.org/thenews/newsdesk/L0773451.htm>

VALUATION

Our valuation of Suzlon's stock is based on two techniques: absolute valuation, using DCF, and relative valuation, using P/E and P/S multiples.

We based our valuation on the following forecasts of Suzlon's financial performance:



Source: analyst estimates.

We assumed that Suzlon will continue to grow at double-digit rates, driven by strong market growth, but that the company's growth rate will slow down from 108% in FY2007 to 20% in FY2013, and further to 10% in FY2020. Strong government commitments in Europe, USA, China and other countries warrant such growth rates, in our view, especially in the light of increasing oil prices and price competitiveness of wind power.

DCF valuation

We have built our DCF model on the following assumptions:

| | |
|--------------------------------|--------------|
| Stock Price, INR | 308.35 |
| Shares Outstanding, bn | 1.4 |
| Mkt Cap, INR bn | 445.5 |
| Book Value of Net Debt, INR bn | 56.5 |
| Beta | 1.0 |
| Market premium | 5.0% |
| Risk Free Rate | 8.0% |
| Cost of Equity | 13.0% |
| Long-term Equity Weight | 89% |
| Cost of Debt | 10.0% |
| Long-term Tax rate | 14.5% |
| Tax Effect Cost of Debt | 8.5% |
| Long-term Debt Weight | 11.3% |
| WACC | 12.5% |
| Terminal growth | 5.0% |
| Forward diluted shares, bn | 1.6 |

Source: Reuters, company reports, Reserve Bank of India, analyst estimates.

We have built the following DCF model to FY2020:

| INR bn; FY ends Mar-31 | FY2008 | FY2009 | FY2010 | FY2011 | FY2012 | FY2013 | FY2014 |
|--------------------------------|--------|--------|--------|--------|--------|--------|--------|
| Revenue | 134 | 218 | 335 | 478 | 629 | 755 | 896 |
| Revenue growth | 68.3% | 62.5% | 53.3% | 42.8% | 31.6% | 20.0% | 18.6% |
| EBIT | 19 | 36 | 61 | 93 | 127 | 155 | 181 |
| EBIT margin | 14.1% | 16.3% | 18.2% | 19.5% | 20.2% | 20.6% | 20.2% |
| EBIT*(1-tax) | 16 | 30 | 52 | 80 | 109 | 133 | 155 |
| (+) Depr. & Amort. | 2.8 | 4.6 | 6.7 | 9.1 | 11.9 | 13.7 | 15.3 |
| (-) Cap Ex | 2.5 | 31.0 | 7.9 | 36.5 | 17.4 | 13.8 | 15.5 |
| (-) Δ Non-Cash Working Capital | 10.9 | 16.8 | 23.3 | 28.7 | 30.2 | 25.2 | 28.1 |
| = Free Cash Flow (FCF) | 6 | -13 | 28 | 23 | 73 | 107 | 126 |
| Discounted FCF | 6 | -11 | 22 | 16 | 46 | 60 | 62 |

...table continues below

| INR bn; FY ends Mar-31 | FY2015 | FY2016 | FY2017 | FY2018 | FY2019 | FY2020 |
|--------------------------------|--------|--------|--------|--------|--------|--------|
| Revenue | 1,049 | 1,214 | 1,387 | 1,566 | 1,745 | 1,919 |
| Revenue growth | 17.1% | 15.7% | 14.3% | 12.9% | 11.4% | 10.0% |
| EBIT | 208 | 236 | 265 | 293 | 320 | 345 |
| EBIT margin | 19.8% | 19.5% | 19.1% | 18.7% | 18.4% | 18.0% |
| EBIT*(1-tax) | 178 | 202 | 226 | 251 | 274 | 295 |
| (+) Dep & Amort | 16.9 | 18.3 | 19.5 | 20.5 | 21.1 | 21.3 |
| (-) Cap Ex | 17.1 | 18.6 | 19.9 | 20.8 | 21.5 | 21.7 |
| (-) Δ Non-Cash Working Capital | 30.7 | 33.0 | 34.7 | 35.7 | 35.8 | 34.9 |
| = Free Cash Flow (FCF) | 147 | 169 | 191 | 215 | 238 | 260 |
| Discounted FCF | 64 | 66 | 66 | 66 | 65 | 63 |
| Terminal value | | | | | | 3,641 |
| Discounted terminal value | | | | | | 886 |

Source: analyst estimates.

