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India | Equity Research | Company Update

Suzlon Energy

Capital Goods

Strengthening the core

Suzlon Energy (Suzlon) has entered into an agreement to sell and lease back its prime real estate in Pune for next 5 years. The deal has been finalised at INR 4.4bn. The capital will be utilised to increase execution and capability of Suzlon to gather incremental orders. This is in line with its strategy to sell non-core assets – stated in Apr'22 ([link](#) – Note 7a, 7b and 7c). Orderbook of Suzlon has increased to 4GW, highest in its history and we believe there is enough opportunity to add sizeable order inflow in FY25. Its current orderbook provides visibility of execution for next 2 years. Also, a large number of orders of ~1.5GW from public sector entities are yet to be finalised. We are baking in >2GW of order inflow in FY25E and FY26E. Maintain **ADD** with a revised TP of **INR 80**.

The right deal...

Suzlon had committed to sell non-core assets to lenders in Apr'22 at the time of debt restructuring. Despite its robust balance sheet on the back of strong profitability and a fund raiser through QIP, it has decided to sell the asset. The agreement for sale and lease back for 5 years has been finalised at an opportune time with the sector seeing tailwinds.

...with a release of capital...

The deal has been finalised with a PE fund to sell and lease back its corporate office (Pune, Maharashtra) for 5 years. It will release a capital of INR 4.4bn. This will help in securing cash and improving net worth for executing the core wind energy business.

...supplementing a previous deal to strengthen core

Earlier, it had acquired 74% stake in largest 3rd party O&M business of Renom Energy Services at INR 6.6bn. It is looking to scale up the O&M business through capabilities. Renom is the largest operations and maintenance service provider in the country with assets of 1,782 MW in wind, 148 MW in solar, and 572 MW in BOP under maintenance across customer segments.

Maintain ADD at INR 80 at 50x FY26E earnings

We maintain **ADD** rating on the stock with a revised TP of **INR 80** (vs INR 70 earlier), valuing the stock at 50x FY26E earnings.

Financial Summary

Y/E March (INR 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	21,814
EPS (INR)	2.4	0.5	1.1	1.6
EPS % Chg YoY	(146.9)	273.8	111.8	49.2
P/E (x)	546.6	146.2	69.0	46.3
EV/EBITDA (x)	111.2	97.8	58.0	36.5
RoCE (%)	17.4	24.9	32.5	34.1
RoE (%)	(234.5)	25.5	31.4	33.7

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Market Data

Market Cap (INR)	1,012bn
Market Cap (USD)	12,050mn
Bloomberg Code	SUEL IN
Reuters Code	SUZL.BO
52-week Range (INR)	84 /22
Free Float (%)	79.0
ADTV-3M (mn) (USD)	71.5

Price Performance (%)	3m	6m	12m
Absolute	56.1	73.3	207.7
Relative to Sensex	45.4	61.5	182.5

Previous Reports

24-07-2024: [Q1FY25 results review](#)

10-06-2024: [Company Update](#)

Outlook and valuation

Suzlon is now back in shape after a tumultuous period over the last decade. Suzlon, over the past three years, has reduced its debt from INR 120bn in FY20 through various debt to equity conversions. With that, it has recently become net cash positive with cash reserve of INR 13bn as of Jun'24, after a successful equity raise worth INR 20bn in Q2FY24 for debt reduction.

Moreover, major positive changes in regulatory policy and eventually on business front bode well for the wind industry. The government has decided to tender out at least 10GW of wind capacity every year with pickup in demand from commercial and industrial entities for round-the-clock power supply. Suzlon, being the market leader in wind turbine industry, is the natural beneficiary of this shift, in our view.

Outlook for wind industry is positive over medium to long term, as 10GW of wind opportunity is likely to be floated over FY23-27E. Also, given the increasing complexity of RE power projects (from plain vanilla solar or wind to Hybrid, RTC and now FDRE), we believe wind may play a crucial role in RE generation going ahead.

