

## 'Emphatic assurance' amidst Independent Director's resignation

Suzlon's Independent Director Mr. Marc Desaedeleer resigned due to concerns regarding communication and transparency within the company's governance. The company insisted that the resignation is not due to any financial or operational discrepancies and promises to work upon the areas of concern. Nevertheless, emphatic assurance of maintaining good corporate governance from management during the post-resignation conference call complimented by the favourable macros, improving the pace of execution and still a healthy Board composition (Exhibit 1), we continue to maintain our rating 'BUY' with TP of 54 (based on a 30x FY26E EPS).

- Independent Director Resigns:** Marc Desaedeleer, held a seat on the company's board since 2012 but tendered his resignation unexpectedly on the 8<sup>th</sup> June, 2024. He cited concerns regarding the company's adherence to established corporate governance principles, which he felt did not align with his own high standards. One specific area of concern for him was the communication style within the organization. He felt that board agendas weren't shared early enough, hindering transparency. Notably, these concerns were not new as he mentioned in his resignation letter that he had previously engaged in discussions with members of the board to address them. His primary focus in these discussions was on encouraging process improvements and establishing a more transparent work environment, as he felt the current methods hindered efficiency and required procedural revisions.
- Management's view:** The company assured Marc's decision to step down wasn't motivated by any financial irregularities or legal violations within the company. Instead, his resignation originated from concerns he raised regarding internal corporate governance procedures. In response, the company is committed to implementing changes that address these issues. These adjustments will consider the perspectives of both the board and external shareholders. The company extends its sincere gratitude to Marc for his consistently constructive contributions and his valuable suggestions have played a key role in improving operational efficiency and establishing better company procedures. The company admitted to inadvertent typo error, like those in the 4QFY24 results disclosure, and assured they won't happen again.
- Our View:** Sudden turn of such event's at this juncture, when the company is poised for significant growth post-turnaround is definitely undesirable making us more watchful of spillovers if any. Given the emphatic assurance of maintaining good corporate governance from the management during the post-resignation conference call complimented by the favourable macros, healthy financials, improving the pace of execution and still a healthy Board composition (Exhibit 1), we continue to maintain our rating 'BUY' with TP of 54 (based on a 30x FY26E EPS).

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### Recommendation and Price Target

Current Reco.	BUY
Previous Reco.	BUY
Current Price Target (12M)	54
Upside/(Downside)	9.1%
Previous Price Target	54
Change	0.0%

### Key Data – SUEL IN

Current Market Price	INR50
Market cap (bn)	INR703.3/US\$8.4
Free Float	71%
Shares in issue (mn)	9,217.4
Diluted share (mn)	13,608.6
3-mon avg daily val (mn)	INR1,932.9/US\$23.2
52-week range	52/13
Sensex/Nifty	76,693/23,290
INR/US\$	83.4

### Price Performance

%	1M	6M	12M
Absolute	24.9	28.8	273.8
Relative*	18.3	17.2	205.2

\* To the BSE Sensex

### Financial Summary

	(INR mn)				
Y/E March	FY22A	FY23A	FY24A	FY25E	FY26E
Net Sales	65,200	59,468	64,968	1,16,043	1,50,717
Sales Growth (%)	97.9	-8.8	9.2	0.0	0.0
EBITDA	8,895	8,319	10,289	20,896	27,449
EBITDA Margin (%)	13.5	13.9	15.8	0.0	17.9
Adjusted Net Profit	-2,597	1,667	7,142	17,915	24,242
Diluted EPS (INR)	-0.3	0.1	0.5	1.3	1.8
Diluted EPS Growth (%)	0.0	0.0	286.5	150.8	35.3
ROIC (%)	0.0	23.7	32.0	0.0	45.7
ROE (%)	0.0	0.0	28.5	37.2	35.0
P/E (x)	-177.5	368.2	95.3	38.0	28.1
P/B (x)	-13.1	55.8	17.4	11.9	8.4
EV/EBITDA (x)	58.8	57.5	44.7	21.5	15.8
Dividend Yield (%)	0.0	0.0	0.0	0.0	0.0

Source: Company data, JM Financial. Note: Valuations as of 06/Jul/2024

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**Exhibit 1. Board Composition**

