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India | Equity Research | Company Update

Suzlon Energy

Capital Goods

Takeaways from conference call - resignation of independent director Marc Desaedeleer

Suzlon Energy (Suzlon) hosted a call on 9th June 2024 post the resignation of independent director - Mr. Marc Desaedeleer. We note that in the letter, he had highlighted that corporate governance and transparency (at the company) have not met his expectations. However, he is satisfied with financial and operational turnaround of the company. It may be noted that the letter does not say that there is any financial or legal impropriety. The management is taking several steps to increase the transparency and improving the process of sharing information. Given this, the management is confident of addressing the specific issues of corporate governance and is looking to strengthen the corporate governance and disclosures. We have **BUY** rating on Suzlon with target price of INR 60.

Resignation of Independent Director Marc Desaedeleer

Marc Desaedeleer, independent director of Suzlon, has been associated with the company for 12 years and has tendered his resignation on June 8,'24 ([Link](#)).

Details of the letter

In a letter to the chairman of the Board of Directors he has stated his dissatisfaction with the level of corporate governance and transparency. The letter further contained a host of suggestions made to improve upon these issues. At the same time, he has also mentioned that he was pleased with the company's operational and financial performance. It may be noted that the letter doesn't say that there is any miss on financial or legal impropriety.

Steps forward

Suzlon has been focused on debt reduction and efficient management of working capital in last 15 months. It will look to improve corporate governance further as a continued process. The company has also taken several steps to increase transparency in the recent past and is confident of addressing the specific issues of corporate governance.

Maintain BUY at TP of INR 60

We maintain our **BUY** rating on the stock with a revised target price of INR 60/share (INR 54/share earlier) i.e., 35x FY26E EPS of INR 1.5/share.

Financial Summary

Y/E March (Rs mn)	FY23A	FY24A	FY25E	FY26E
Net Revenue	59,705	65,291	1,11,658	1,64,761
EBITDA	8,319	10,289	17,342	27,532
EBITDA Margin (%)	13.9	15.8	15.5	16.7
Net Profit	28,873	6,401	14,622	20,823
EPS (INR)	2.4	0.5	1.1	1.5
EPS % Chg YoY	(146.9)	273.8	111.8	42.4
P/E (x)	367.8	98.4	46.5	32.6
EV/EBITDA (x)	75.5	65.7	39.0	24.5
RoCE (%)	17.4	24.9	32.5	32.8
RoE (%)	(234.5)	25.5	31.4	32.4

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Market Data

Market Cap (INR)	703bn
Market Cap (USD)	8,428mn
Bloomberg Code	SUEL IN
Reuters Code	SUZL.BO
52-week Range (INR)	52 /13
Free Float (%)	87.0
ADTV-3M (mn) (USD)	23.2

Price Performance (%)	3m	6m	12m
Absolute	22.9	28.8	273.8
Relative to Sensex	19.4	18.9	251.3

Previous Reports

27-05-2024: [Q4FY24 results review](#)

01-02-2024: [Q3FY24 results review](#)

Outlook and Valuation

Outlook for wind industry is positive over the medium to long term, as 10GW of wind opportunity is expected to be floated over FY23-FY27E. Also, given the increasing complexity of RE power projects (from plain vanilla solar or wind to Hybrid, RTC and now FDRE), we believe wind will play a crucial role RE generation going ahead.

Since our last note dated May 27, '24 Suzlon has further secured two orders of 82 MW & 551 MW each. Given these new orders and strong bidding activity, we believe that the order inflow for FY25E is strong. We maintain our **BUY** rating on the stock with a revised target price of INR 60/share (INR 54/share earlier) i.e., 35x FY26E EPS of INR 1.5/share.

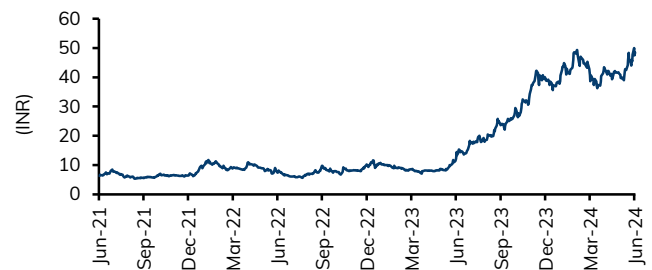
Key Risks: a) non materialization of order pipeline b) weak execution

Exhibit 1: Shareholding pattern

%	Sep'23	Dec'23	Mar'24
Promoters	13.3	13.3	13.3
Institutional investors	20.7	24.0	25.9
MFs and others	4.7	1.3	1.9
FIs/Banks	3.4	3.2	2.7
Insurance	1.2	1.1	1.1
FIIIs	11.4	18.4	20.2
Others	66.0	62.7	68.8

Source: Bloomberg

Exhibit 2: Price chart



Source: Bloomberg

Financial Summary

Exhibit 3: Profit & Loss

(Rs mn, year ending March)