We forecast that the company's EBIT margin will increase in FY2009 and that it will keep growing slowly until FY2013, after which the margin will erode slightly as a result of a more mature market and stiffer competition.

We further assumed that Suzlon will intensify its investment activities in FY2009, which will be followed by a quieter period, and another period of heavy investments in FY2011. We also assumed that changes in noncash working capital will track increases in revenues at a rate of 20% of the respective INR increase in sales (this is comparable with historical performance). In the long run, depreciation is expected to approach capex.

| DCF valuation | INR bn |
|-----------------------------|--------|
| DCF stream | 585 |
| DC terminal value | 886 |
| Total DC Enterprise Value | 1,471 |
| (Less) Net Debt | 57 |
| Equity Value | 1,415 |
| Equity Value Per Share, INR | 906 |

Source: analyst estimates.

The table below shows the sensitivity of our DCF-derived price to the assumptions of the WACC discount rate and the terminal growth rate:

| Terminal growth rate | Discount rate (WACC) | | |
|----------------------|----------------------|-------|-------|
| | 10.5% | 12.5% | 14.5% |
| 4% | 1,201 | 835 | 615 |
| 5% | 1,356 | 906 | 653 |
| 6% | 1,581 | 1,000 | 699 |

Source: analyst estimates.

Thus, a two percentage point increase in WACC and a one percentage point reduction in the terminal growth rate give a target value of INR 615 per share, which is double the current price of Suzlon's stock.

Relative valuation

For relative valuation we took Suzlon's main competitors in the global wind turbine market, as well as REpower Systems, which is controlled by Suzlon, but nonetheless is a publicly traded company. For the sake of comparison, we included Suzlon in the tables below¹⁴. We also recalculated all amounts into Euros (namely GBP data for Clipper and INR data for Suzlon, as well as DKK market data for Vestas).

| €; As of February 17, 2008 | Price | Market cap, millions |
|-----------------------------------|--------|----------------------|
| Nordex AG | 25.85 | 1,726.8 |
| Vestas Wind Systems AS | 67.60 | 12,519.5 |
| Gamesa Corporacion Tecnologica SA | 26.14 | 6,359.9 |
| REpower Systems | 153.09 | 1,377.8 |
| Clipper Windpower Plc* | 6.84 | 740.1 |
| Suzlon** | 5.21 | 7,524.7 |

* recalculated from GBP at € 1.3257 per £1

** Suzlon price as of February 21, 2008. Amounts recalculated at INR 59.2 per €1.

Source: Reuters

| € millions, except EPS | Rev. 2006 | Net Income 2006 | Net Margin 2006 | EPS 2006 | Rev. ttm | Net Income ttm | Net Margin ttm | EPS ttm |
|------------------------|-----------|-----------------|-----------------|----------|----------|----------------|----------------|---------|
| Nordex | 522.0 | 13.0 | 2.5% | 0.21 | 644.9 | 27.4 | 4.3% | 0.43 |
| Vestas | 3,854.3 | 110.9 | 2.9% | 0.61 | 4,374.3 | 219.9 | 5.0% | 1.19 |
| Gamesa | 2,401.0 | 313.0 | 13.0% | 1.29 | 3,222.0 | 202.0 | 6.3% | n/a |
| REpower | 458.8 | 7.1 | 1.5% | 0.94 | 539.2 | 11.3 | 2.1% | 1.41 |
| Clipper* | 9.6 | -26.9 | -279.8% | -0.27 | 27.2 | -115.8 | -425.7% | -1.09 |
| Suzlon** | 1,348.9 | 146.0 | 10.8% | 0.10 | 1,971.6 | 156.1 | 7.9% | 0.11 |

Note: Clipper TTM data refer to the 12 months ended 30-Jun-07 (latest available data); Suzlon: 31-Dec-07. Others: 30-Sep-07.

* recalculated from GBP at € 1.3257 per £1.

** Suzlon price as of February 21, 2008. Amounts recalculated at INR 59.2 per €1.

Source: companies' reports and websites, analyst calculations.

