

Suzlon Energy Ltd.

BUY

Sector: Capital Goods

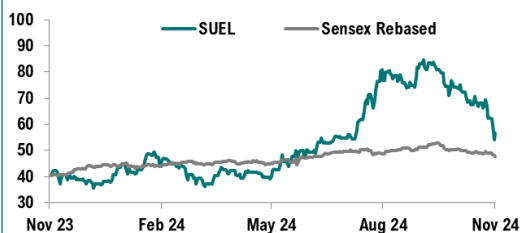
18th November 2024

Key Changes	Target ▼	Rating ●	Earnings ▼	Target	Rs.68
Stock Type	Bloomberg Code	Sensex	NSE Code	BSE Code	Time Frame
Mid Cap	SUEL:IN	77,339	SUZLON	532667	12 Months
				CMP	Rs.59
				Return	+15%

Data as of: 18-11-2024

Company Data			
Market cap. (Rs. Cr)	81,059		
52 Week High — Low (Rs.)	86-34		
Enterprise Value (Rs. cr)	79,903		
Outstanding Shares (cr)	1,365		
Free Float (%)	87		
Dividend Yield (%)	0.0		
6m average volume (cr)	8.1		
Beta	1.3		
Face value (Rs)	2.0		
Shareholding (%)	Q4FY24	Q1FY25	Q2FY25
Promoters	13.3	13.3	13.3
FII's	19.6	21.5	23.7
MFs/Institutions	6.3	9.2	9.0
Public	60.9	56.0	54.0
Total	100	100	100
Promoter Pledge	Nil	Nil	Nil
Price Performance	3 Month	6 Month	1 Year
Absolute Return	-29.0%	33.5%	40.1%
Absolute Sensex	-3.6%	4.8%	18.1%
Relative Return	-25.5%	28.7%	21.9%

*over or under performance to benchmark index



Y.E March (cr)	FY25E	FY26E	FY27E
Sales	10,883	14,410	19,824
Growth (%)	67	32	38
EBITDA	1,624	2,125	2,958
EBITDA Margin (%)	15	15	15
PAT Adjusted	1,310	1,777	2,548
Growth (%)	83	36	43
Adjusted EPS	1.0	1.3	1.9
Growth (%)	83	36	43
P/E	61.9	45.6	31.8
P/B	13.8	10.6	8.0
EV/EBITDA	49.8	37.8	26.8
ROE (%)	22.3	23.3	25.0
D/E	-0.1	-0.1	-0.2

Author: Arun Kailasan, Research Analyst

Stellar Q2 performance amidst headwinds...

Suzlon energy is a vertically integrated wind turbine manufacturer and O&M service provider with over 20.9GW of installed capacity across the globe.

- Q2FY25 consolidated revenues registered 48% YoY growth as the quarter saw 256 MW of WTG deliveries (94% YoY growth), the highest delivery in the second quarter in the last seven years despite unfavorable climate conditions.
- WTG revenues grew at 72% YoY to stand at Rs.1,507cr. While OMS segment revenues stood at Rs.565.5cr (up 18% YoY), foundry and forging division revenues declined 33% YoY, while intersegment sales increased marginally at 1% to stand at Rs.65.6cr.
- EBITDA stood at Rs.294cr, registering 31% YoY growth; however, the margins declined by 185bps in the quarter and 82bps in H1FY25 as the company incurred technological investments and ramped up capacity for future deliveries. Non-cash provisions of about 32 crores on account of ESOPs granted to employees pushed employee costs higher.
- Q2FY25 PBT grew 97% YoY to Rs.202cr. Adjusted PAT stood at Rs.201cr., registering 46%YoY growth. The balance sheet continues to remain healthy post Renom consolidation with net cash at Rs.1,277cr.

Outlook & Valuation

We forecast WTG deliveries growth at 67% CAGR in FY24-27E, based on the management's stated expectations for wind installations in India. (5/7/10 GW for FY25E/26E/27E). Considering execution risks (land acquisition and transmission infrastructure deficiencies), we expect FY24-27E EPS growth at 61% CAGR. With the ROE expected to expand to 25% by FY27E, we believe Suzlon's story is only developing. Recent order wins indicate preference for the turbine manufacturer among state, PSU, and C&I clients, and recent acquisition of Renom Energy can enable tapping into over 32GW of non-Suzlon O&M opportunities. Recent correction places the stock at attractive valuations. We value at 45X on Sept.2027 EPS of Rs.1.5, setting a target of Rs. 68, and maintain our BUY rating.

