

Citigroup downgrades Suzlon to 'sell' as too many impediments on road to recovery

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Rachita Prasad | ET Bureau | Jun 12 2012 04:56PM IST

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MUMBAI Citigroup Global Markets has downgraded its rating on Suzlon Energy shares to 'sell' from 'neutral' and also slashed the price target citing that there are too many impediments on its road to recovery the global financial conglomerate's research arm said

"Despite a rebound in FY12 in-flows of 3.8 gigawatts, poor execution in Suzlon's wind turbine generator (WTG) business is preventing meaningful reduction in losses," Citi said in a report dated June 11. The report said that Suzlon WTG and SE Forge continue to overwhelm the decent performance of its subsidiary REpower

Suzlon Energy Ltd.

BSE	NSE
17.75 ▲	17.75 ▲
2.34% ▲ 0.45	2.01% ▲ 0.35
Vol: 2927 shares traded	Vol: 18404 shares traded
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Wind turbine

Citi slashed Suzlon price target to Rs 15 for a share from Rs 29 earlier. At 15:00 IST, shares of Suzlon were trading at Rs 17.75 on the Bombay Stock Exchange, down 2.5%. The price target cut factors in cut in earnings per share for FY13 on account of the reported loss, and 77% cut in FY14 EPS.

On Monday, Suzlon Energy secured a reprieve until July 27 to raise funds to repay \$360 million for the foreign currency convertible bonds that mature on June 12. Suzlon's bondholders met in London on Monday and gave a nod to company's proposal for an extension of repayment deadline while it works on raising as much as \$300 million in foreign currency loans to repay the \$360 million liability.

"Recent developments suggest that the first tranche of FCCBs would be refinanced. We believe refinancing of FCCBs provides a breather but does not solve Suzlon's excessive leverage," Citi said in the report dated June 11.

Citi said that global slowdown in wind turbine industry, overcapacity and India regulatory environment turning unfavorable would weigh on Suzlon's performance.

India has ended accelerated depreciation of 80% given to wind farms by restricting it to 15% and withdrawn generation based incentive from FY13. "This is a significant blow to Suzlon WTG's India growth prospects," Citi said.

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Requesting the Suzlon Management to wake up and put the company in right direction as we all lost our hardearned