The orderbook as of Jun'24 stood at 3.8GW which is 5x FY24 WTG volume of 710MW. Thus, owing to strong order backlog and healthy growth in WTG volumes, we remain positive on the stock and maintain our FY25/26E financial estimates.

However, owing to a sharp jump in the stock price recently, we maintain **ADD** rating with a revised target price of INR 80/share (INR 70/share earlier), valuing the business at 50x FY26E EPS of INR 1.6/share.

Key risks – upside surprise to WTG execution and order inflow; delay in execution.

Exhibit 1: PE-based target price of INR 80/share

	FY26E PAT (INR mn)	Multiple (x)	FY26E Equity value (INR m)	Value per share (INR)
Valuation	21,814	50	10,90,719	80
Equity Value			10,90,719	80

Source: I-Sec research

Exhibit 2: Recent order inflow for Suzlon

Date	FY	Quarter	Order wins (MW)	Order source	Product configuration (no. of turbines x Size)
11-Jun	FY25	Q1	103.95	AMPIN Energy	33 X 3.15 MW
31-May	FY25	Q1	81.9	Oyster Green Hybrid	26 X 3.15 MW
29-May	FY25	Q1	551.25	Aditya Birla Group	175 X 3.15 MW
22-May	FY25	Q1	402	Juniper Green	134 X 3 MW
7-Mar	FY24	Q4	72.45	Juniper Green	23 X 3.15 MW
29-Feb	FY24	Q4	30	EDF Renewables	10 X 3 MW
30-Jan	FY24	Q4	642	ABC Cleantech	214 X 3 MW
5-Jan	FY24	Q4	225	Everrenew Energy	75 X 3 MW
28-Dec	FY24	Q3	300	Apraava Energy Private	100 X 3 MW
27-Dec	FY24	Q3	100.8	Nordic Energy	32 X 3.15 MW
27-Dec	FY24	Q3	100.8	Mahindra Susten	48 X 2.1 MW
21-Dec	FY24	Q3	193.2	KP Group	92 X 2.1 MW
15-Dec	FY24	Q3	100.8	leading Global Utility	32 X 3.15 MW
27-Oct	FY24	Q3	50.4	Juniper Green	16 X 3.15 MW
22-Sep	FY24	Q2	29.4	BrightNight	14 X 2.1 MW
25-Aug	FY24	Q2	201.6	O2 Power	64 X 3.15 MW
24-Aug	FY24	Q2	31.5	Integrum Energy	15 X 2.1 MW
14-Jul	FY24	Q2	100.8	Everrenew Energy	48 X 2.1 MW
11-Jul	FY24	Q2	47.6	KP Group	
24-May	FY24	Q1	300	Torrent power	100 X 3 MW
22-May	FY24	Q1	204	Serentica Renewables	68 X 3 MW
19-May	FY24	Q1	25.2	Sri Kumaraswamy Mineral	12 X 2.1 MW
19-May	FY24	Q1	69	Nordic company	23 X 3 MW
17-May	FY24	Q1	99	Vibrant Energy	33 X 3 MW
2-May	FY24	Q1	69.3	Juniper Green	22 X 3.15 MW
23-Apr	FY24	Q1	39	Thermax	13 X 3 MW
12-Apr	FY24	Q1	50.4	Sembcorp	24 X 2.1 MW

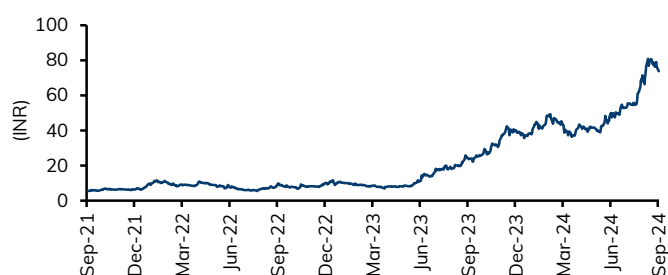
Source: I-Sec research

Exhibit 3: Shareholding pattern

%	Dec'23	Mar'24	Jun'24
Promoters	13.3	13.3	13.3
Institutional investors	24.0	25.9	33.7
MFs and others	1.3	1.9	3.8
FIs/Banks	3.2	2.7	2.5
Insurance	1.1	1.1	2.1
FIIIs	18.4	20.2	25.3
Others	62.7	68.8	53.0