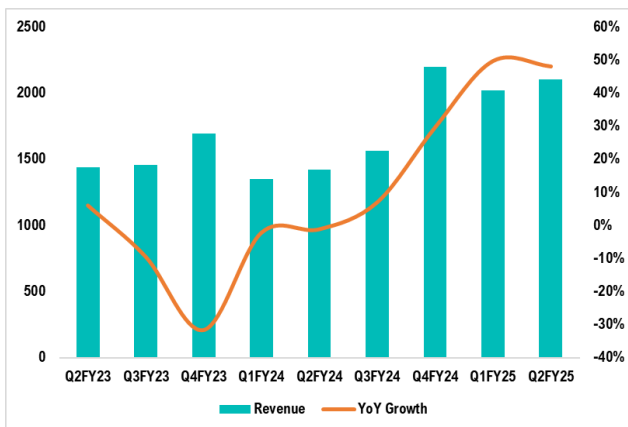
Quarterly Financials Consol.

Rs.cr	Q2FY25	Q2FY24	YoY (%)	Q1FY25	QoQ (%)	H1FY25	H1FY24	YoY (%)
Sales	2,103	1,421	48	2022	4	4,125	2,772	49
EBITDA	294.18	225	31	370	-21	664	424	57
Margin (%)	14	16	-185bps	18	-432bps	16	15	82bps
EBIT	240	174	38	240	0	564	318	77
PBT	202	102	97	202	0	504	203	148
Rep. PAT	201	102	96	201	0	503	203	147
Adj PAT	201	137	46	302	-34	503	230	119
EPS (Rs)	0.15	0.08	88	0.2	-32	0.37	0.16	131

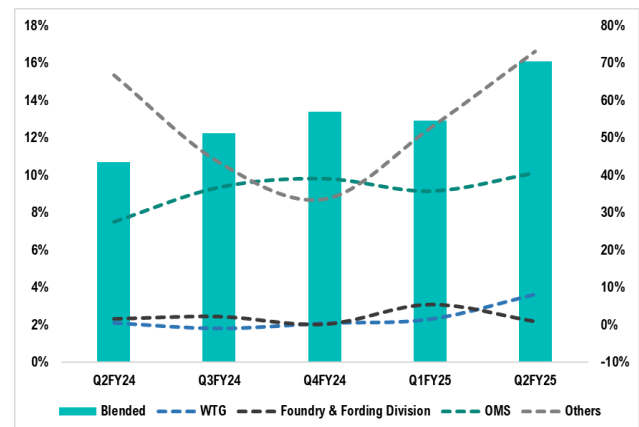
Key Concall Highlights

- Suzlon has entered the multi-brand O&M sector by completing the acquisition of a 51% stake in Renom Energy for Rs. 400 crore under tranche 1. The remaining 25% will be acquired over the next 18 months for Rs. 260 crore, with the consideration paid either in cash or through a share swap.
- Suzlon bagged India's largest wind order of 1,166MW from NTPC Green Energy Limited, to install 370 S144 WTGs with a rated capacity of 3.15 MW each. The company has also inked a 400MW captive wind power deal with Jindal Renewables, which is India's largest capacity C&I order. The project will see the installation of 127 S144 WTGs.
- The corporate headquarters, One Earth in Pune, was monetized through a sale and leaseback transaction with OE Business Park Pvt. Ltd. While the lease expense charged to the P&L will be Rs. 4 crore per month, the company retains the right to sublease the premises, which will help offset the lease expense as third-party rentals begin to come in.
- The company aims to tentatively execute the entire orderbook over the next 18-24 months. The current capacity has been ramped up from 3.1GW to 4.5GW across all components of power, blade, and nacelles.

