

Suzlon Energy | BUY

1QFY25: Exceeding expectations

Suzlon Energy Ltd (Suzlon) reported 1QFY25 net revenue of INR 20.2bn, +50%/-8%/+10%/-5% YoY/ QoQ/ JMFe/ Cons. EBITDA came in at INR 3.7bn, +86%/ +4%/+55% /+55% YoY/ QoQ/ JMFe/ Cons with improvement in margin to +18%/+15%/13% 1QFY25/ 1QFY24/ JMFe due to higher volume of equipment supplies and lesser execution. Adj. PAT came in at INR 3bn, +226%/+8%/+86%/+24% YoY/ QoQ/ JMFe/ Cons due to higher interest income. We believe that gradual building of momentum for higher execution, healthy order book, more-healthy bid pipeline, strengthening of balance sheet and the organization are driving the company for the next-level of growth ([Wind blows again as the sun shines](#)). We maintain our BUY rating on the stock with a TP of INR 71 (based on a 35x FY26E EPS).

- Segment Performance:** On account of strong deliveries (274MW/135MW for 1QFY25/1QFY24), revenue and EBITDA margin in WTG (wind turbine generator) business for 1QFY25/1QFY24 stood at INR 14.9bn/ INR 8bn (+86% YoY) and 10.4%/5.5%. The installed capacity base for the Operations & Maintenance Services (OMS) business increased to 14.8 GW in 1QFY25 from 14.2 GW in 1QFY24. Revenue and EBITDA margin for OMS during 1QFY25/1QFY24 stood at INR 4.4bn/ INR 4.4bn and 43.6%/36.2%. The EBITDA margin for the foundry and forging division was 10.9% during 1QFY25 vs. 12.5% during 1QFY24.
- Strong tailwinds:** India is committed to achieve 500 GW (50% RE in energy mix) of non-fossil fuel capacity by 2030 which includes 100 GW (122 GW by FY32) of wind capacity. Evolution of structure of projects from vanilla solar/wind to RTC, FDRE and other combinations require wind component (higher than solar in most of the cases) in all the future projects. The management believes in bidding of 10 GW of wind-related tenders annually till FY27, installations of 25GW of wind projects till FY28 and demand of 78GW+ RE projects from C&I segment by FY30. To expedite wind energy additions, various policy initiatives have been taken viz. state-specific sub-bids for wind, pooling of tariff for uniform RE tariff, RPO (RE purchase obligations) trajectory (29.91% in FY24 to 43.33% in FY30 with wind-specific RPO), waiver of ISTS charges for 25 years for RE projects commissioned up to 30 Jun'25 and others.
- Order book:** Suzlon has recorded largest-ever order book of 3,817 MW during 1QFY25 (1,433 MW in 1QFY24) with a diversified mix (88% 3MW series; 66% C&I customers; 67% non-EPC scope; spread across 7 States). As the company becomes eligible for bidding PSU tenders e.g. NTPC, we expect it to book healthy orders during FY25 and beyond, also supported by likely moderation in competition. ([Wind energy manufacturing: Push for indigenisation](#))
- Orders' pipeline:** The company with its positive net worth has started bidding for PSU (including NTPC) tenders. Since 1 Jan'23, a total of 56 tenders with 55.4GW for utility-scale vanilla wind (including 1,110MW NTPC Gujarat) and various wind-combinations have been issued, which have an estimated wind component of at least 20GW, giving a healthy pipeline of opportunities going forward. This excludes opportunities from C&I segment.

Financial Summary					(INR mn)
Y/E March	FY22A	FY23A	FY24A	FY25E	FY26E
Net Sales	65,200	59,468	64,968	1,16,043	1,56,773
Sales Growth (%)	97.9	-8.8	9.2	0.0	0.0
EBITDA	8,895	8,319	10,289	21,480	29,265
EBITDA Margin (%)	13.5	13.9	15.8	0.0	18.4
Adjusted Net Profit	-2,597	1,667	7,142	19,140	27,351
Diluted EPS (INR)	-0.3	0.1	0.5	1.4	2.0
Diluted EPS Growth (%)	0.0	0.0	286.5	168.0	42.9
ROIC (%)	0.0	23.7	32.0	0.0	41.4
ROE (%)	0.0	0.0	28.5	39.2	38.0
P/E (x)	-216.5	449.2	116.2	43.4	30.4
P/B (x)	-15.9	68.1	21.2	14.2	9.7
EV/EBITDA (x)	70.2	69.7	54.5	25.7	18.4
Dividend Yield (%)	0.0	0.0	0.0	0.0	0.0

