

Suzlon Energy Ltd. | BUY

Improving Outlook, maintain BUY

Suzlon Energy Ltd (Suzlon) reported 2QFY24 net revenue of INR 14bn (flat YoY, -3% JMFe); led by dispatches of 132MW of Wind Turbine Generator (WTG) and stable O&M revenue. EBITDA for the quarter came in at INR 2.2bn (+32% YoY, +4% JMFe) reflecting a 15.8% EBITDA margin (11.8% in 2QFY23). Adjusted PAT came in at INR 1.4bn (+139% YoY, +23% JMFe) facilitated by better margins and a reduction in interest cost. We expect Suzlon to deliver revenue and EBITDA CAGR of 38% and 43% respectively over FY23-26E. We have revised our estimates for FY25E/26E upwards driven by healthy order inflow, better execution visibility and an improving product portfolio. We maintain our BUY rating on the stock with a revised TP of INR 37/sh (based on a 25x Sept'25E EPS).

- Industry Outlook:** The 2030 GOI target of 500GW of non-fossil fuel-based capacities includes a healthy mix of wind and solar capacities. Under the uniform renewable tariff mechanism, wind capacity will come up in all 8 windy states, significantly opening up the availability of land and evacuation infrastructure. The MNRE has also announced a renewable energy projects bidding trajectory of 50GW per annum for FY24-28, which includes at least 10GW of wind. Hybrid projects and the C&I market shall further drive up the demand for wind, which will be over and above this 10GW p.a. plan.
- Healthy and diversified order book:** The company has an order book of 1,613MW as of 30th Sep'23 of which 62% is for 3.xMW turbines, the supply of which will start in 4QFY24. Additionally it has won 50MW announced subsequently. The company continues to focus on high value quality orders (better margins) with a strong counterparty. Currently the industry has a pipeline of 13GW renewables (including hybrid) projects which includes 11GW of the wind energy component. The share of the 3.xMW series in the order book is gradually increasing with new orders coming in for higher-capacity turbines. The company prefers non-EPC orders (equipment supplies along with associated commissioning) along with in built O&M contracts which have better margins and lower execution risk. Given the higher activity in the C&I segment, the share of orders from the C&I has increased from 55% in 1QFY24 to 64% in 2QFY24. Their service business continues to do well with 14.3GW capacity under service.
- Project execution:** Suzlon delivered 132MW/267MW of net volumes in 2QFY24/1HFY24 as compared to 162MW/312MW of net volumes in 2QFY23/1HFY23. YTD FY24, 1.5GW of wind capacity has been added in the country. The management has guided for doubling of dispatches in 2HFY24 vis-à-vis 1HFY24 (JMFe – 800MW for FY24). Going forward the company expects annual addition of 4-5GW in FY24E and 6-7GW in FY25E in the country.
- Product development:** The company has installed the first prototype of its S144-140/160 – 3.xMW turbine at 160mts hub height in Gujarat. Going forward, the company's focus remains on executing its current order book and commercialization of its 3-3.15MW series turbine in FY24. It has already dispatched 5-6 nos. of 3.xMW turbines with major



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Recommendation and Price Target

Current Reco.	BUY
Previous Reco.	BUY
Current Price Target (12M)	37
Upside/(Downside)	12.7%
Previous Price Target	30
Change	22.6%

Key Data – SUEL IN

Current Market Price	INR33
Market cap (bn)	INR459.3/US\$5.5
Free Float	73%
Shares in issue (mn)	9,217.4
Diluted share (mn)	13,593.5
3-mon avg daily val (mn)	INR4,434.7/US\$53.3
52-week range	34/7
Sensex/Nifty	64,081/19,133
INR/US\$	83.3

