Suzlon Energy Ltd — FY 2026 Annual Report Analysis

Annual Report Analysis (Consolidated)

Source: CRORES. All figures Crores. Pipeline: v5-Gemini — W1a → W3 → W1b+W2+W2F (parallel, notes-injected) → Merge.

Investor Snapshot

#	Analytical Point	Sentiment
1	**Suzlon is transitioning into a professionalized renewable energy solutions provider, leveraging a dominant 5.6 GW+ order book and market leadership in the 3 MW turbine segment.**	□
2	**Revenue surged 53.71% YoY to □16,732 Cr, signaling a robust recovery in the wind energy sector and strong execution of the S144 turbine series.**	□
3	**Theoretical capital efficiency is high with ROCE improving to 35.00%, though this is currently decoupled from actual cash generation.**	□
4	***Reported PAT of 3,163 Cr is significantly inflated by a 749.23 Cr non-cash deferred tax credit, which accounts for 23.7% of the bottom line.***	□
5	***Finance costs surged 81% YoY, reflecting a high reliance on expensive supplier credit and indirect financing despite a reduction in formal long-term debt.***	□
6	***Earnings quality is poor, evidenced by a CFO/PAT ratio of only 0.38, indicating that over 60% of reported profits are not backed by cash inflows.***	□
7	***Working capital management has deteriorated sharply, with a 2,054 Cr drain driven by trade receivables growing at 67.77%, far outpacing revenue growth.***	□
8	***Capital allocation is strained by 19 loss-making subsidiaries, necessitating RPT loans that consume 54.6% of the parent's operating cash flow.***	□
9	**The balance sheet underwent a structural cleanup via NCLT approval to offset □18,418 Cr in accumulated losses, theoretically enabling future dividend distributions.**	□
10	***Governance presents a mixed profile: while the C-suite has been professionalized, a 10-day audit trail failure during SAP migration and a low 13.25% promoter stake raise internal control and commitment risks.***	□
11	***The primary risk remains a potential liquidity crisis or massive ECL provisions if the 6,486 Cr receivable pile fails to convert into cash.***	□
12	***Investment View: WATCH; stance remains neutral until the CFO/PAT ratio exceeds 0.70x and receivable growth aligns with top-line expansion.***	□

1. BUSINESS OVERVIEW (In Bullet Points)

- **Business Segments:** Suzlon has transitioned into a "Full-Stack Renewable Energy Solutions Provider," moving beyond its legacy as a Wind Turbine Generator (WTG) OEM. Key verticals now include WTG Manufacturing, Operations & Maintenance Services (OMS), and the newly launched "DevCo" for project development.
- **Revenue Drivers:** The primary revenue driver is the **S144 (3 MW)** wind turbine platform. Revenue is also supported by a stable annuity-like stream from the Digital OMS platform and project execution services.

- **Cost Drivers:** Major costs include **Raw Materials & Services** (68.55% of revenue), logistics, and **Finance Costs** related to supplier financing and bank guarantees.
- **Industry Position:** Suzlon is repositioning as "Suzlon 2.0," targeting the "Firm and Dispatchable Renewable Energy" (FDRE) market and C&I (Commercial & Industrial) clients.
- **Expansion Plans:** The company is strengthening execution capabilities for a ~30 GW capacity roadmap and expanding into Solar and Battery Energy Storage Systems (BESS) through its DevCo vertical.
- **Acquisitions:** The acquisition of **Renom Energy Services** was a strategic move to disrupt third-party service providers and consolidate the OMS market.
- **Segment Performance:** While the consolidated entity is profitable, the project execution segment faces margin pressure, with 19 subsidiaries reporting cash losses in FY26.
- **Geographical Presence:** Strong focus on the Indian market with a 5.6 GW+ order book; leveraging ESG credentials (low carbon footprint of 6.17 gCO2e/kWh) to target global tenders.

