BUY (Maintained)

CMP: **INR 46** Target Price: **INR 54 (INR 48)** ▲ 17%

ICICI Securities

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27 May 2024

India | Equity Research | Q4FY24 results review

Suzlon Energy

Capital Goods

Strong operational performance; positive setup for FY25E

It has been a real turnaround year for Suzlon Energy (Suzlon), with becoming net debt free, strong execution growth of 10% to 710MW and order inflow of 3.1GW in FY24. For Q4FY24, revenue grew 30% YoY to INR 22bn, EBITDA was up 53% YoY to INR 3.6bn and adjusted PAT was up 4.1x YoY to INR 2.5bn. Suzlon has reported strong order inflow of 3.1GW in FY24 and 402MW in FY25-YTD, robust order backlog of 3.3GW as on date (5x TTM execution of 710MW) while order inflow pipeline remains strong in the medium term (either it can be still or medium term). Given the strong outlook on order inflow and execution growth in medium term, we maintain **BUY** on the stock with a revised target price of INR 54/share (35x FY26E EPS of INR 1.5/share).

Strong margin backed by volume growth

Revenue for Q4FY24 grew 30% YoY at INR 22bn which was driven by strong WTG execution, up 50% YoY at 273MW, EBITDA grew 53% YoY to INR 3.6bn with 260bps improvement in EBITDA margin to 16.3% (vs 13.7% YoY). Thus, adjusted PAT grew 4.1x YoY to INR 2.8bn.

Order inflow on target

Suzlon had announced huge order inflow worth 3.1GW in FY24 (vs 370MW in FY23). Thus, orderbook as on date stands at 3.3GW (4x TTM execution of 710MW). This provides strong visibility of execution growth in the medium term and thus improves profitability of WTG segment, too.

Order inflow outlook remains healthy

India conducted bids for ~50GW AC capacity – mix of only solar, only wind and hybrid. As per our data set, it included bids for 33GW solar, 2.4GW wind and 15GW of hybrid. We estimate this may entail a capacity addition of 48GW solar and 9.6GW wind. Moreover, tender pipeline is also quite healthy at 25GW – consisting of 4.1GW of solar, 2.8GW of wind and 18GW of hybrid.

Maintain BUY rating

We maintain **BUY** on account of strong order inflow in Q4FY24, with target price of INR 54/share (INR 48/share earlier) i.e., 35x FY26E EPS of INR 1.5/share.

Financial Summary

Y/E March (INR mn)	FY23A	FY24A	FY25E	FY26E
Net Revenue	59,705	65,291	111,658	164,761
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)	338.7	90.6	42.8	30.0
EV/EBITDA (x)	69.6	60.5	35.9	22.5
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)	648bn
Market Cap (USD)	7,793mn
Bloomberg Code	SUEL IN
Reuters Code	SUZL.BO
52-week Range (INR)	51 /9
Free Float (%)	87.0
ADTV-3M (mn) (USD)	20.7

Price Performance (%)	3m	6m	12m
Absolute	2.3	13.2	357.2
Relative to Sensex	(0.8)	(1.1)	335.1

Earnings Revisions (%)	FY25E	FY26E
Revenue	0.1	(0.1)
EBITDA	5.5	5.0
EPS	6.6	10.8

Previous Reports

01-02-2024: Q3FY24 results review
03-11-2023: Q2FY24 results review

Outlook and valuation

Suzlon has got back into shape after a tumultuous period over the last decade. Over the past three years, it has reduced its debt from INR 120bn in FY20 to Nil in FY24 through various debt to equity conversions. With that, it has recently become net cash positive with cash reserve of INR 11bn as of Mar'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 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.

Suzlon has reported 30% growth in revenue at INR 22bn in Q4FY24; execution for the quarter grew 50% YoY to 273MW; realisation for wind turbines stands at INR 56m/MW (vs 61m/MW YoY). EBITDA margin improved to 16.3% (vs 13.7% YoY) and finance cost reduced to INR 443m in Q4FY24 (vs INR 864m YoY) led by reducing debt. As a result, profit grew to INR 2.8bn in Q4FY24 (vs INR 683m YoY).

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.