Source: Company data, JM Financial. Note: Valuations as of 24/Jul/2024



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We acknowledge the support of **Krishnakant Phafat** in the preparation of this report

Recommendation and Price Target

Current Reco.	BUY
Previous Reco.	BUY
Current Price Target (12M)	71
Upside/(Downside)	17.5%
Previous Price Target	54
Change	31.0%

Key Data – SUEL IN

Current Market Price	INR61
Market cap (bn)	INR857.1/US\$10.2
Free Float	71%
Shares in issue (mn)	9,217.4
Diluted share (mn)	13,608.6
3-mon avg daily val (mn)	INR2,971.8/US\$35.5
52-week range	61/17
Sensex/Nifty	80,149/24,414
INR/US\$	83.7

Price Performance

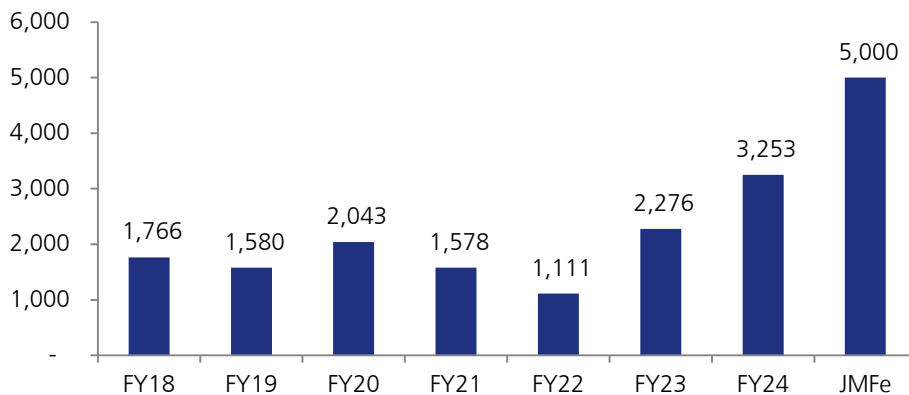
%	1M	6M	12M
Absolute	11.0	47.4	203.6
Relative*	8.1	30.0	151.4

* To the BSE Sensex

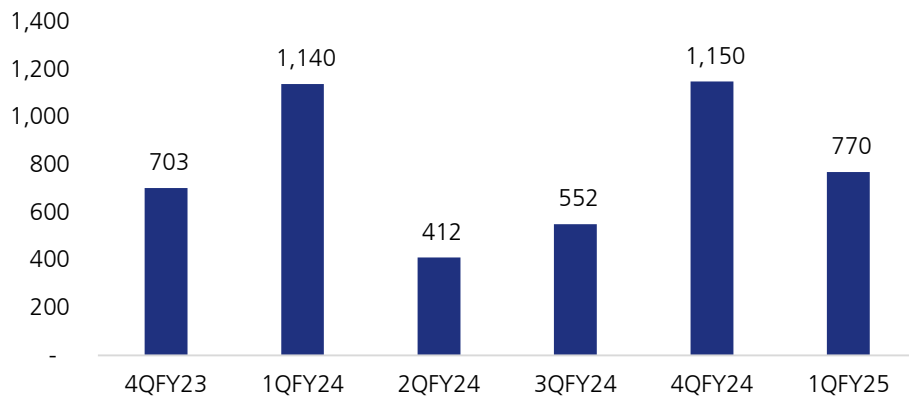
JM Financial Research is also available on:
Bloomberg - JMFR <GO>,
Thomson Publisher & Reuters,
S&P Capital IQ, FactSet and Visible Alpha

Please see Appendix I at the end of this report for Important Disclosures and Disclaimers and Research Analyst Certification.

- **Project execution, so far:** Indian added 770MW of wind energy capacity during 1QFY25 vs. 1140MW during 1QFY24. Suzlon commissioned 71MW of projects. However management stated that 160MW of projects are ready for commissioning. Going forward, the company is in advance stage of discussion for co-developing wind energy projects by getting exclusive rights for land (~2.7GW potential) in Rajasthan.
- **Scaling up of execution:** Current order book of 3,817 MW is due for execution up to FY26, with a major part to be delivered during FY25 as per the guidance from the Management. The company expects commissioning of 5.0-5.5GW in FY25 (vs guidance of 4.5-5.5 GW in 4QFY24) of projects during FY25 at country level, which could increase to 6.5-7.0 GW in FY26 and gradually to 8-9 GW by FY27. Going forward, an increasing share of C&I projects (66%), diversity in orders from 7 States, higher share of non-EPC orders (67%) and a favourable policy environment bode well for accelerated execution. However, availability of land (particularly in Karnataka), ROW (Right of Way) and capable BoP (balance of plant) players remain challenges for a significant scale-up.
- **Miscellaneous**
 - Framework agreement with CESC: Company books orders only when it is firm along with receipt of advance
 - Execution of NTPC projects is better since they place equipment orders only after completing many BoP works
 - Company in process of expanding existing 3.5GW manufacturing capacity
 - Market has more capable IPP today. So, IPP customers are preferred
 - Current order book of 3,817 MW is due for execution up to FY26, with a major part to be delivered during FY25 as per the guidance from the Management