2. MANAGEMENT COMMENTARY & OUTLOOK

- Management has formally launched "Suzlon 2.0," shifting the strategy from a distressed OEM to an orchestrator of the renewable ecosystem.
- The creation of the "DevCo" vertical is intended to capture higher value in FDRE projects, though management acknowledges the potential for increased capital intensity.
- Strategy for the OMS segment involves a "digital-first" transformation using AI and predictive analytics to build a defensive moat against commoditization.
- Management is pivoting the product narrative from simple power output to sustainability credentials to win ESG-mandated global and C&I contracts.
- The leadership team has undergone a near-total professionalization, appointing Ajay Kapur (CEO) and Rahul Jain (CFO) to bring "Big Industrial" discipline and institutional-grade capital allocation.
- The NCLT-approved Reserve Reclassification (adjusting □18,418.43 Cr of accumulated losses) is a strategic move to "clean" the balance sheet and clear the legal path for future dividend payments.
- Management highlights a high confidence level in the demand environment, specifically the transition toward firm and dispatchable renewable energy.
- The long-term vision focuses on scaling execution to meet a 30 GW roadmap while maintaining an "asset-light" narrative, despite the complexities of new development verticals.
- **Management Tone:** The tone is "Aggressively Institutional." The language has shifted from "rebirth" and survival to "orchestrating the ecosystem," reflecting high confidence in market tailwinds and a desire to be viewed as a professionalized, large-scale industrial player.

3. FINANCIAL ANALYSIS

3.1 Financial Statements

Source: Screener.in — all monetary values in Crores. Use these numbers directly.

P&L Statement (□Crores)

Line Item	Mar 2026	Mar 2025
Sales -	16,732.00	10,890.00
Sales Growth %	54.00	67.00
Expenses -	13,709.00	9,026.00
Material Cost % -	65.00	63.00
Raw material cost	11,434.00	7,139.00
Change in inventory	-631.00	-253.00
Manufacturing Cost %	0.00	5.00
Employee Cost %	7.00	9.00
Other Cost %	11.00	6.00
Operating Profit	3,022.00	1,863.00
OPM %	18.00	17.00
Other Income -	180.00	97.00
Exceptional items	0.00	-6.00
Other income normal	180.00	103.00
Interest	462.00	255.00
Depreciation	318.00	259.00
Profit before tax	2,422.00	1,447.00
Tax %	-31.00	-43.00
Net Profit -	3,163.00	2,072.00
Profit from Associates	0.00	0.00
Minority share	0.00	0.00
Exceptional items AT	0.00	-6.00
Profit excl Excep	3,163.00	2,077.00
Profit for PE	3,163.00	2,077.00
Profit for EPS	3,163.00	2,072.00
Profit Growth %	52.00	188.00
EPS in Rs	2.33	1.53
Dividend Payout %	0.00	0.00

Balance Sheet (□Crores)

Line Item	Mar 2026	Mar 2025
Equity Capital	2,745.00	2,732.00
Reserves	6,719.00	3,374.00
Borrowings -	556.00	323.00
Long term Borrowings	103.00	129.00
Short term Borrowings	161.00	154.00
Lease Liabilities	292.00	40.00
Preference Capital	0.00	0.00
Other Borrowings	0.00	0.00
Other Liabilities -	8,850.00	6,531.00
Non controlling int	0.00	0.00
Trade Payables	5,083.00	2,935.00
Advance from Customers	0.00	0.00
Other liability items	3,767.00	3,596.00
Total Liabilities	18,869.00	12,960.00
Fixed Assets -	2,309.00	1,780.00
Land	0.00	167.00
Building	0.00	481.00
Estates	0.00	0.00
Plant Machinery	0.00	1,040.00
Computers	0.00	116.00
Furniture n fittings	0.00	44.00
Vehicles	0.00	28.00
Wind turbines	0.00	32.00
Intangible Assets	925.00	581.00
Other fixed assets	0.00	1,217.00
Gross Block	0.00	3,707.00
Accumulated Depreciation	0.00	1,927.00
CWIP	176.00	105.00
Investments	217.00	43.00
Other Assets -	16,166.00	11,032.00
Inventories	4,512.00	3,234.00
Trade receivables -	6,269.00	3,866.00
Receivables over 6m	0.00	649.00
Receivables under 6m	0.00	3,257.00
Prov for Doubtful	0.00	-39.00
Cash Equivalents	1,246.00	1,113.00

Line Item	Mar 2026	Mar 2025
Loans n Advances	1,452.00	141.00
Other asset items	2,688.00	2,678.00
Total Assets	18,869.00	12,960.00

Cash Flow Statement (Crores)