Price Performance

%	1M	6M	12M
Absolute	26.6	303.1	308.1
Relative*	29.4	284.9	287.5

* To the BSE Sensex

Financial Summary

Y/E March	FY22A	FY23A	FY24E	FY25E	FY26E
Net Sales	65,200	59,468	74,333	1,25,820	1,56,206
Sales Growth (%)	97.9	-8.8	25.0	69.3	24.1
EBITDA	8,895	8,319	11,459	19,286	24,257
EBITDA Margin (%)	13.5	13.9	15.3	15.3	15.5
Adjusted Net Profit	-2,597	1,667	8,901	17,470	22,543
Diluted EPS (INR)	-0.3	0.1	0.7	1.3	1.7
Diluted EPS Growth (%)	0.0	0.0	382.2	96.3	29.0
ROIC (%)	0.0	23.7	34.2	42.2	42.7
ROE (%)	0.0	0.0	34.7	35.7	32.7
P/E (x)	-117.1	243.0	50.4	25.7	19.9
P/B (x)	-8.6	36.8	11.1	7.8	5.6
EV/EBITDA (x)	41.2	38.7	26.3	15.6	11.7
Dividend Yield (%)	0.0	0.0	0.0	0.0	0.0

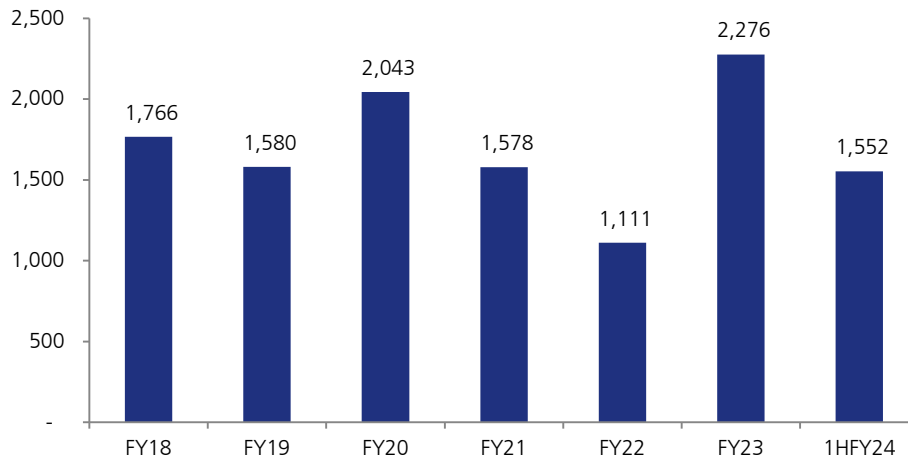
Source: Company data, JM Financial. Note: Valuations as of 02/Nov/2023

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dispatches expected in 4QFY24. The order book will continue to have a similar mix of 2.1MW and 3.xMW turbines in FY25 and FY26 due to lower LCOE.

Exhibit 1. Wind capacity additions in India (MW)



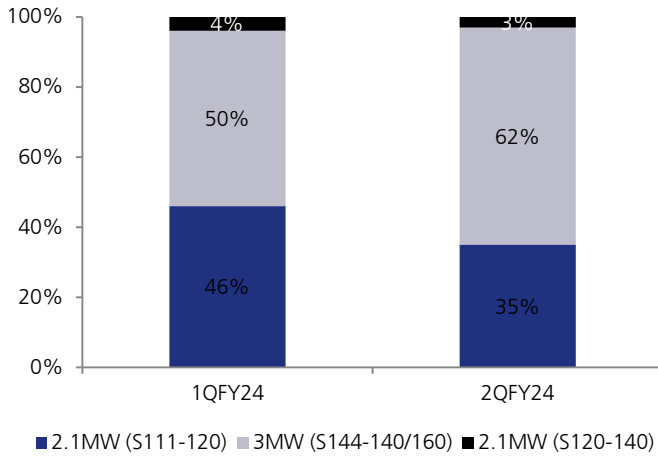
Source: Company, JM Financial

■ Other key highlights:

- The company's balance sheet strength has improved with a positive consolidated net worth of INR 34bn as of 30th Sep'23 primarily due to debt repayment over the last year.
- Post the QIP, there is no residual debt in the company, except for a nominal debt of INR1.2bn in one of the subsidiaries of the company. The company has a net cash balance of about close to INR 6bn, with a gross cash balance of about INR 7.2bn.
- There was a 55% YoY reduction in the finance cost on account of repayment of debt. Going forward, the interest cost is expected to sharply reduce thus improving the profitability. The full benefit will start flowing in from 3QFY24.
- The capex plan for moulds (required for new 3.xMW turbines) is on track. Currently, 3 moulds are in operation while the balance will be online by 4QFY24.