We revise our FY26 estimate on the back of strong order inflow in Q4FY24. Total order inflow in FY24 (including 402MW booked in May'25) stood at 3.5GW and thus order backlog stood at 3.3GW. We revise FY26E EBITDA by 5% to INR 27.5bn and profit by 11% to INR 21bn.

We maintain Suzlon's rating at **BUY** with higher target price of INR 54/share (INR 48/share earlier), valuing the business at 35x FY26E EPS of INR 1.5/share.

Exhibit 1: Earnings revision table

INRm	FY25E			FY26E		
	Previous	Revised	% chg	Previous	Revised	% chg
Revenues	1,11,580	1,11,658	0.1	1,64,861	1,64,761	(0.1)
EBITDA	16,441	17,342	5.5	26,228	27,532	5.0
PAT	13,721	14,622	6.6	18,787	20,823	10.8

Source: I-Sec research

Exhibit 2: PE-based target price of INR 54/share

	FY26E PAT (INR mn)	Multiple (x)	FY26E Equity value (INR mn)	Value per share (INR)
Valuation	20,823	35	7,28,799	54
Equity Value			**7,28,799**	**54**

Source: I-Sec research

Exhibit 3: Recent order inflow has remained strong; inflow at 3.1GW in FY24 and 402MW in FY25-YTD

Date	FY	Quarter	Order wins (MW)	Order source	Product configuration (no. of turbines x Size)
22-May	FY25	Q1	402	Juniper Green	134 X 3 MW
07-Mar	FY 24	Q4	72.45	Juniper Green	23 X 3.15 MW
29-Feb	FY 24	Q4	30	EDF Renewables	10 X 3 MW
30-Jan	FY 24	Q4	642	ABC Cleantech	214 X 3 MW
05-Jan	FY 24	Q4	225	Everrenew Energy	75 X 3 MW
28-Dec	FY 24	Q3	300	Apraava Energy Private	100 X 3 MW
27-Dec	FY 24	Q3	100.8	Nordic Energy	32 X 3.15 MW
27-Dec	FY 24	Q3	100.8	Mahindra Susten	48 X 2.1 MW
21-Dec	FY 24	Q3	193.2	KP Group	92 X 2.1 MW
15-Dec	FY 24	Q3	100.8	leading Global Utility	32 X 3.15 MW
27-Oct	FY 24	Q3	50.4	Juniper Green	16 X 3.15 MW
22-Sep	FY 24	Q2	29.4	BrightNight	14 X 2.1 MW
25-Aug	FY 24	Q2	201.6	O2 Power	64 X 3.15 MW
24-Aug	FY 24	Q2	31.5	Integrum Energy	15 X 2.1 MW
14-Jul	FY 24	Q2	100.8	Everrenew Energy	48 X 2.1 MW
11-Jul	FY 24	Q2	47.6	KP Group	
24-May	FY 24	Q1	300	Torrent power	100 X 3 MW
22-May	FY 24	Q1	204	Serentica Renewables	68 X 3 MW
19-May	FY 24	Q1	25.2	Sri Kumaraswamy Mineral	12 X 2.1 MW
19-May	FY 24	Q1	69	Nordic company	23 X 3 MW
17-May	FY 24	Q1	99	Vibrant Energy	33 X 3 MW
02-May	FY 24	Q1	69.3	Juniper Green	22 X 3.15 MW
23-Apr	FY 24	Q1	39	Thermax	13 X 3 MW
12-Apr	FY 24	Q1	50.4	Sembcorp	24 X 2.1 MW
18-Oct	FY23	Q3	48.3	Adani Green	23 X 2.1 MW
11-Oct	FY23	Q3	144.9	Aditya Birla group	69 X 2.1 MW
06-Sep	FY23	Q2	180.6	Sembcorp	86 X 2.1 MW
FY25-YTD			**402**		
FY24			**3082.25**		
Total in FY23			**373.8**		