Line Item	Mar 2026	Mar 2025
Cash from Operating Activity -	1,202.00	1,092.00
Profit from operations	3,332.00	1,984.00
Receivables	-2,661.00	-2,007.00
Inventory	-1,278.00	-819.00
Payables	0.00	0.00
Loans Advances	0.00	0.00
Other WC items	1,885.00	1,935.00
Working capital changes	-2,054.00	-890.00
Direct taxes	-75.00	-2.00
Cash from Investing Activity -	-914.00	-749.00
Fixed assets purchased	-577.00	-371.00
Fixed assets sold	1.00	2.00
Investments purchased	-508.00	-72.00
Investments sold	342.00	38.00
Investment income	15.00	0.00
Interest received	81.00	77.00
Dividends received	0.00	0.00
Invest in subsidiaries	-269.00	0.00
Redemp n Canc of Shares	0.00	0.00
Acquisition of companies	0.00	-441.00
Inter corporate deposits	0.00	0.00
Other investing items	0.00	18.00
Cash from Financing Activity -	-155.00	343.00
Proceeds from shares	92.00	22.00
Proceeds from debentures	0.00	0.00
Proceeds from borrowings	21.00	516.00
Repayment of borrowings	-41.00	-67.00
Interest paid fin	-191.00	-100.00
Dividends paid	0.00	0.00
Financial liabilities	-37.00	-28.00
Application money refund	1.00	0.00
Other financing items	0.00	0.00
Net Cash Flow	133.00	686.00
Free Cash Flow	626.00	724.00
CFO/OP	42.00	59.00

Key Ratios (₹Crores)

Line Item	Mar 2026	Mar 2025
Debtor Days	137.00	130.00
Inventory Days	152.00	171.00
Days Payable	172.00	156.00
Cash Conversion Cycle	117.00	145.00
Working Capital Days	89.00	73.00
ROCE %	35.00	33.00

3.2 Financial Analysis Summary

- **Revenue** from operations grew **53.71%** YoY to **₹16,732.00 Cr**, driven by a strong recovery in the wind sector, yet the quality of **PAT** at **₹3,163.00 Cr** is significantly impacted by a non-cash **Deferred Tax** credit of **₹749.23 Cr**, without which earnings would be **23.6%** lower.
- **Trade Receivables** surged by **67.77%** to **₹6,486.53 Cr**, significantly outpacing **Revenue** growth and resulting in a massive **Working Capital** outflow of **₹2,054.00 Cr**, which restricted **CFO** to just **₹1,202.00 Cr**.
- The **Operating Profit** margin improved to **18.00%** from **17.00%**, but **Raw Material Cost** increased by **60.15%** to **₹11,433.58 Cr**, outpacing top-line growth and suggesting inflationary pressure or a shift toward lower-margin turbine models.
- **Finance Costs** spiked by **81.38%** to **₹462.15 Cr** despite relatively low formal **Total Debt** (Borrowings of **₹556.00 Cr**), primarily due to **₹223.29 Cr** in interest on supplier finance and bank guarantees required for large-scale project execution.
- **Inventory** management remained a relative strength as growth was contained at **39.53%** (**₹4,511.84 Cr**) compared to the **54.00% Revenue** jump, signaling efficient shop-floor conversion of **CWIP** into finished goods.
- **Trade Payables** were aggressively extended by **73.16%** to **₹5,082.55 Cr**, indicating the company is "leaning on suppliers" to fund the **₹2,661.00 Cr** increase in **Trade Receivables** seen in the **Cash Flow Statement**.
- **Net Worth** was structurally altered through a Scheme of Arrangement that adjusted **₹18,418.43 Cr** of accumulated losses against **Reserves**, a "balance sheet cleaning" exercise that improves equity ratios but does not reflect operational cash generation.
- **ROCE** improved to **35.00%** from **33.00%**, yet this efficiency is clouded by the fact that **19 subsidiaries** reported cash losses and the auditor flagged **Audit Trail** lapses and SAP migration risks.
- **Other Expenses** rose **49.97%** to **₹1,806.27 Cr**, including a swing in **Liquidated Damages** to a **₹66.32 Cr** expense, signaling increased project execution hurdles and contractual penalties for delays.
- **Other Financial Assets** of **₹1,227.71 Cr** represent restricted cash tied up in margin money for bank guarantees, which restricts discretionary liquidity despite **Cash Equivalents** of **₹1,246.00 Cr**.
- **Lease Liabilities** jumped to **₹291.77 Cr**, indicating a shift toward asset-light expansion or sale-and-leaseback of facilities, adding fixed payment obligations not captured in traditional debt.
- **Other Assets** and **Other Liabilities** analysis reveals that **Other Financial Assets** (non-current) account for **23%** of non-current assets, largely tied to security deposits that limit liquidity; meanwhile, **Contract Liabilities (Advances)** of **₹1,976.74 Cr** signal a heavy performance obligation backlog.
- The dominant financial theme of the year is **"Aggressive Growth at the Cost of Liquidity,"** where record **Revenue** and **PAT** are undermined by a widening gap between **PAT** and **CFO**, heavy reliance on non-cash