	FY23A	FY24A	FY25E	FY26E
Net Sales	59,705	65,291	1,11,658	1,64,761
Operating Expenses	6,092	7,029	6,701	7,036
EBITDA	8,319	10,289	17,342	27,532
EBITDA Margin (%)	13.9	15.8	15.5	16.7
Depreciation & Amortization	2,597	1,896	2,434	2,594
EBIT	5,722	8,393	14,908	24,938
Interest expenditure	4,208	1,845	835	749
Other Non-operating Income	196	384	550	600
Recurring PBT	1,711	6,932	14,622	24,789
Profit / (Loss) from Associates	-	-	-	-
Less: Taxes	46	29	-	3,966
PAT	1,665	6,903	14,622	20,823
Less: Minority Interest	-	-	-	-
Extraordinaries (Net)	27,208	(501)	-	-
Net Income (Reported)	28,873	6,401	14,622	20,823
Net Income (Adjusted)	1,665	6,903	14,622	20,823

Source Company data, I-Sec research

Exhibit 4: Balance sheet

(Rs mn, year ending March)

	FY23A	FY24A	FY25E	FY26E
Total Current Assets	42,641	52,782	64,403	91,802
of which cash & cash eqv.	3,673	4,268	4,575	6,756
Total Current Liabilities & Provisions	24,509	29,638	37,964	53,079
Net Current Assets	18,132	23,144	26,439	38,723
Investments	-	-	-	-
Net Fixed Assets	8,661	8,865	7,778	6,184
ROU Assets	-	-	-	-
Capital Work-in-Progress	26	197	197	197
Total Intangible Assets	-	-	-	-
Other assets	402	784	784	784
Deferred Tax Assets	-	-	-	-
Total Assets	27,222	32,990	35,199	45,888
Liabilities				
Borrowings	19,049	1,090	1,128	1,240
Deferred Tax Liability	-	-	-	-
provisions	-	-	-	-
other Liabilities	(2,818)	(7,302)	(19,754)	(30,000)
Equity Share Capital	24,544	27,217	27,217	27,217
Reserves & Surplus	(13,553)	11,986	26,608	47,431
Total Net Worth	10,992	39,203	53,825	74,648
Minority Interest	-	-	-	-
Total Liabilities	27,222	32,990	35,199	45,888

Source Company data, I-Sec research

Exhibit 5: Cashflow statement

(Rs mn, year ending March)

	FY23A	FY24A	FY25E	FY26E
Operating Cashflow	38,204	860	2,451	3,818
Working Capital Changes	2,527	(9,282)	(15,441)	(20,348)
Capital Commitments	(529)	(2,236)	(1,348)	(1,000)
Free Cashflow	37,676	(1,376)	1,103	2,818
Other investing cashflow	-	-	-	-
Cashflow from Investing Activities	(529)	(2,236)	(1,348)	(1,000)
Issue of Share Capital	6,109	2,673	-	-
Interest Cost	(4,208)	(1,845)	(835)	(749)
Inc (Dec) in Borrowings	(52,570)	(17,959)	38	113
Dividend paid	-	-	-	-
Others	11,628	19,137	0	0
Cash flow from Financing Activities	(39,041)	2,006	(797)	(636)
Chg. in Cash & Bank balance	(1,366)	630	306	2,182
Closing cash & balance	3,639	4,268	4,575	6,756

Source Company data, I-Sec research

Exhibit 6: Key ratios

(Year ending March)

	FY23A	FY24A	FY25E	FY26E
Per Share Data (INR)				
Reported EPS	0.1	0.5	1.1	1.5
Adjusted EPS (Diluted)	2.4	0.5	1.1	1.5
Cash EPS	2.6	0.6	1.3	1.7
Dividend per share (DPS)	-	-	-	-
Book Value per share (BV)	0.9	2.9	4.0	5.5
Dividend Payout (%)	-	-	-	-
Growth (%)				
Net Sales	(9.3)	9.4	71.0	47.6
EBITDA	(6.5)	23.7	68.6	58.8
EPS (INR)	(146.9)	273.8	111.8	42.4
Valuation Ratios (x)				
P/E	367.8	98.4	46.5	32.6
P/CEPS	19.5	81.9	39.8	29.0
P/BV	55.7	17.3	12.6	9.1
EV / EBITDA	75.5	65.7	39.0	24.5
P / Sales	10.3	10.4	6.1	4.1
Dividend Yield (%)	-	-	-	-
Operating Ratios				
Gross Profit Margins (%)	24.1	26.5	21.5	21.0
EBITDA Margins (%)	13.9	15.8	15.5	16.7
Effective Tax Rate (%)	2.7	0.4	-	16.0
Net Profit Margins (%)	2.8	10.6	13.1	12.6
NWC / Total Assets (%)	0.5	0.6	0.6	0.7
Net Debt / Equity (x)	1.4	(0.1)	(0.1)	(0.1)
Net Debt / EBITDA (x)	1.8	(0.3)	(0.2)	(0.2)
Profitability Ratios				
RoCE (%)	17.4	24.9	32.5	32.8
RoE (%)	(234.5)	25.5	31.4	32.4
RoC (%)	17.4	24.9	32.5	32.8
Fixed Asset Turnover (x)	6.2	7.5	13.4	23.6
Inventory Turnover Days	106	134	120	113
Receivables Days	68	107	101	95
Payables Days	102	141	138	131

Source Company data, I-Sec research

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