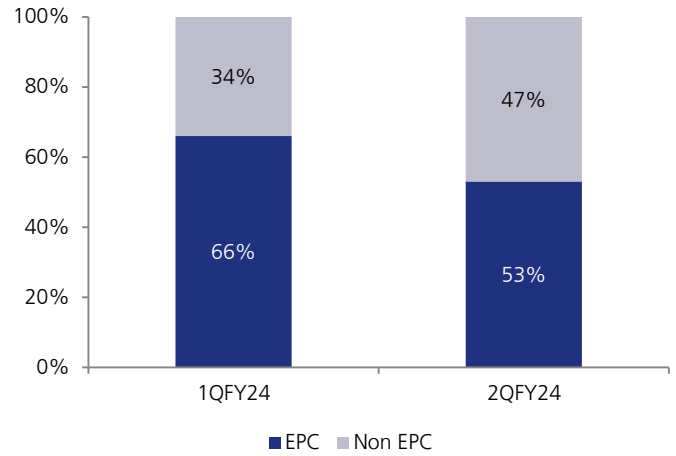
Order book mix

Exhibit 2. WTG model mix



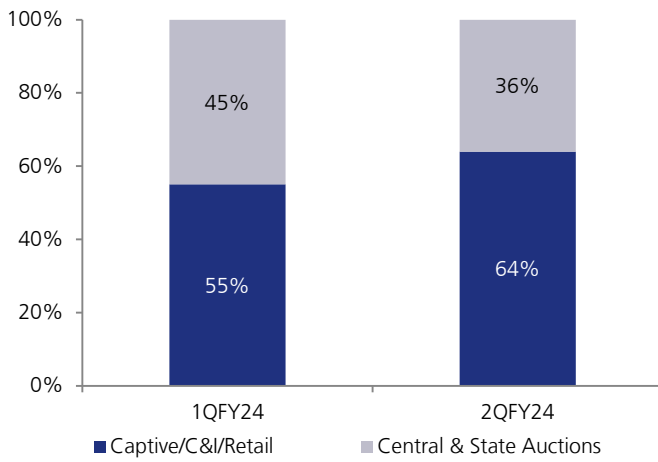
Source: Company, JM Financial

Exhibit 3. Scope mix



Source: Company, JM Financial

Exhibit 4. Customer segment mix (%)



Source: Company, JM Financial

2QFY24 Result Summary

Exhibit 5. 2QFY24 consolidated earnings (INR mn)

Particulars	2QFY24	Q2FY23	YoY %	Q1FY24	QoQ %	JMFe	% Var
Net sales	14,214	14,378	-1.1%	13,510	5.2%	14,642	-2.9%
Expenditure	11,964	12,681	-5.7%	11,522	3.8%	12,475	-4.1%
Raw material expense	8,337	8,706	-4.2%	8,112	2.8%	8,785	-5.1%
Employee	1,828	1,535	19.1%	1,610	13.5%	1,640	11.5%
Other expenditure	1,799	2,440	-26.3%	1,800	-0.1%	2,050	-12.3%
EBITDA	2,250	1,697	32.6%	1,988	13.2%	2,167	3.8%
EBITDA margins	15.8%	11.8%	342bps	14.7%	76bps	14.8%	70bps
Other income	73	48	50.3%	107	-32.1%	59	23.3%
Depreciation	512	629	-18.6%	546	-6.3%	542	-5.5%
Interest	437	969	-54.9%	620	-29.6%	448	-2.4%
Exceptional item	350	-		(82)		-	
PBT	1,024	147	595.0%	1,011	1.4%	1,237	-17.2%
Tax	2	(417)	-100.4%	2	0.0%	25	-93.9%
PAT	1,023	565	81.1%	1,009	1.4%	1,212	-15.6%
Adjusted PAT	1,373	574	139.0%	927	48.0%	1,116	23.0%
EPS	0.10	0.06	77.1%	0.07	35.5%	0.09	12.6%