Deferred Tax assets, and a significant buildup in **Trade Receivables** that necessitates high supplier credit dependency.

3.3 Contingent Liabilities & Commitments

- **Pending Litigations:** The auditor confirms the existence of pending litigations (Note 40) impacting the consolidated financial position, typically involving land acquisition disputes and contractual penalties with state utilities.
- **Capital Commitments:** Not explicitly disclosed in the provided annual report snippets.
- **Guarantees:** The company utilizes significant bank guarantees for large-scale projects, with **□1,227.71 Cr** in restricted cash (Other Financial Assets) tied up as margin money.
- **Tax Disputes:** The recognition of **□1,394.41 Cr** in **Deferred Tax Assets** remains a contingent risk; if future taxable profits do not materialize as projected, this asset faces significant write-down risk.

3.9 Earnings Quality & Forensic Checks

#	Check	Impact	Status	Evidence	Notes Detail
1	PAT vs CFO trend	Profit ↓ — earnings overstate cash; □3,163 Cr PAT vs □1,202 Cr CFO indicates low quality.	□	PAT □3,163 Cr; CFO □1,202 Cr; CFO/PAT ratio ~38%.	Notes highlight 60% of profit is not backed by immediate cash flow.
2	Receivables & channel-stuffing signal (receivables + inventory build vs revenue)	Revenue ↑↓ — channel stuffing risk; receivables + inventory growth significantly outpaces 54% sales growth.	□	Receivables grew 67.7% (□6,486 Cr); Inventory grew 39.5%; Sales grew 54%.	Auditor flagged recoverability of □6,486 Cr receivables as a Key Audit Matter.
3	Revenue timing (unbilled / contract assets + deferred revenue / advances)	Revenue ↑↓ — performance obligation risk; □1,976 Cr customer advances signal heavy future execution backlog.	□	Contract Liabilities (Advances): □1,976.74 Cr in FY26 vs □1,743.51 Cr FY25.	Note 2.4.f: WTG sales recognized at point-in-time; OMS recognized over-time.
4	Revenue from related parties %	Neutral — governance risk; management represents no funds advanced to intermediaries for beneficiaries.	□	Management representation on p.373; specific RPT revenue quantum not disclosed.	Auditor confirmed management representation regarding non-advancement of funds to intermediaries.
5	Inventory vs revenue growth	Profit ↑ — efficient shop-floor management; 39.5% inventory growth remains below 54% sales growth.	□	Inventory: □4,512 Cr (FY26) vs □3,234 Cr (FY25); Sales: □16,732 Cr.	Notes suggest faster conversion of work-in-progress into finished goods.
6	Inventory valuation method change	Neutral — accounting consistency; no change in valuation policy reported in the financial notes.	□	Standard valuation policy applied; no restatement for valuation method noted.	Note 2.4.f/g: Inventory valued at lower of cost and net realizable value.
7	Exceptional items in operating profit	Neutral — clean operating profit; zero exceptional items reported in FY26 P&L statement.	□	Exceptional items: □0.00 Cr in FY26 vs -□6.00 Cr in FY25.	P&L statement shows profit before tax is entirely from continuing operations.
8	Depreciation rate vs useful life policy	Profit ↓ — asset-light shift; □318 Cr depreciation tracks 29% increase in fixed assets.	□	Depreciation: □318 Cr; Fixed Assets: □2,309 Cr; Lease Liabilities: □292 Cr.	Note 2.4: Lease liability spike indicates shift to asset-light expansion model.
9	Provision reversals boosting PAT	Profit ↑ — non-cash boost; reversal of liquidated damages in prior year flipped to expense.	□	Liquidated Damages: □66.32 Cr expense (FY26) vs □28.11 Cr reversal (FY25).	Note 2.4.f.i: LDs are estimated as variable consideration, involving management judgment.
10	Tax rate consistency + cash tax vs P&L tax	Profit ↑ — non-cash tax credit; -31% effective tax rate inflates PAT via DTA.	□	P&L Tax: -□741 Cr (Credit); Direct Taxes Paid: □75 Cr (Cash).	Note 33: Massive □749.23 Cr non-cash tax credit significantly inflates reported PAT.
11	CWIP age and stalling projects	Profit ↓ — execution hurdles; CWIP increased 67% suggesting potential delays in project commissioning.	□	CWIP: □176 Cr (FY26) vs □105 Cr (FY25).	Auditor flagged IT migration and project execution as Key Audit Matters.
12	Deferred tax asset recognition adequacy	Profit ↑ — paper asset risk; □1,394 Cr DTA relies on	□	Deferred Tax Assets: □1,394.41 Cr recognized in the balance sheet.	Note 33: Recognition based on "probability of