	<b>Name</b>	<b>Title</b>	<b>Brief Introduction</b>
1	Mr. Vinod Tanti	Chairman & Managing Director	With over 34 years of experience in key roles at Suzlon, he brings a strong technical and business background to projects encompassing the entire wind turbine lifecycle, from wind farm siting to turbine maintenance.
2	Mr. Girish Tanti	Executive Vice Chairman	He boasts a combined 27+ years of expertise in renewables and international business, holding degrees in Engineering and Business Administration.
3	Mr. Pranav Tanti	Non-Executive Director	He brings nearly 20 years of experience in international business and renewable energy expertise to the table, backed by an MBA from University of Chicago Booth and a dual honours degree from Keele University.
4	Mr. Per Hornung Pedersen	Independent Director	Started as CFO at NEG Micon/Vestas (2000), he propelled Suzlon to global top 5 and doubled REpower's turnover with strong financial leadership.
5	Mr. Sameer Shah	Independent Director	A seasoned financial professional (35+ years), he is a qualified Treasurer with an MBA and experience as CFO & Head of ICT for a Petroleum, Chemicals & Mining company.
6	Ms. Seemantinee Khot	Independent Director	She holds Bachelor of Arts (Psychology, Pune University, 1980) degree and MASW (Tata Institute of Social Sciences, Mumbai, 1982), has nearly four decades of experience in the development sector, 20 years of direct implementation with NGOs, 12 years of Bilateral Aid and UN assignments and 8 years in CSR and sustainability consulting.
7	Mr. Gautam Doshi	Independent Director	Chartered Accountant with over 40 years of experience, he advises industry leaders & sits on listed/unlisted boards as well as led major M&A deals (BSE & FTSE 100).

Source: Company, 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	1,50,717	
Sales Growth	97.9%	-8.8%	9.2%	0.0%	0.0%	
Other Operating Income	618	237	323	417	425	
<b>Total Revenue</b>	<b>65,818</b>	<b>59,705</b>	<b>65,291</b>	<b>1,16,460</b>	<b>1,51,142</b>	
Cost of Goods Sold/Op. Exp	43,316	37,827	39,821	76,873	1,01,939	
Personnel Cost	5,454	6,092	7,029	7,551	7,985	
Other Expenses	8,154	7,467	8,152	11,140	13,770	
<b>EBITDA</b>	<b>8,895</b>	<b>8,319</b>	<b>10,289</b>	<b>20,896</b>	<b>27,449</b>	
EBITDA Margin	13.5%	13.9%	15.8%	0.0%	17.9%	
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	18,465	24,942	
Other Income	222	196	384	450	500	
Finance Cost	7,345	4,208	1,643	1,000	1,200	
PBT before Excep. & Forex	-827	1,711	7,134	17,915	24,242	
Excep. & Forex Inc./Loss(-)	-831	-27,206	539	0	0	
PBT	4	28,917	6,595	17,915	24,242	
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	17,915	24,242	
<b>Adjusted Net Profit</b>	<b>-2,597</b>	<b>1,667</b>	<b>7,142</b>	<b>17,915</b>	<b>24,242</b>	
Net Margin	-3.9%	2.8%	10.9%	0.0%	20.8%	
Diluted Share Cap. (mn)	9,217.4	12,272.0	13,608.6	13,608.6	13,608.6	
<b>Diluted EPS (INR)</b>	<b>-0.3</b>	<b>0.1</b>	<b>0.5</b>	<b>1.3</b>	<b>1.8</b>	
Diluted EPS Growth	0.0%	0.0%	286.5%	150.8%	35.3%	
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	17,914	26,797	
Depn. & Amort.	2,598	2,597	1,896	2,431	2,507	
Net Interest Exp. / Inc. (-)	6,697	3,532	530	550	700	
Inc (-) / Dec in WCap.	1,570	-5,432	-11,074	-8,532	-9,500	
Others	2,055	-24,798	2,588	0	0	
Taxes Paid	94	-149	-203	0	0	
<b>Operating Cash Flow</b>	<b>13,019</b>	<b>4,667</b>	<b>332</b>	<b>12,364</b>	<b>20,504</b>	
Capex	-767	-1,007	-2,274	-1,500	-1,500	
Free Cash Flow	12,252	3,660	-1,942	10,864	19,004	
Inc (-) / Dec in Investments	215	1,736	506	0	0	
Others	368	120	252	-1,274	-1,224	
<b>Investing Cash Flow</b>	<b>-184</b>	<b>849</b>	<b>-1,516</b>	<b>-2,774</b>	<b>-2,724</b>	
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	-379	144	
Others	-3,216	-4,253	-1,071	-1,050	-2,033	
<b>Financing Cash Flow</b>	<b>-10,450</b>	<b>-6,845</b>	<b>1,779</b>	<b>-1,429</b>	<b>-1,888</b>	
<b>Inc / Dec (-) in Cash</b>	<b>2,385</b>	<b>-1,329</b>	<b>596</b>	<b>8,161</b>	<b>15,892</b>	
Opening Cash Balance	2,619	5,002	3,673	4,269	12,431	
Closing Cash Balance	5,004	3,673	4,269	12,431	28,323	

