

## RESEARCH NOTE

By MAKE Consulting

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### Suzlon Energy acquires Hansen Transmissions

Today, it was announced that Indian wind turbine supplier, Suzlon Energy, has acquired Hansen Transmissions who supplies gearboxes to the wind industry. The enterprise value for the transaction is EUR 465 million. Hansen Transmissions had around 20% global market share in 2005. The acquisition is not a surprise to us as we mentioned such a scenario in our market report, The Wind Forecast – Demand Side, from 22 February 2006.

More specific, we highlighted that the owner of Hansen Transmissions, Allianz Capital Partners, might use the current market situation to divest Hansen Transmissions, i.e. the significant short-term demand for gearboxes and thus supply problems on this main component. We also highlighted that the most likely buyer of Hansen Transmissions could very well be a wind turbine supplier and if this should happen it could put much pressure on other wind turbine suppliers buying gearboxes from Hansen Transmissions.

Hansen Transmissions' primary customers are Gamesa Eólica and Vestas Wind Systems. Both companies are highly dependent on Hansen Transmissions' gearbox deliveries, especially for 2 MW and 3 MW wind turbines. Thus the fact that Suzlon Energy has acquired Hansen Transmissions combined with the current market situation with gearbox supply problems could lead to even more gearbox supply problems for Vestas Wind Systems and Gamesa Eólica.

On the other hand, Suzlon Energy can also decide to operate Hansen Transmissions as an independent business unit, i.e. continue to supply gearboxes to other wind turbine suppliers. Such a scenario has been seen with Winergy who is owned by Siemens, and it should be possible to do so in the current market environment as wind turbine suppliers have no other alternatives than to source gearboxes from a competitor.

One thing is for sure, Suzlon Energy has now in-sourced a vital component in their supply chain which should lead to secured deliveries of gearboxes going forward as well as R&D advantages in terms of developing improved gearboxes for the future.

Furthermore, in Suzlon Energy's important home market, India, the company is currently sourcing gearboxes from Winergy. In the near future, Suzlon Energy might decide to expand Hansen Transmissions' capacity with yet another facility in India.

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