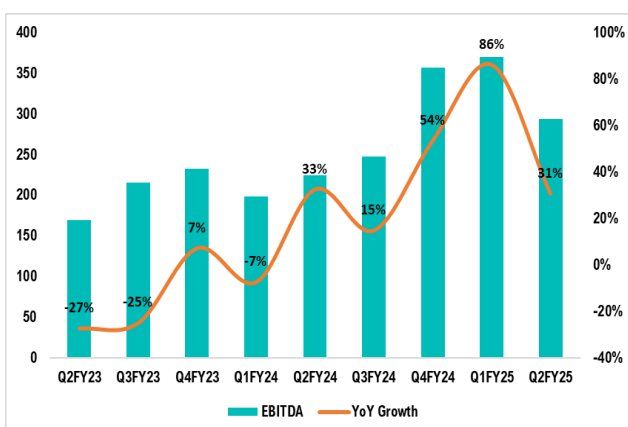
Revenue



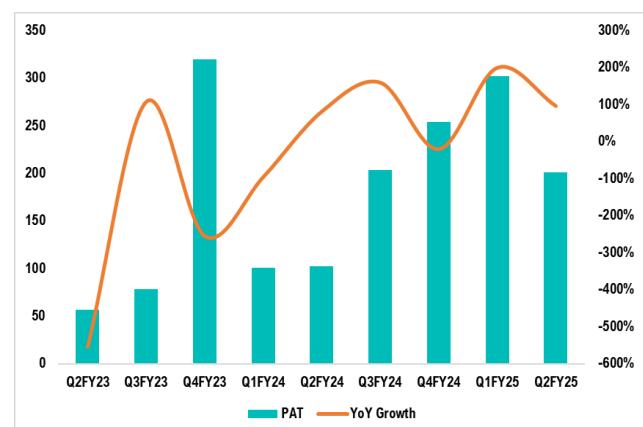
Segmental Margins



EBITDA



PAT



Change in Estimates

Year / Rs cr	Old estimates		New estimates			Change (%)		
	FY25E	FY26E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
Revenue	10,788	15,329	10,883	14,410	19,824	0.9	-6.0	-
EBITDA	1,665	2,259	1,624	2,125	2,958	-2.4	-5.9	-
Margins (%)	15	15	15	15	15	51bps	-1bps	-
Adj. PAT	1,435	1,968	1,310	1,777	2,548	-8.7	-9.7	-
EPS	1.1	1.4	1.0	1.3	1.9	-12.8	-7.1	-



Consolidated Financials

Profit & Loss

Y.E March (Rs cr)	FY23A	FY24A	FY25E	FY26E	FY27E
Sales	5,971	6,529	10,883	14,410	19,824
% change	-9.3	9.4	66.7	32.4	37.6
EBITDA	832	1,029	1,624	2,125	2,958
% change	-6.5	23.7	57.9	30.8	39.2
Depreciation	260	190	234	312	457
EBIT	572	839	1,391	1,813	2,500
Interest	421	164	175	197	218
Other Income	20	38	99	168	276
PBT	2,892	659	1,315	1,784	2,558
% change	722827.5	-77.2	99.4	35.7	43.4
Tax	4.4	-0.9	5.3	7.1	10.2
Tax Rate (%)	0.2	-0.1	0.4	0.4	0.4
Reported PAT	2,887	660	1,310	1,777	2,548
Adj.*	-2721	54	0	0	0
Adj. PAT	128.41	714	1,310	1,777	2,548
% change	145.4	456.2	83.4	35.7	43.4
No. of shares (cr)	1,078	1,363	1,365	1,365	1,365
Adj EPS (Rs)	0.1	0.5	1.0	1.3	1.9
% change	139.2	339.6	83.1	35.7	43.4
DPS (Rs)	0	0	0	0	0

Cash Flow

Y.E March	FY23A	FY24A	FY25E	FY26E	FY27E
Net inc. + Deprn.	753	945	1,485	1,974	2,766
Non-cash adj.	256	195	234	312	457
Changes in W.C	-543	-1,107	-635	-932	6
C.F – Operation	467	33	1,083	1,354	3,230
Capital exp.	-101	-227	-338	-591	-1,269
Change in inv.	163	76	-222	-81	-719
Other invest.CF	22	0	0	0	0
C.F – Investment	85	-152	-561	-672	-1,988
Issue of equity	1,080	2,065	0	0	0
Issue/repay debt	-1,339	-1,780	122	-35	-30
Dividends paid	0	0	0	0	0
Other finance.CF	-425	-107	-175	-197	-218
C.F – Finance	-684	178	-53	-232	-248
Chg. in cash	-133	60	469	450	994
Closing cash	367	427	896	1,346	2,339