Source: Company, JM Financial

Order book position

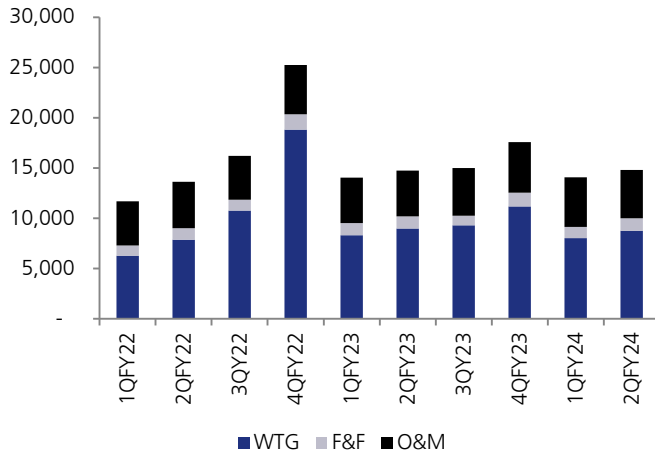
Exhibit 6. Order book position (INR mn)

Date	Developer	Product details	Order size (MW)
Order book as on 31st Mar'23			652
Apr-23	Sembcorp	2.1 MW	50
Apr-23	Thermax	3 MW	39
May-23	Juniper Green	3 MW	69
May-23	Vibrant Energy	3 MW	99
May-23	A Nordic company	3 MW	69
May-23	Sri Kumaraswamy Mineral Exports Pvt. Ltd	2.1 MW	25
May-23	Serentica Renewables	3 MW	204
May-23	Torrent power	3 MW	300
	Others		61
	Total Additions		916
Less:	Execution		135
1QFY24 Order book as on 30th Jun'23			1,433
Jul-23	The KP Group	2.1 MW	48
Jul-23	Everrenew Energy Private Limited	2.1 MW	101
Aug-23	Integrum Energy Infrastructure Private Limited	2.1 MW	32
Aug-23	O2 Power Pvt Ltd	3 MW	202
Sep-23	BrightNight	2.1 MW	29
	Others (including cancelation of 1 previous order)		-99
	Additions		312
Less:	Execution		132
2QFY24 Order book as on 30th Sep'23			1,613
Oct-23	Juniper	3.15 MW	50

Source: Company, JM Financial

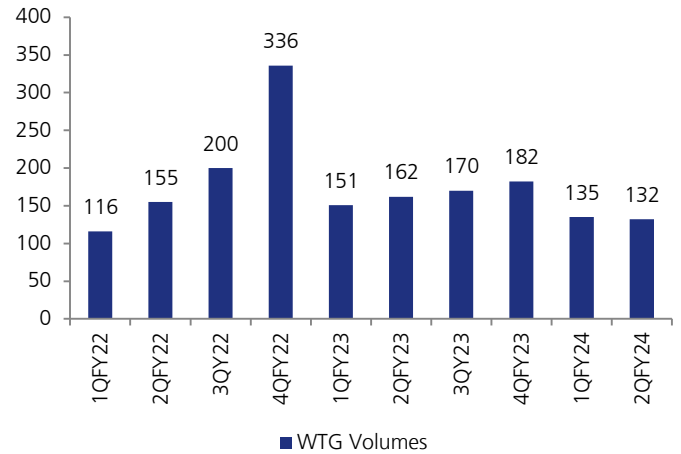
Key Charts

Exhibit 7. Segment-wise revenue (INR mn)