Exhibit 1. Annual wind capacity additions in India (MW)

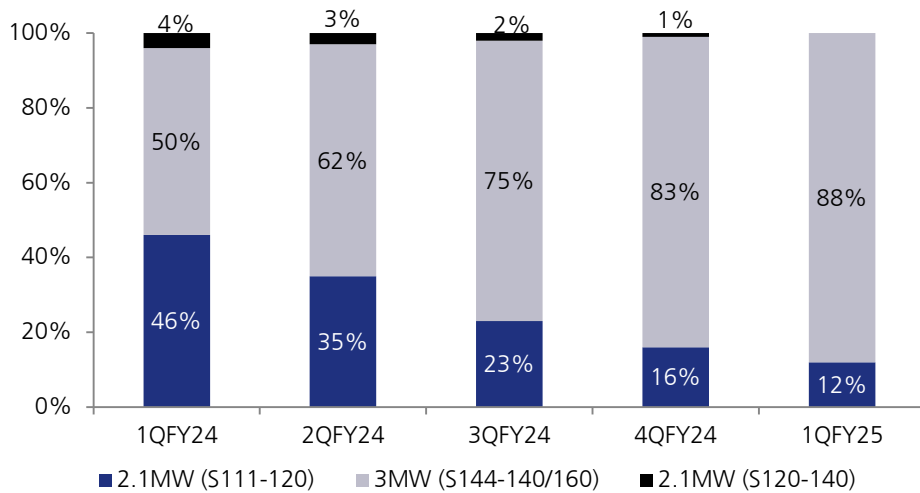
Source: Company, JM Financial

Exhibit 2. Quarterly wind capacity addition in India (MW)