#	Check	Impact	Status	Evidence	Notes Detail
		subjective future profit forecasts.			future profits," a high-judgment area.
13	RPT quantum and trend	Neutral — value leakage risk; management confirms no loans to intermediaries for ultimate beneficiaries.	□	Managerial remuneration paid per Sec 197; no specific RPT loans disclosed.	Auditor's report p.373 confirms standard forensic disclosures regarding related party funds.
14	Dividend paid vs FCF adequacy	Neutral — liquidity preservation; zero dividends paid despite □626 Cr Free Cash Flow.	□	Dividend Payout: 0%; Free Cash Flow: □626 Cr; Net Cash Flow: □133 Cr.	Company is retaining cash to fund working capital and receivable buildup.
15	Audit Trail Integrity	Neutral — compliance risk; database-level edit logs disabled for 10 days during SAP migration.	□	Audit trail not operative May 1–10, 2025.	Auditor noted no evidence of tampering but flagged the failure to achieve 100% statutory compliance.
16	Subsidiary Cash Losses	Profit ↓ — structural weakness; 19 subsidiaries reported cash losses despite parent profitability.	□	CARO Clause (xvii) qualifications for 19 SPVs.	Indicates parent must divert CFO to keep loss-making project SPVs afloat.
17	IT Migration Risks	Neutral — data integrity; migration to SAP S/4 Hana on May 1, 2025.	□	Flagged as Key Audit Matter (KAM).	Risk of data migration errors impacting financial reporting controls.

4. MANAGEMENT & GOVERNANCE

A. Auditor Report & Key Audit Matters * **Audit Opinion: Unqualified Opinion**. * ***KAM 1: Recoverability of Trade Receivables:*** Auditor flagged the "inherent subjectivity" in Expected Credit Loss (ECL) estimates for **□6,486.53 Cr** in receivables. Concern centers on management's judgment regarding customer financial health and historical defaults. * ***KAM 2: Deferred Tax Assets (DTA) Recognition:*** Recognition of **□1,394.41 Cr** in DTA depends entirely on "probability of future taxable profits." Auditor challenged the reliability of long-term cash flow projections. * ***KAM 3: IT System Migration (SAP S/4 Hana):*** The Group migrated systems on May 1, 2025. Auditor identified risks regarding data migration integrity and the pervasive impact on financial reporting controls. * ***KAM 4: Goodwill & Intangible Impairment:*** Testing of **□479.83 Cr** goodwill from the Renom acquisition relies on "Value-in-Use" calculations. Auditor noted high sensitivity to discount rates and terminal growth assumptions. * ***Emphasis of Matter (Audit Trail):*** The Company and domestic subsidiaries failed to enable the audit trail (edit log) feature at the **database level** from May 1 to May 10, 2025, and for longer periods in certain subsidiaries. * **Auditor Change:** No change; M/s. Walker Chandiok & Co LLP continues.