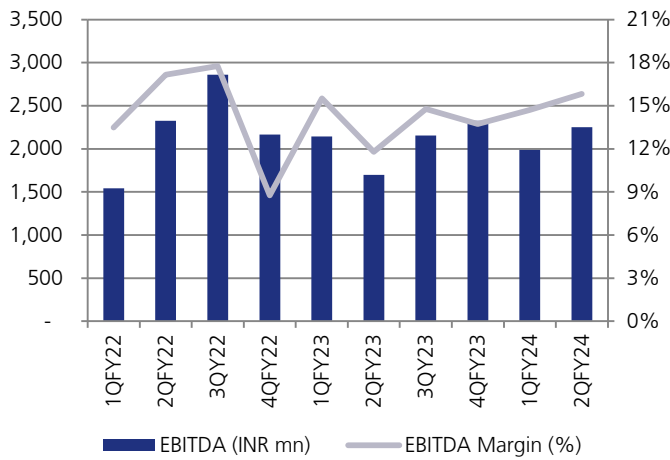
Source: Company, JM Financial

Exhibit 8. WTG dispatches (MW)



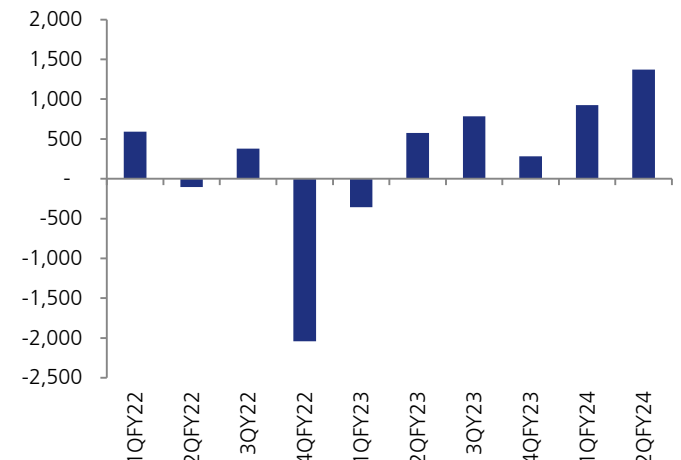
Source: Company, JM Financial

Exhibit 9. EBITDA & EBITDA Margin



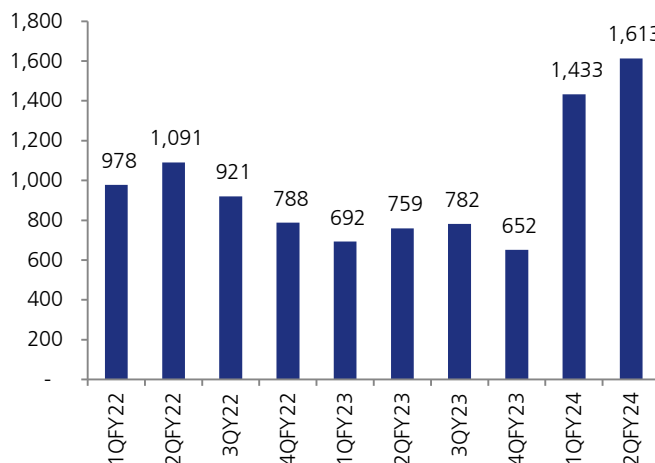
Source: Company, JM Financial

Exhibit 10. Adjusted PAT (INR mn)



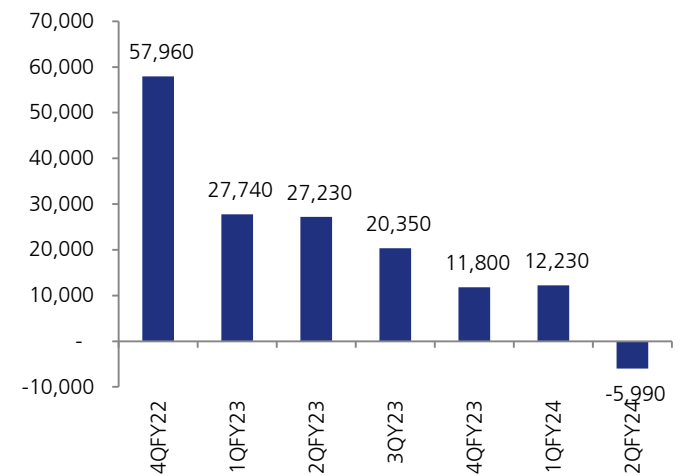
Source: Company, JM Financial

Exhibit 11. Order book trend (INR mn)