Source: Company, JM Financial

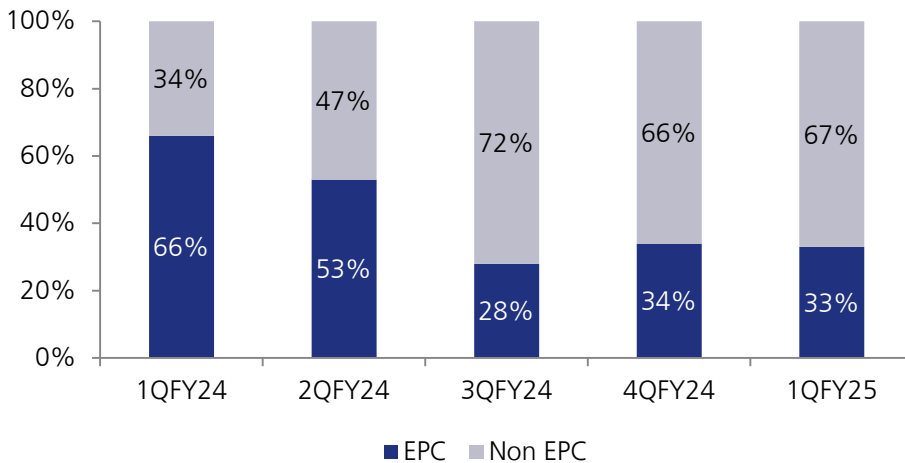
Order book mix

Exhibit 3. WTG model mix



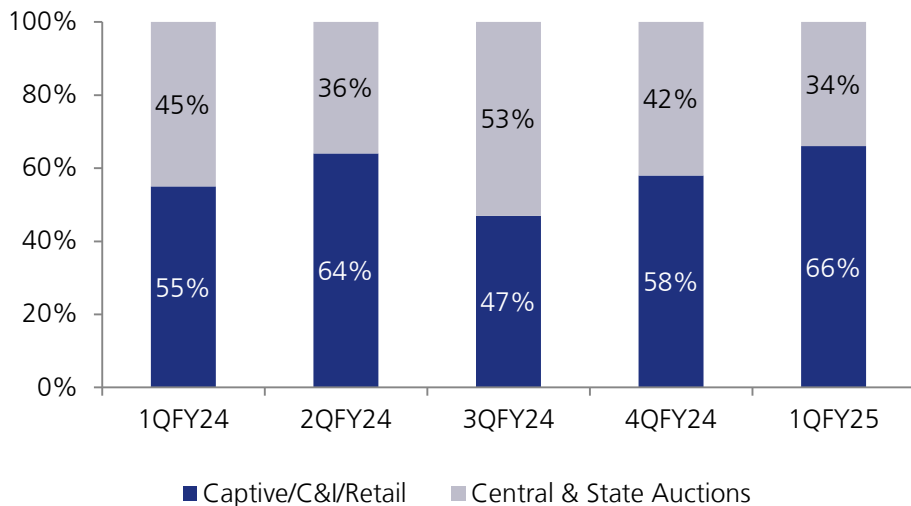
Source: Company, JM Financial

Exhibit 4. Scope mix



Source: Company, JM Financial

Exhibit 5. Customer segment mix (%)



Source: Company, JM Financial

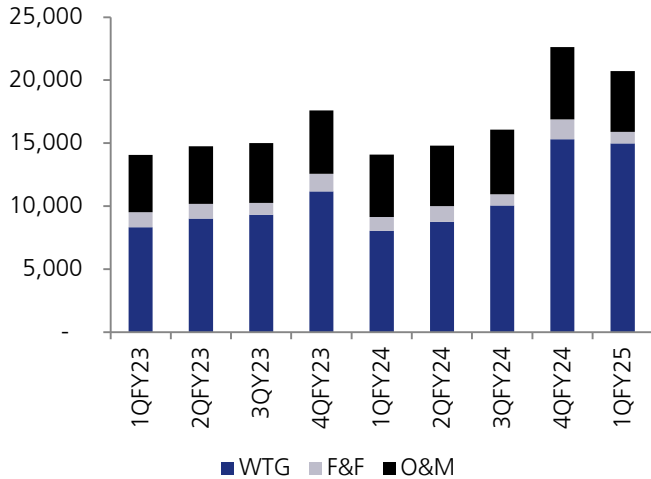
Exhibit 6. 1QFY25 Results summary

Particulars	Q1FY25	1QFY24	YoY %	4QFY24	QoQ %	JMFe	% Var
Net sales	20,216	13,510	49.6%	21,962	-8%	18,321	10%
Deliveries (MW)	274	135	103%	273	0%	195	41%
Expenditure	16,515	11,522	43.3%	18,388	-10.2%	15,928	
Raw material expense	12,523	8,112	54%	13,875	-10%	11,634	8%
RM % Sales	62%	60%		63%		64%	
Employee	1,959	1,610	22%	1,823	7.5%	1,914	
Other expenditure	2,034	1,800	13%	2,691	-24%	2,381	
EBITDA	3,700	1,987	86.2%	3,573	3.5%	2,392	54.7%
EBITDA margins	18.3%	14.7%	244bps	16.3%	125bps	13.1%	402bps
Other income	228	107	113%	112	103%	112	103%
Depreciation	458	546	-16%	444	3.3%	474	
Interest	445	620	-28%	443	0.5%	400	
Exceptional item	-	(82)		271		-	
PBT	3,024	1,010	199.5%	2,528	19.6%	1,630	85.5%
Tax	2	2	27%	(13)	-115%	8	
PAT	3,022	1,008	200%	2,540	19%	1,622	
Adjusted PAT	3,022	927	226%	2,811	7.5%	1,623	86%
EPS	0.22	0.07	198%	0.21	7.3%	0.12	6.0%

Source: Company, JM Financial

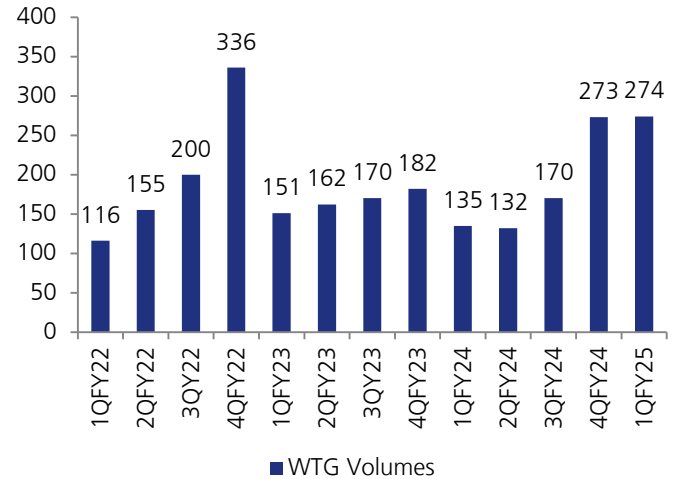
Key charts

Exhibit 7. Segment-wise revenue (INR mn)



