

## Suzlon Energy Ltd — 30 Dec 2024 Credit Rating Summary

This equity-focused credit analysis summarizes the CRISIL rating upgrade for Suzlon Energy Limited (SEL) as of December 30, 2024.

Section	Details
Agency	CRISIL
Rating Change	A- → A (Long Term)
Outlook (Current vs Previous)	<b>Positive vs Positive</b> (Maintained Positive stance despite the upgrade)
Key Drivers of Change	<ol style="list-style-type: none"> <li><b>Execution Ramp-up:</b> H1FY25 execution hit 530 MW (vs low volume in FY24), signaling a break from past bottlenecks.</li> <li><b>Profitability Shift:</b> Operating leverage kicking in; WTG business EBITDA improved alongside steady O&amp;M income.</li> <li><b>Order Book Visibility:</b> Robust pipeline of 5.1 GW (as of Sept 2024) to be executed by FY27 provides 2-3 years of revenue visibility.</li> <li><b>Capital Structure:</b> Near debt-free status at SEL level following the ₹2,000 Cr QIP; Interest coverage stands healthy at 6.5x.</li> </ol>
Rated Instruments	<ul style="list-style-type: none"> <li>• <b>Letter of Credit:</b> ₹1,760 Cr (CRISIL A1)</li> <li>• <b>Bank Guarantee:</b> ₹1,100 Cr (CRISIL A/Positive)</li> <li>• <b>Proposed Limits:</b> ₹140 Cr (Fund/Non-fund based)</li> </ul>
Key Observations	<ul style="list-style-type: none"> <li>• <b>Strength:</b> Dominant market leader (~32% share) in Indian wind turbine segment.</li> <li>• <b>Strength:</b> O&amp;M services business is a "cash cow," generating &gt;₹700 Cr EBITDA annually with 14.9 GW fleet.</li> <li>• <b>Strength:</b> Vertical integration via SE Forge (now consolidated) secures supply chain.</li> <li>• <b>Risk:</b> High operating leverage; small drops in execution volume lead to disproportionate hits to PAT.</li> <li>• <b>Risk:</b> Competitive intensity remains high from global OEMs (Siemens Gamesa, Vestas, etc.).</li> <li>• <b>Risk:</b> Legacy of financial distress (past defaults) still weighs on long-term track record.</li> </ul>
Investor Impact	<ul style="list-style-type: none"> <li>• <b>Growth:</b> Upward rating trajectory lowers cost of non-fund based limits, essential for bidding on large orders.</li> <li>• <b>Margins:</b> Positive outlook hinges on achieving 1.2–1.3 GW annual volume; this is the key threshold for significant margin expansion.</li> <li>• <b>Dilution Risk:</b> Low. Repayment of entire debt at SEL level and ₹683 Cr cash surplus reduce the need for further equity raises.</li> <li>• <b>Valuation:</b> Transition from "distressed asset" to "growth industrial" is now fully validated by credit rating.</li> </ul>
Agency / Cross Analysis	<p><b>Same Agency (CRISIL):</b> Rapid progression from BBB+ (2023) to A (2024). The agency has shifted focus from "solvency/liquidity" to "execution/volume."</p> <p><b>Analytical Change:</b> Now consolidates <b>SE Forge</b> as a "core" growth area, signifying a more integrated view of the business model compared to previous reviews.</p> <p><b>Conclusion:</b> Improvement. The maintenance of a 'Positive' outlook even after an upgrade suggests high confidence in another notch upgrade within 12 months.</p>
Final Inference	<p><b>Real Improvement.</b> This isn't just a balance sheet cleanup; it's an operational pivot. The upgrade confirms Suzlon has successfully transitioned from a debt-restructuring story to a high-volume execution story. <b>Watch 1.2 GW volume target</b> as the trigger for the next rerating.</p>