Source: Company, JM Financial

Balance Sheet		(INR mn)				
Y/E March	FY22A	FY23A	FY24A	FY25E	FY26E	
Shareholders' Fund	-35,257	10,992	39,203	57,117	81,359	
Share Capital	18,435	24,544	27,217	27,217	27,217	
Reserves & Surplus	-53,692	-13,553	11,986	29,900	54,141	
Preference Share Capital	0	0	0	0	0	
Minority Interest	-361	0	0	0	0	
Total Loans	67,755	21,259	2,927	2,548	2,693	
Def. Tax Liab. / Assets (-)	-175	-2	-38	-38	-38	
<b>Total - Equity &amp; Liab.</b>	<b>31,962</b>	<b>32,249</b>	<b>42,093</b>	<b>59,628</b>	<b>84,013</b>	
Net Fixed Assets	9,225	7,811	8,257	7,326	6,319	
Gross Fixed Assets	20,348	21,656	23,862	25,362	26,862	
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	79,604	1,12,596	
Inventories	22,079	18,271	22,923	31,793	41,292	
Sundry Debtors	13,770	11,704	18,296	25,434	33,034	
Cash & Bank Balances	5,004	3,673	4,268	14,203	30,096	
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	37,136	44,736	
Current Liabilities	18,982	9,132	18,123	25,600	33,200	
Provisions & Others	13,630	13,852	11,537	11,537	11,537	
Net Current Assets	18,529	19,195	24,001	42,468	67,860	
<b>Total - Assets</b>	<b>31,962</b>	<b>32,249</b>	<b>42,093</b>	<b>59,628</b>	<b>84,013</b>	

Source: Company, JM Financial

Dupont Analysis						
Y/E March	FY22A	FY23A	FY24A	FY25E	FY26E	
Net Margin	-3.9%	2.8%	10.9%	0.0%	20.8%	
Asset Turnover (x)	1.0	1.0	1.0	0.0	1.0	
Leverage Factor (x)	0.0	0.0	2.5	1.8	1.6	
RoE	0.0%	0.0%	28.5%	0.0%	35.0%	

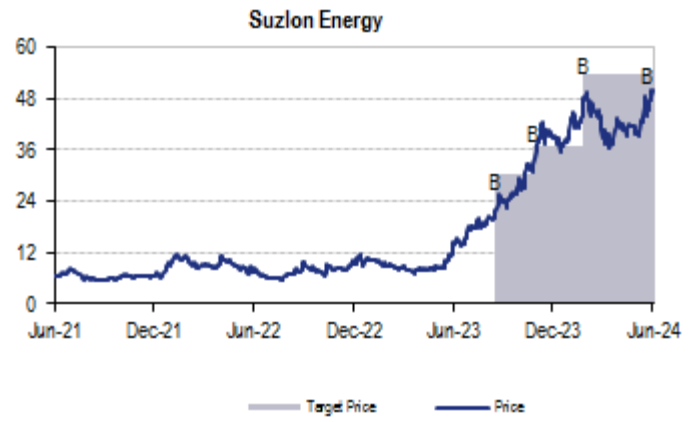
Key Ratios						
Y/E March	FY22A	FY23A	FY24A	FY25E	FY26E	
BV/Share (INR)	-3.8	0.9	2.9	4.2	6.0	
ROIC	0.0%	23.7%	32.0%	0.0%	45.7%	
ROE	0.0%	0.0%	28.5%	37.2%	35.0%	
Net Debt/Equity (x)	0.0	1.6	0.0	-0.2	-0.3	
P/E (x)	-177.5	368.2	95.3	38.0	28.1	
P/B (x)	-13.1	55.8	17.4	11.9	8.4	
EV/EBITDA (x)	58.8	57.5	44.7	21.5	15.8	
EV/Sales (x)	7.9	8.0	7.0	3.9	2.9	
Debtor days	76	72	102	0	104	
Inventory days	122	112	128	0	129	
Creditor days	118	64	119	0	126	

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

Recommendation History



## APPENDIX I

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