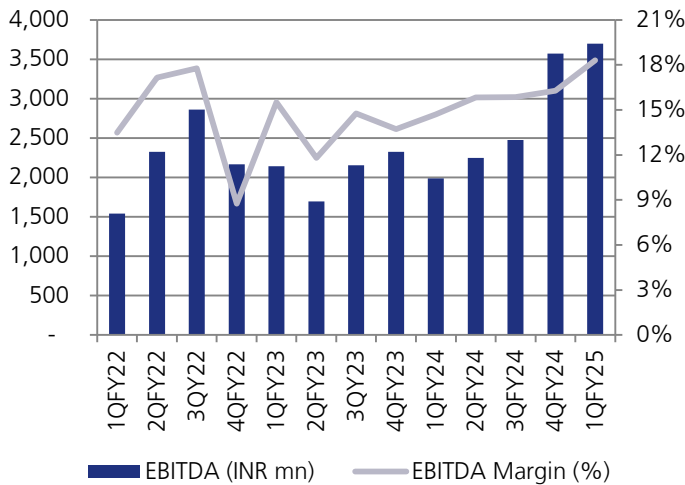
Source: Company, JM Financial

Exhibit 8. WTG dispatches (MW)



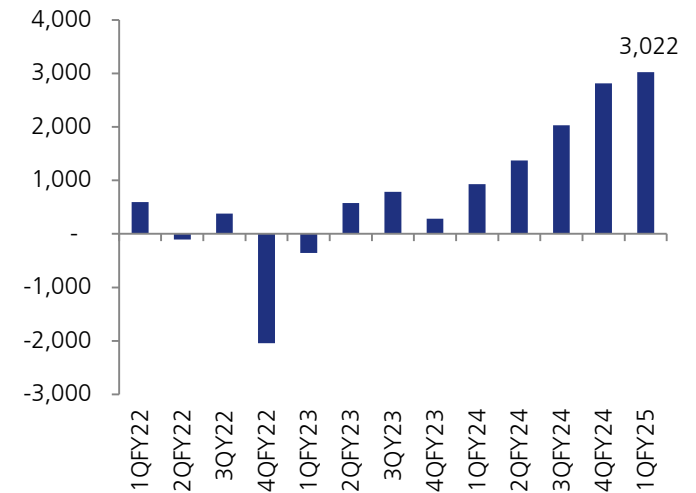
Source: Company, JM Financial

Exhibit 9. EBITDA & EBITDA Margin



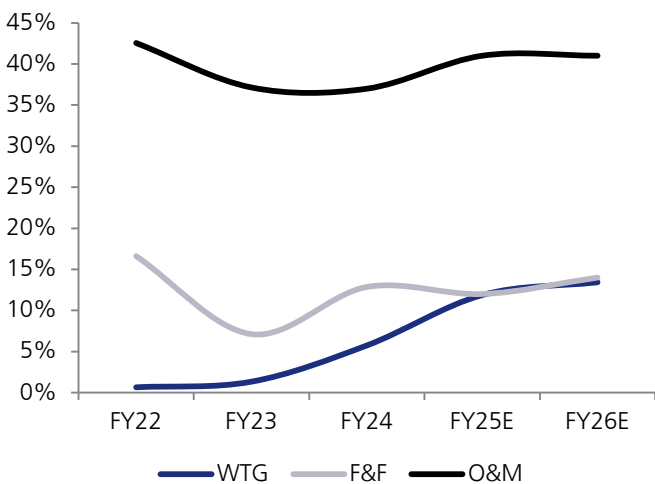
Source: Company, JM Financial

Exhibit 10. Adjusted PAT (INR mn)