Source: Bloomberg

Exhibit 4: Price chart



Source: Bloomberg

Financial Summary

Exhibit 5: Profit & Loss

(INR 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	-	2,975
PAT	1,665	6,903	14,622	21,814
Less: Minority Interest	-	-	-	-
Extraordinaries (Net)	27,208	(501)	-	-
Net Income (Reported)	28,873	6,401	14,622	21,814
Net Income (Adjusted)	1,665	6,903	14,622	21,814

Source Company data, I-Sec research

Exhibit 6: Balance sheet

(INR mn, year ending March)

	FY23A	FY24A	FY25E	FY26E
Total Current Assets	46,110	61,934	87,111	1,26,631
of which cash & cash eqv.	3,673	4,268	4,575	6,756
Total Current Liabilities & Provisions	23,317	29,653	39,084	55,082
Net Current Assets	22,793	32,281	48,028	71,549
Investments	-	-	-	-
Net Fixed Assets	8,661	8,865	7,778	6,184
ROU Assets	-	-	-	-
Capital Work-in-Progress	60	197	197	197
Total Intangible Assets	-	-	-	-
Other assets	402	784	784	784
Deferred Tax Assets	-	-	-	-
Total Assets	31,917	42,127	56,787	78,715
Liabilities				
Borrowings	19,049	1,090	1,128	1,240
Deferred Tax Liability	-	-	-	-
provisions	-	-	-	-
other Liabilities	1,876	1,834	1,834	1,834
Equity Share Capital	24,544	27,217	27,217	27,217
Reserves & Surplus	(13,553)	11,986	26,608	48,423
Total Net Worth	10,992	39,203	53,825	75,640
Minority Interest	-	-	-	-
Total Liabilities	31,917	42,127	56,787	78,715

Source Company data, I-Sec research

Exhibit 7: Cashflow statement

(INR mn, year ending March)

	FY23A	FY24A	FY25E	FY26E
Operating Cashflow	38,239	826	2,451	3,818
Working Capital Changes	2,561	(9,317)	(15,441)	(21,340)
Capital Commitments	(529)	(2,236)	(1,348)	(1,000)
Free Cashflow	37,710	(1,410)	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	(1,331)	595	306	2,182
Closing cash & balance	3,673	4,268	4,575	6,756

Source Company data, I-Sec research

Exhibit 8: Key ratios

(Year ending March)

	FY23A	FY24A	FY25E	FY26E
Per Share Data (INR)				
Reported EPS	0.1	0.5	1.1	1.6
Adjusted EPS (Diluted)	2.4	0.5	1.1	1.6
Cash EPS	2.6	0.6	1.3	1.8
Dividend per share (DPS)	-	-	-	-
Book Value per share (BV)	0.9	2.9	4.0	5.6
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	49.2
Valuation Ratios (x)				
P/E	546.6	146.2	69.0	46.3
P/CEPS	28.9	121.7	59.2	41.4
P/BV	82.8	25.7	18.8	13.3
EV / EBITDA	111.2	97.8	58.0	36.5
P / Sales	15.2	15.5	9.0	6.1
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	-	12.0
Net Profit Margins (%)	2.8	10.6	13.1	13.2
NWC / Total Assets (%)	0.6	0.7	0.8	0.8
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	34.1
RoE (%)	(234.5)	25.5	31.4	33.7
RoC (%)	17.4	24.9	32.5	34.1
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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