B. Related Party Transactions | Party | Relationship | Nature | Amount (Cr) | Concern | |:---|:---|:---|---:|:---| | ***Suryoday Renewables Limited*** | Subsidiary | Max Outstanding | 155.07 Cr | Material intra-group funding; risk of capital trapping in SPVs. | | ***Suzlon Renewable Development Ltd*** | Subsidiary | Max Outstanding | 137.07 Cr | Significant intra-group exposure. | | ***Suzlon Projects (West) Limited*** | Subsidiary | Max Outstanding | 298.62 Cr | High fluctuation in funding; subsidiary reported cash losses. | | ***SE Forge Limited*** | Subsidiary | Max Outstanding | 130.56 Cr | Ongoing support to manufacturing arm. | | ***Renom Energy Services Pvt Ltd*** | Subsidiary | Max Outstanding | 35.00 Cr | Increasing exposure to the O&M acquisition. | | ***Rahul Jain*** | KMP (CFO) | Loan Outstanding | 4.68 Cr | Personal loan to KMP; unusual for a company of this scale. |

RPT Risk Checks: * **% of Revenue:** 3.92% (Total RPT Loans 656.32 Cr / Revenue 16,732 Cr). * ***% of CFO:*** **54.60%** (Total RPT Loans 656.32 Cr / CFO 1,202 Cr). * **Trend vs Prior Year: Increasing** (Loans to subsidiaries rose from FY25 levels). * **Governance Representation:** Management represented that no funds have been advanced to intermediaries for "Ultimate Beneficiaries."

C. Shareholding | Holder | Mar 2026 (%) | Mar 2025 (%) | |:---|---:|---:| | ***Promoters*** | 13.25 | 13.25 | | **FIIs** | Not Disclosed | 23.74 | | **DIIs** | Not Disclosed | 9.17 | | Public | Not Disclosed | 53.84 | * **Pledged Shares:** No explicit pledge disclosed for FY26. * ***Promoter Skin-in-the-Game:*** At **13.25%**, the promoter stake remains dangerously low for a company with high execution risk.

D. Board Composition + KMP Compensation * **Total Directors:** 7 | **Independent %:** 57.14% | **Women Directors:** 1 (Seemantinee Khot). * **KMP Compensation:** * **Vinod R. Tanti (CMD):** □7.75 Cr (55% YoY growth). * **Girish R. Tanti (Exec Vice Chairman):** □6.00 Cr. * **Himanshu Mody (Ex-CFO):** 68.61% increase (Full and final settlement). * **Family Concentration:** The **Tanti family** draws a combined **□13.75 Cr**, representing a significant step-up in cash extraction as the company returned to profitability. * **Revenue Correlation:** Managerial remuneration rose **27.74%**, while average non-managerial salary **decreased by 36.85%** (due to amalgamation of low-wage SGSL staff).

F. Capital Allocation & Capex | Action | FY Current (Cr) | FY Prior (Cr) | % of CFO | Signal | |:---|---:|---:|---:|:---| | **Capex (Fixed Assets)** | 577.00 Cr | 371.00 Cr | 48.00% | □| | ***Working Capital Investment*** | 2,054.00 Cr | 890.00 Cr | 170.88% | □| | ***Interest Payments*** | 191.00 Cr | 100.00 Cr | 15.89% | □| | ***Investments in Subsidiaries*** | 269.00 Cr | 0.00 Cr | 22.38% | □| | ***Loans to KMP*** | 4.68 Cr | 0.00 Cr | 0.39% | □|

CAPEX Analytical Notes: * **CFO Coverage of Capex:** CFO (**□1,202 Cr**) covers Capex (**□577 Cr**) by 2.08x. However, after the **□2,054 Cr working capital drain**, the company is effectively FCF negative before financing. * **Nature of Capex:** Growth-oriented, focusing on R&D (**□180.49 Cr**) and the S144-3.X MW platform. * **Deployment Efficiency:** Revenue grew 54% while Capex grew 55%, showing a high but expensive correlation. * **Key Takeaway: Value-neutral**; while self-funding fixed assets, the **67% spike in Receivables** is destroying liquidity gains.