Source: I-Sec research, Company data

Exhibit 4: Consolidated quarterly result highlights

INRm	Q4FY23	Q3FY24	Q4FY24	% ch qoq	% ch yoy
Net sales	**16,941**	**15,605**	**21,962**	**40.7**	**29.6**
EBITDA	**2,327**	**2,476**	**3,574**	**44.3**	**53.6**
OPM (%)	13.7	15.9	16.3	41 bps	254 bps
Other income	57	92	112	21.4	97.5
Interest	864	143	443	210.3	(48.7)
Depreciation & Amortization	806	395	444	12.5	(44.9)
PBT	714	2,031	2,799	37.8	292.2
PAT	**683**	**2,030**	**2,812**	**38.5**	**311.8**
Reported PAT	3,198	2,030	2,541	25.2	(20.5)
EPS (Rs.)	0.1	0.1	0.2	38.5	277.4
Operating and Financial Metrics	**Q4FY23**	**Q3FY24**	**Q4FY24**	**% ch qoq**	**% ch yoy**
Orders Executed (MW)	**182**	**170**	**273**	**60.6**	**50.0**
Order Backlog	**652**	**3,157**	**2,929**	**(7.2)**	**349.2**

Source: I-Sec research, Company data

Exhibit 5: Quarterly segmental highlights (INR mn)

Segment Revenue	Q4FY23	Q3FY24	Q4FY24	% ch qoq	% ch yoy
a) Wind Turbine Generator	11,171	10,045	15,316	**52.5**	**37.1**
b) Foundry and Forging	1,395	887	1,581	**78.3**	**13.4**
c) O&M services	5,023	5,139	5,741	**11.7**	**14.3**
d) Others	19	16	24	**55.4**	**29.1**
Total	17,607	16,087	22,663	**40.9**	**28.7**
Segment Results	**Q4FY23**	**Q3FY24**	**Q4FY24**	**% ch qoq**	**% ch yoy**
a) Wind Turbine Generator	(152)	60	657	**1,001.8**	**(531.8)**
b) Foundry and Forging	63	3	216	**7,892.6**	**240.9**
c) O&M services	1,603	2,014	2,243	**11.3**	**39.9**
d) Others	7	5	15	**188.7**	**125.0**
Total	**1,521**	**2,082**	**3,130**	**50.4**	**105.8**

Source: I-Sec research, Company data

Q4FY24 conference call highlights

Financial highlights

- Revenue grew 30% YoY to INR 22bn (WTG execution stood at 273MW).
- Gross margin improved to 36.8% (vs 34.4% YoY).
- WTG execution volume for Q4FY24 stood at 273MW (up 50% YoY) and for FY24 it stood at 710MW (vs 665MW in FY23).
- EBITDA grew 54% YoY to INR 3.6bn as EBITDA margin improved to 16.3% (vs 13.7% YoY).
- As a result, adjusted PAT grew 4.1x YoY to INR 2.8bn (vs INR 683mn YoY).

Orderbook

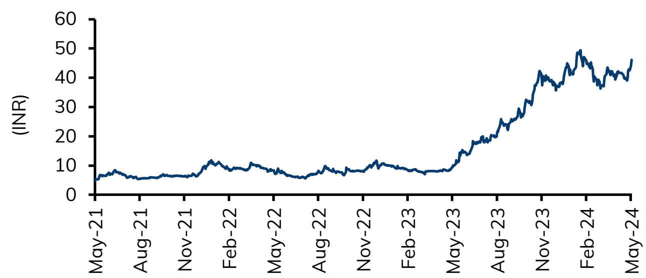
- Orderbook, as on result day, stood at 3,331MW.
- WTG type order breakup: 3MW at 83%, others at 17%
- EPC: Non-EPC breakdown of the orderbook stands at 34%:66%.
- Project segment mix of the orderbook is 42% central and state auctions and 58% captive/ C&I / retail.

Exhibit 6: 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
FIIs	11.4	18.4	20.2
Others	66.0	62.7	68.8

Source: Bloomberg

Exhibit 7: Price chart



Source: Bloomberg

Financial Summary

Exhibit 8: Profit & Loss

(INR mn, year ending March)

	FY23A	FY24A	FY25E	FY26E
Net Sales	**59,705**	**65,291**	**111,658**	**164,761**
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 9: Balance sheet

(INR 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 10: Cashflow statement

(INR 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	4,303	4,575	6,756

Source Company data, I-Sec research

Exhibit 11: 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	338.7	90.6	42.8	30.0
P/CEPS	17.9	75.4	36.7	26.7
P/BV	51.3	16.0	11.6	8.4
EV / EBITDA	69.6	60.5	35.9	22.5
P / Sales	9.4	9.6	5.6	3.8
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
RoIC (%)	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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