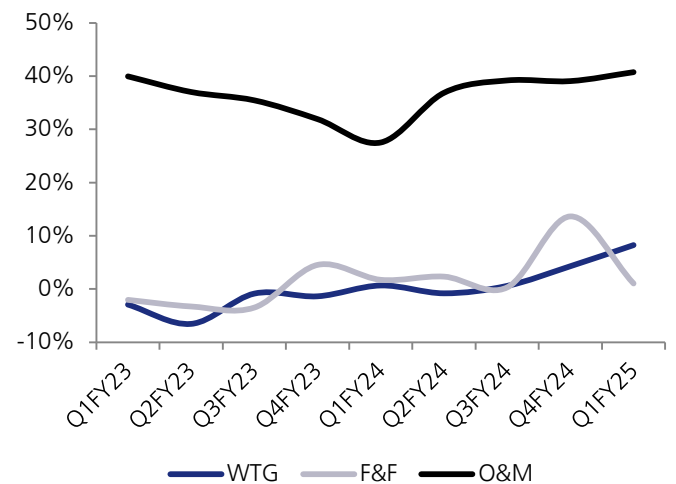
Source: Company, JM Financial

Exhibit 11. Segment-wise EBITDA Margin



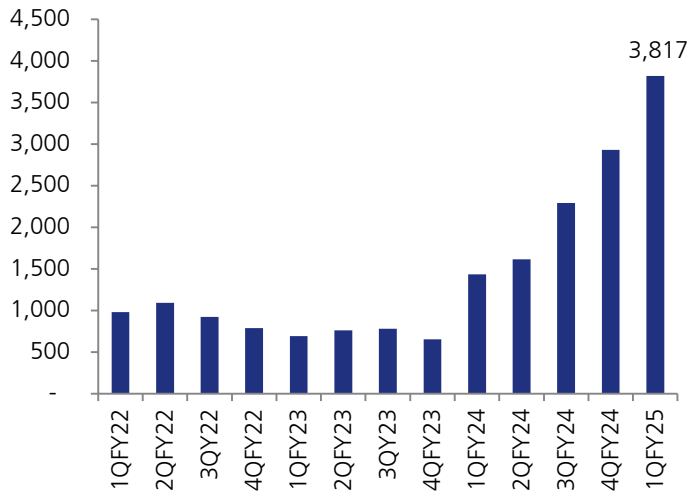
Source: Company, JM Financial

Exhibit 12. Segment-wise EBIT Margin



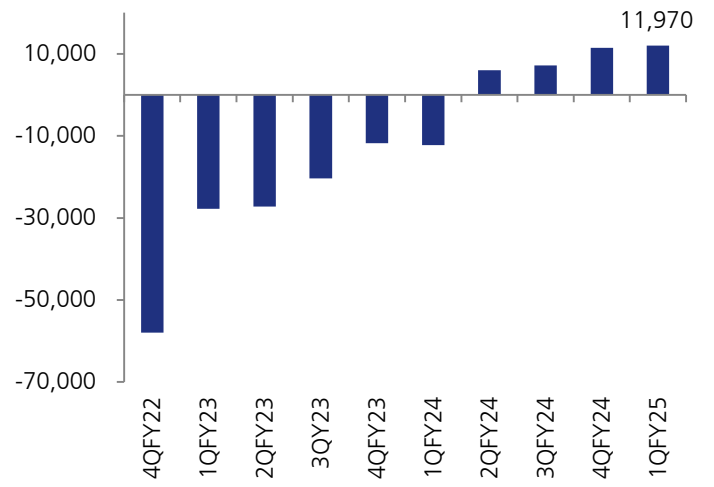
Source: Company, JM Financial

Exhibit 13. Order book trend (in MW)



Source: Company, JM Financial

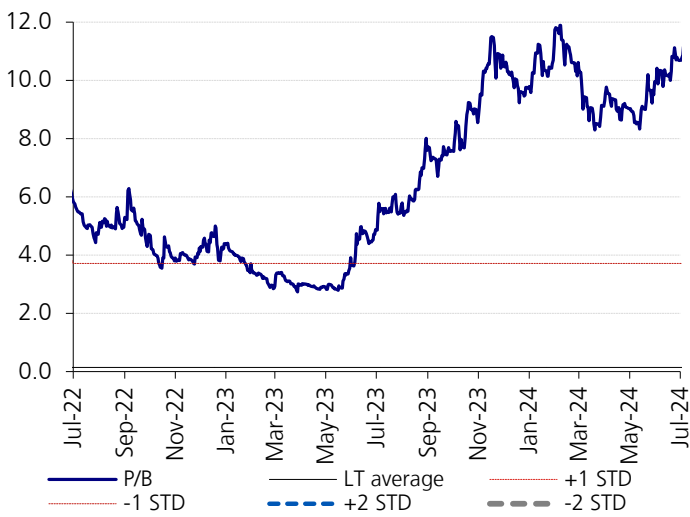
Exhibit 14. Net Cash (INR mn)



Source: Company, JM Financial

Valuation bands

Exhibit 15. P/B (x)



Source: Bloomberg, JM Financial

Exhibit 16. EV/EBITDA (x)



Source: Bloomberg, JM Financial

Financial Tables (Consolidated)