The following estimates are available for the chosen peers from Reuters and Yahoo! Finance:

| € millions, except EPS | Rev. 2007 | EPS 2007 | Rev. 2008 | EPS 2008 | Rev. 2009 | EPS 2009 |
|------------------------|-----------|----------|-----------|----------|-----------|----------|
| Nordex | 750.0 | 0.57 | 1,063.2 | 1.03 | 1,471.72 | 1.47 |
| Vestas | 4,850.0 | 1.56 | 5,820.0 | 2.54 | 6,880.70 | 3.08 |
| Gamesa | n/a | n/a | 3,210.0 | 0.89 | 3,700.00 | 1.22 |
| REpower | 649.7 | 2.13 | 646.2 | 2.33 | 947.85 | 4.60 |
| Clipper | n/a | n/a | 17.6 | -0.75 | 653.56 | 0.09 |

* recalculated from GBP at € 1.3257 per £1

** Suzlon price as of February 21, 2008. Amounts recalculated at INR 59.2 per €1.

Source: Reuters, Yahoo! Finance France, Yahoo! Finance UK.

¹⁴ Please note that Suzlon's financial year ends on March 31; thus 2006, 2007, 2008 and 2009 in the tables in this section refer to Suzlon's FY2007, FY2008, FY2009 and FY2010, respectively.

These estimates imply the following multiples and Suzlon's stock value based on them:

| Multiples | P/S 2007 | P/S 2008 | P/S 2009 | P/E 2007 | P/E 2008 | P/E 2009 |
|----------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Nordex | 2.30 | 1.62 | 1.17 | 45.4 | 25.1 | 17.6 |
| Vestas | 2.58 | 2.15 | 1.82 | 43.3 | 26.6 | 21.9 |
| Gamesa | n/a | 1.98 | 1.72 | n/a | 29.4 | 21.4 |
| REpower | 2.12 | 2.13 | 1.45 | 71.9 | 65.7 | 33.3 |
| Clipper | n/a | 42.07 | 1.13 | n/a | n/m | 74.5 |
| Median | 2.30 | 2.13 | 1.45 | 45.4 | 28.0 | 21.9 |
| Suzlon | 3.31 | 2.04 | 1.33 | 39.9 | 19.2 | 10.7 |
| Suzlon's calculated value | | | | | | |
| INR per share | 208 | 298 | 306 | 351 | 448 | 635 |

Source: analyst calculations based on published forecasts, analyst estimates for Suzlon.

P/S 2008 and 2009 seems to indicate that the current price of Suzlon's stock of INR 308 is about right. On the other hand, P/E multiples suggest that Suzlon's stock is significantly undervalued. It is worth noting that Suzlon is expected to grow faster than most of its peers. This is evident from the table below, which is based on published forecasts of peers' performance.

| | Rev 2007 | Rev 2008 | Rev 2009 | EPS 2007 | EPS 2008 | EPS 2009 |
|----------------|---------------|---------------|-------------|---------------|---------------|------------|
| Nordex | 44% | 42% | 38% | 177% | 81% | 43% |
| Vestas | 26% | 20% | 18% | 157% | 63% | 21% |
| Gamesa | n/a | n/a | 15% | n/a | n/a | 37% |
| REpower | 42% | -1% | 47% | 127% | 9% | 97% |
| Clipper | n/a | n/a | 3615% | n/a | n/a | n/m |
| Median | 42% | 20% | 38% | 157% | 63% | 40% |
| Average | 37% | 20% | 30%* | 153% | 51% | 50% |
| Total** | n/a*** | n/a*** | 27% | n/a*** | n/a*** | 73% |
| Suzlon | 68% | 62% | 53% | 29% | 107% | 81% |

* Excluding Clipper. With Clipper, the average growth rate is 747%.

** Total was calculated as change in the sum of all peers' revenues and EPS.

*** n/a refers to periods for which data is not available for some peers and thus period comparisons are impossible.

Source: analyst calculations based on published forecasts, analyst estimates for Suzlon.

Thus, we consider that relative valuation deserves a premium over plain peer-derived values.

Final valuation

To summarize:

- DCF valuation, baseline scenario, suggests a value of INR 906 per share; DCF, pessimistic scenario, suggests INR 615 per share;
- P/S valuation (2008-2009 average) suggests INR 302 per share;
- P/E valuation (2008-2009 average) suggests INR 542 per share.

We therefore temper the DCF valuation in recognition of its limitations (sensitivity to inputs assumptions), and apply a premium to comparative valuation, and assign a target price of Suzlon's stock of INR 500 per share.