Source: Company, JM Financial

Exhibit 12. Net debt (INR mn)



Source: Company, JM Financial

Financial Tables (Consolidated)

Income Statement		(INR mn)				
Y/E March	FY22A	FY23A	FY24E	FY25E	FY26E	
Net Sales	65,200	59,468	74,333	1,25,820	1,56,206	
Sales Growth	97.9%	-8.8%	25.0%	69.3%	24.1%	
Other Operating Income	618	237	445	441	450	
Total Revenue	65,818	59,705	74,778	1,26,262	1,56,656	
Cost of Goods Sold/Op. Exp	43,316	37,827	46,675	82,630	1,04,270	
Personnel Cost	5,454	6,092	7,031	10,505	12,033	
Other Expenses	8,154	7,467	9,613	13,841	16,096	
EBITDA	8,895	8,319	11,459	19,286	24,257	
EBITDA Margin	13.5%	13.9%	15.3%	15.3%	15.5%	
EBITDA Growth	66.5%	-6.5%	37.7%	68.3%	25.8%	
Depn. & Amort.	2,598	2,597	1,805	1,914	2,003	
EBIT	6,296	5,722	9,654	17,372	22,254	
Other Income	222	196	353	424	509	
Finance Cost	7,345	4,208	1,106	326	219	
PBT before Excep. & Forex	-827	1,711	8,901	17,470	22,543	
Excep. & Forex Inc./Loss(-)	-831	-27,206	0	0	0	
PBT	4	28,917	8,901	17,470	22,543	
Taxes	1,666	44	0	0	0	
Extraordinary Inc./Loss(-)	0	0	0	0	0	
Assoc. Profit/Min. Int.(-)	127	383	383	383	383	
Reported Net Profit	-1,996	28,490	8,518	17,087	22,161	
Adjusted Net Profit	-2,597	1,667	8,901	17,470	22,543	
Net Margin	-3.9%	2.8%	11.9%	13.8%	14.4%	
Diluted Share Cap. (mn)	9,217.4	12,272.0	13,593.5	13,593.5	13,593.5	
Diluted EPS (INR)	-0.3	0.1	0.7	1.3	1.7	
Diluted EPS Growth	0.0%	0.0%	382.2%	96.3%	29.0%	
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	FY24E	FY25E	FY26E	
Profit before Tax	4	28,917	8,901	17,470	22,543	
Depn. & Amort.	2,598	2,597	1,805	1,914	2,003	
Net Interest Exp. / Inc. (-)	6,697	3,532	753	-98	-290	
Inc (-) / Dec in WCap.	1,570	-5,432	-8,677	-17,685	-4,970	
Others	2,055	-24,798	0	0	0	
Taxes Paid	94	-149	0	0	0	
Operating Cash Flow	13,019	4,667	2,782	1,601	19,287	
Capex	-767	-1,007	-1,750	-1,500	-1,500	
Free Cash Flow	12,252	3,660	1,032	101	17,787	
Inc (-) / Dec in Investments	215	1,736	0	0	0	
Others	368	120	353	424	509	
Investing Cash Flow	-184	849	-1,397	-1,076	-991	
Inc / Dec (-) in Capital	0	10,797	20,364	0	0	
Dividend + Tax thereon	0	0	0	0	0	
Inc / Dec (-) in Loans	-7,234	-13,388	-16,101	-2,260	-248	
Others	-3,216	-4,253	-1,106	-326	-219	
Financing Cash Flow	-10,450	-6,845	3,157	-2,586	-467	
Inc / Dec (-) in Cash	2,385	-1,329	4,542	-2,061	17,828	
Opening Cash Balance	2,619	5,002	3,673	8,215	6,154	
Closing Cash Balance	5,004	3,673	8,215	6,154	23,982	