Income Statement		(INR mn)				
Y/E March	FY22A	FY23A	FY24A	FY25E	FY26E	
Net Sales	65,200	59,468	64,968	1,16,043	1,56,773	
Sales Growth	97.9%	-8.8%	9.2%	0.0%	0.0%	
Other Operating Income	618	237	323	417	425	
Total Revenue	65,818	59,705	65,291	1,16,460	1,57,198	
Cost of Goods Sold/Op. Exp	43,316	37,827	39,821	76,508	1,06,115	
Personnel Cost	5,454	6,092	7,029	7,551	7,985	
Other Expenses	8,154	7,467	8,152	10,921	13,832	
EBITDA	8,895	8,319	10,289	21,480	29,265	
EBITDA Margin	13.5%	13.9%	15.8%	0.0%	18.4%	
EBITDA Growth	66.5%	-6.5%	23.7%	0.0%	0.0%	
Depn. & Amort.	2,598	2,597	1,896	2,431	2,507	
EBIT	6,296	5,722	8,393	19,049	26,758	
Other Income	222	196	384	1,091	1,793	
Finance Cost	7,345	4,208	1,643	1,000	1,200	
PBT before Excep. & Forex	-827	1,711	7,134	19,140	27,351	
Excep. & Forex Inc./Loss(-)	-831	-27,206	539	0	0	
PBT	4	28,917	6,595	19,140	27,351	
Taxes	1,666	44	-9	0	0	
Extraordinary Inc./Loss(-)	0	0	0	0	0	
Assoc. Profit/Min. Int.(-)	127	383	0	0	0	
Reported Net Profit	-1,996	28,490	6,604	19,140	27,351	
Adjusted Net Profit	-2,597	1,667	7,142	19,140	27,351	
Net Margin	-3.9%	2.8%	10.9%	0.0%	23.5%	
Diluted Share Cap. (mn)	9,217.4	12,272.0	13,608.6	13,608.6	13,608.6	
Diluted EPS (INR)	-0.3	0.1	0.5	1.4	2.0	
Diluted EPS Growth	0.0%	0.0%	286.5%	168.0%	42.9%	
Total Dividend + Tax	0	0	0	0	0	
Dividend Per Share (INR)	0.0	0.0	0.0	0.0	0.0	

Source: Company, JM Financial

Cash Flow Statement		(INR mn)				
Y/E March	FY22A	FY23A	FY24A	FY25E	FY26E	
Profit before Tax	4	28,917	6,595	19,139	27,350	
Depn. & Amort.	2,598	2,597	1,896	2,431	2,507	
Net Interest Exp. / Inc. (-)	6,697	3,532	530	-91	-593	
Inc (-) / Dec in WCcap.	1,570	-5,432	-11,074	-8,174	-10,959	
Others	2,055	-24,798	2,588	0	0	
Taxes Paid	94	-149	-203	0	0	
Operating Cash Flow	13,019	4,667	332	13,305	18,305	
Capex	-767	-1,007	-2,274	-5,000	-5,000	
Free Cash Flow	12,252	3,660	-1,942	8,305	13,305	
Inc (-) / Dec in Investments	215	1,736	506	0	0	
Others	368	120	252	-633	1,925	
Investing Cash Flow	-184	849	-1,516	-5,633	-3,075	
Inc / Dec (-) in Capital	0	10,797	20,652	0	0	
Dividend + Tax thereon	0	0	0	0	0	
Inc / Dec (-) in Loans	-7,234	-13,388	-17,802	120	144	
Others	-3,216	-4,253	-1,071	-1,050	-1,333	
Financing Cash Flow	-10,450	-6,845	1,779	-930	-1,188	
Inc / Dec (-) in Cash	2,385	-1,329	596	6,743	14,042	
Opening Cash Balance	2,619	5,002	3,673	4,269	11,012	
Closing Cash Balance	5,004	3,673	4,269	11,012	25,054	