Balance Sheet

Y.E March (Rs cr)	FY23A	FY24A	FY25E	FY26E	FY27E
Cash	367	427	896	1,346	2,339
Accounts Receivable	1,170	1,830	2,500	3,311	4,725
Inventories	1,827	2,292	4,437	5,875	6,398
Other Cur. Assets	813	731	813	788	885
Investments	0	8	220	435	1,392
Gross Fixed Assets	2,665	2,875	3,214	3,804	5,073
Net Fixed Assets	808	837	919	1,192	1,408
CWIP	3	16	27	36	49
Intangible Assets	62	53	712	720	1,318
Def. Tax (Net)	0	4	4	4	4
Other Assets	473	981	1,024	1,356	1,865
Total Assets	5,523	7,179	11,552	15,061	20,384
Current Liabilities	1,744	2,397	3,514	4,653	6,492
Provisions	737	717	1,260	1,669	2,296
Debt Funds	1,905	110	232	197	167
Other Liabilities	38	35	681	901	1,240
Equity Capital	2,454	2,722	2,722	2,722	2,722
Reserves & Surplus	-1,355	1,199	2,945	4,722	7,270
Non-Controlling Interest	0	0	198	198	198
Shareholder's Fund	1,099	3,920	5,864	7,641	10,189
Total Liabilities	5,523	7,179	11,552	15,061	20,384
BVPS (Rs.)	1	3	4	5	7

Ratios




Y.E March	FY23A	FY24A	FY25E	FY26E	FY27E
Profitab. & Return					
EBITDA margin (%)	13.9	15.8	14.9	14.7	14.9
EBIT margin (%)	9.6	12.9	12.8	12.6	12.6
Net profit mgn.(%)	2.2	10.9	12.0	12.3	12.9
ROE (%)	11.7	18.2	22.3	23.3	25.0
ROCE (%)	19.6	21.8	24.4	25.2	26.7
W.C & Liquidity					
Receivables (days)	78	84	73	74	74
Inventory (days)	195	189	182	211	182
Payables (days)	132	123	110	108	108
Current ratio (x)	1.5	1.8	1.9	1.9	1.8
Quick ratio (x)	0.9	1.0	1.0	0.9	1.1
Turnover & Leverage					
Gross asset T.O (x)	2.0	2.4	3.6	4.1	4.5
Total asset T.O (x)	1.1	0.9	0.9	1.0	1.0
Int. coverage ratio (x)	1.4	5.1	8.0	9.2	11.4
Adj. debt/equity (x)	1.4	0.0	-0.1	-0.1	-0.2
Valuation					
EV/Sales (x)	7.1	12.4	7.4	5.6	4.0
EV/EBITDA (x)	51.3	78.6	49.8	37.8	26.8
P/E (x)	14.2	122.6	61.9	45.6	31.8
P/BV (x)	37.4	20.7	13.8	10.6	8.0



Recommendation Summary (last 3 years)



Dates	Rating	Target
25.Jul.24	BUY	73
18.Nov.24	BUY	68

Ratings	Large caps	Midcaps	Small Caps
Buy	Upside is above 10%	Upside is above 15%	Upside is above 20%
Accumulate	-	Upside is between 10%-15%	Upside is between 10%-20%
Hold	Upside is between 0% - 10%	Upside is between 0%-10%	Upside is between 0%-10%
Reduce/sell	Downside is more than 0%	Downside is more than 0%	Downside is more than 0%
Not rated/Neutral			
Definition:			
Buy: Acquire at Current Market Price (CMP), with the target mentioned in the research note; Accumulate: Partial buying or to accumulate as CMP dips in the future; Hold: Hold the stock with the expected target mentioned in the note.; Reduce: Reduce your exposure to the stock due to limited upside.; Sell: Exit from the stock; Not rated/Neutral: The analyst has no investment opinion on the stock.			
Symbols definition:			
	Upgrade		No Change
			Downgrade

To satisfy regulatory requirements, we attribute 'Accumulate' as Buy and 'Reduce' as Sell.

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Not rated/Neutral- The analyst has no investment opinion on the stock under review.

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