Source: Company, JM Financial

Balance Sheet		(INR mn)				
Y/E March	FY22A	FY23A	FY24E	FY25E	FY26E	
Shareholders' Fund	-35,257	10,992	40,256	57,726	80,270	
Share Capital	18,435	24,544	27,187	27,187	27,187	
Reserves & Surplus	-53,692	-13,553	13,069	30,539	53,083	
Preference Share Capital	0	0	0	0	0	
Minority Interest	-361	0	0	0	0	
Total Loans	67,755	21,259	5,158	2,898	2,650	
Def. Tax Liab. / Assets (-)	-175	-2	-2	-2	-2	
Total - Equity & Liab.	31,962	32,249	45,413	60,622	82,918	
Net Fixed Assets	9,225	7,811	7,755	7,341	6,838	
Gross Fixed Assets	20,348	21,656	23,406	24,906	26,406	
Intangible Assets	1,255	619	619	619	619	
Less: Depn. & Amort.	11,274	13,871	15,676	17,590	19,593	
Capital WIP	152	26	26	26	26	
Investments	2,952	4,624	4,624	4,624	4,624	
Current Assets	51,141	42,179	51,573	71,069	96,891	
Inventories	22,079	18,271	20,487	32,863	38,628	
Sundry Debtors	13,770	11,704	14,341	23,523	25,752	
Cash & Bank Balances	5,004	3,673	8,215	6,154	23,982	
Loans & Advances	1,215	1,497	1,497	1,497	1,497	
Other Current Assets	9,074	7,033	7,033	7,033	7,033	
Current Liab. & Prov.	32,612	22,984	19,159	23,031	26,055	
Current Liabilities	18,982	9,132	5,307	9,179	12,203	
Provisions & Others	13,630	13,852	13,852	13,852	13,852	
Net Current Assets	18,529	19,195	32,414	48,038	70,836	
Total - Assets	31,962	32,249	45,413	60,622	82,918	

Source: Company, JM Financial

Dupont Analysis						
Y/E March	FY22A	FY23A	FY24E	FY25E	FY26E	
Net Margin	-3.9%	2.8%	11.9%	13.8%	14.4%	
Asset Turnover (x)	1.0	1.0	1.2	1.7	1.6	
Leverage Factor (x)	0.0	0.0	2.3	1.5	1.4	
RoE	0.0%	0.0%	34.7%	35.7%	32.7%	

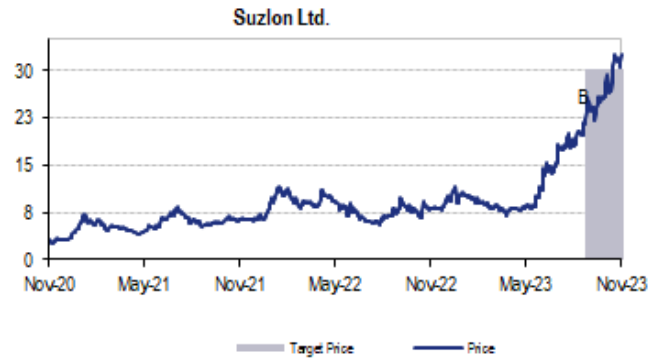
Key Ratios						
Y/E March	FY22A	FY23A	FY24E	FY25E	FY26E	
BV/Share (INR)	-3.8	0.9	3.0	4.2	5.9	
ROIC	0.0%	23.7%	34.2%	42.2%	42.7%	
ROE	0.0%	0.0%	34.7%	35.7%	32.7%	
Net Debt/Equity (x)	0.0	1.6	-0.1	-0.1	-0.3	
P/E (x)	-117.1	243.0	50.4	25.7	19.9	
P/B (x)	-8.6	36.8	11.1	7.8	5.6	
EV/EBITDA (x)	41.2	38.7	26.3	15.6	11.7	
EV/Sales (x)	5.6	5.4	4.0	2.4	1.8	
Debtor days	76	72	70	68	60	
Inventory days	122	112	100	95	90	
Creditor days	118	64	30	31	33	

Source: Company, JM Financial

History of Recommendation and Target Price

Date	Recommendation	Target Price	% Chg.
24-Aug-23	Buy	30	

Recommendation History



APPENDIX I

JM Financial Institutional Securities Limited

Corporate Identity Number: U67100MH2017PLC296081

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

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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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