Source: Company, JM Financial

Balance Sheet		(INR mn)				
Y/E March	FY22A	FY23A	FY24A	FY25E	FY26E	
Shareholders' Fund	-35,257	10,992	39,203	58,342	85,692	
Share Capital	18,435	24,544	27,217	27,217	27,217	
Reserves & Surplus	-53,692	-13,553	11,986	31,125	58,475	
Preference Share Capital	0	0	0	0	0	
Minority Interest	-361	0	0	0	0	
Total Loans	67,755	21,259	2,927	3,047	3,192	
Def. Tax Liab. / Assets (-)	-175	-2	-38	-38	-38	
Total - Equity & Liab.	31,962	32,249	42,093	61,352	88,846	
Net Fixed Assets	9,225	7,811	8,257	10,826	13,319	
Gross Fixed Assets	20,348	21,656	23,862	28,862	33,862	
Intangible Assets	1,255	619	535	535	535	
Less: Depn. & Amort.	11,274	13,871	15,767	18,198	20,705	
Capital WIP	152	26	162	162	162	
Investments	2,952	4,624	9,300	9,300	9,300	
Current Assets	51,141	42,179	53,661	78,185	1,12,314	
Inventories	22,079	18,271	22,923	31,793	42,952	
Sundry Debtors	13,770	11,704	18,296	25,434	34,361	
Cash & Bank Balances	5,004	3,673	4,268	12,784	26,827	
Loans & Advances	1,215	1,497	1,436	1,436	1,436	
Other Current Assets	9,074	7,033	6,738	6,738	6,738	
Current Liab. & Prov.	32,612	22,984	29,660	37,493	46,621	
Current Liabilities	18,982	9,132	18,123	25,600	34,527	
Provisions & Others	13,630	13,852	11,537	11,894	12,094	
Net Current Assets	18,529	19,195	24,001	40,692	65,693	
Total - Assets	31,962	32,249	42,093	61,352	88,846	

Source: Company, JM Financial

Dupont Analysis						
Y/E March	FY22A	FY23A	FY24A	FY25E	FY26E	
Net Margin	-3.9%	2.8%	10.9%	0.0%	23.5%	
Asset Turnover (x)	1.0	1.0	1.0	0.0	1.0	
Leverage Factor (x)	0.0	0.0	2.5	1.7	1.6	
RoE	0.0%	0.0%	28.5%	0.0%	38.0%	

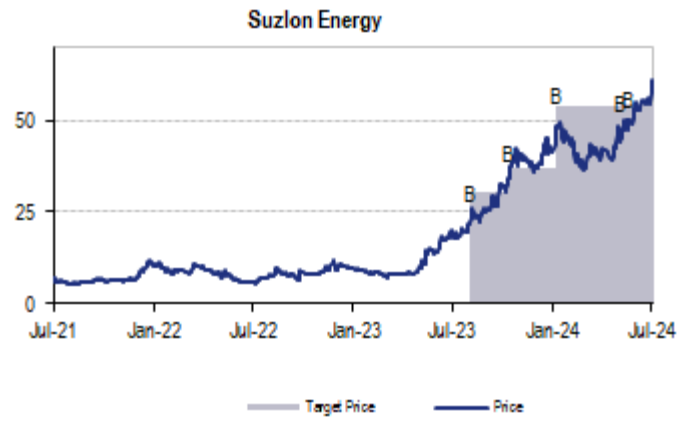
Key Ratios						
Y/E March	FY22A	FY23A	FY24A	FY25E	FY26E	
BV/Share (INR)	-3.8	0.9	2.9	4.3	6.3	
ROIC	0.0%	23.7%	32.0%	0.0%	41.4%	
ROE	0.0%	0.0%	28.5%	39.2%	38.0%	
Net Debt/Equity (x)	0.0	1.6	0.0	-0.2	-0.3	
P/E (x)	-216.5	449.2	116.2	43.4	30.4	
P/B (x)	-15.9	68.1	21.2	14.2	9.7	
EV/EBITDA (x)	70.2	69.7	54.5	25.7	18.4	
EV/Sales (x)	9.5	9.7	8.6	4.7	3.4	
Debtor days	76	72	102	0	108	
Inventory days	122	112	128	0	135	
Creditor days	118	64	119	0	132	

Source: Company, JM Financial

History of Recommendation and Target Price

Date	Recommendation	Target Price	% Chg.
24-Aug-23	Buy	30	
2-Nov-23	Buy	37	21.5
1-Feb-24	Buy	54	45.7
26-May-24	Buy	54	1.5
10-Jun-24	Buy	54	0.0

Recommendation History



APPENDIX I

JM Financial Institutional Securities Limited

Corporate Identity Number: U67100MH2017PLC296081

Member of BSE Ltd. and National Stock Exchange of India Ltd.

SEBI Registration Nos.: Stock Broker - INZ000163434, Research Analyst - INH000000610

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Definition of ratings	
Rating	Meaning
Buy	Total expected returns of more than 10% for stocks with market capitalisation in excess of INR 200 billion and REITs* and more than 15% for all other stocks, over the next twelve months. Total expected return includes dividend yields.
Hold	Price expected to move in the range of 10% downside to 10% upside from the current market price for stocks with market capitalisation in excess of INR 200 billion and REITs* and in the range of 10% downside to 15% upside from the current market price for all other stocks, over the next twelve months.
Sell	Price expected to move downwards by more than 10% from the current market price over the next twelve months.

* REITs refers to Real Estate Investment Trusts.

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