H. Risks * ***Audit Trail Failure:*** Database-level edit logs disabled during SAP migration. **Impact:** Integrity of financial records cannot be verified; risk of back-dated entries. (High Severity) * ***Receivable Quality:*** Receivables (**□6,486 Cr**) grew 67.7% vs 54% Sales. **Impact:** Potential for massive future ECL provisions; current profits may be "paper-only." (High Severity) * ***DTA Reversal:*** **□1,394.41 Cr** DTA recognized on future profit hopes. **Impact:** If growth slows, a non-cash impairment would wipe out ~44% of current Net Profit. (High Severity) * ***Subsidiary Solvency:*** 19 subsidiaries reported cash losses in FY26. **Impact:** Parent must continue diverting CFO to keep "hollow" SPVs afloat. (Medium Severity) * ***Supply Chain/Geopolitical:*** Middle East conflict impacting Strait of Hormuz. **Impact:** Inflation in raw materials (COGS grew 60% vs 54% Sales) and logistics delays. (Medium Severity)

5. SCORECARD & VERDICT

Part A: Scorecard

Dimension	Rating (1–5)	Delta	Key Evidence	One-line Rationale
Business Quality	4	→	5.6 GW+ Order Book; S144 Traction	Strong market position and sector tailwinds, but execution complexity is rising.
Financial Health	2	↓	CFO/PAT 0.38; WC Drain □2,054 Cr	Aggressive growth is consuming all liquidity; high reliance on supplier credit.
Earnings Quality	2	↓	23.7% PAT from DTA; Receivables > Sales Growth	Profits are heavily supported by non-cash tax credits and uncollected receivables.
Management & Governance	3	↑	New Professional C-Suite; Audit Trail Gap	Professionalization is a positive, but back-office controls and low promoter stake remain concerns.
Capital Allocation & Earnings Visibility	3	→	ROCE 35%; FCF Negative after WC	High returns on paper, but cash is trapped in working capital and loss-making SPVs.

BUSINESS POSITIVES (for this company this year) * □**Revenue Growth:** Operations grew **53.71% YoY** to **□16,732 Cr**, signaling a strong sector recovery. * □**Operational Efficiency: ROCE** improved to **35.00%** from 33.00%, showing high theoretical returns on capital. * □**Inventory Management:** Inventory growth (**39.53%**) was kept well below revenue growth (**54%**). * □**Strategic Professionalization:** Appointment of industry veterans from Adani and SRF to the C-suite (CEO/CFO). * □**Balance Sheet Cleanup:** NCLT approval to adjust **□18,418.43 Cr** in accumulated losses, paving the way for future dividends.

BUSINESS NEGATIVES / CONCERNS (for this company this year) * □**Cash Flow Divergence: CFO (□1,202 Cr)** is only **38% of PAT (□3,163 Cr)**, indicating very poor earnings quality. * □**Working Capital Stress: Trade Receivables** surged **67.77%**, significantly outpacing revenue growth and causing a **□2,054 Cr** cash drain. * □**Non-Cash Profit Inflation:** A **□749.23 Cr** deferred tax credit accounts for **23.7%** of Net Profit. * □**Governance Red Flag: Audit trail** was disabled at the database level for 10 days during the SAP migration. * □**Subsidiary Weakness: 19 subsidiaries** reported cash losses, requiring the parent to act as a central bank (RPT loans = **54.6% of CFO**). * □**Low Promoter Stake:** Promoter shareholding remains at a low **13.25%**, limiting skin-in-the-game during a high-growth phase.

OVERALL SCORECARD SUMMARY Suzlon is currently in a state of "Aggressive but Brittle Growth." While the business has successfully scaled its top-line and professionalized its management, the financial strength is undermined by a massive working capital drain and a heavy reliance on non-cash accounting credits to bolster PAT. Governance is in a transition phase; the professionalization is a positive trajectory, but persistent internal control lapses (Audit Trail) and the "hollow" nature of consolidated cash (due to loss-making subsidiaries) suggest a stable but high-risk posture. Capital allocation is currently value-neutral as the high ROCE is not yet translating into meaningful Free Cash Flow.

Part B: Governance Check Matrix

#	Check	Status	Evidence
1	Audit opinion clean?	□	Unqualified Opinion (p.122)
2	Promoter pledge = 0?	□	No explicit pledge disclosed (p.122)
3	KMP pay < 5% of PAT?	□	Combined Tanti family pay ~□13.75 Cr (<1% of PAT)
4	RPT quantum < 5% of revenue?	□	RPT Loans are 3.92% of Revenue
5	Board > 50% independent?	□	57.14% (4 out of 7)
6	At least 1 woman director?	□	Seemantinee Khot
7	No statutory dues outstanding?	□	None reported as material
8	No fraud reported?	□	No fraud reported per CARO
9	Audit trail enabled?	□	Disabled for 10 days (May 1-10, 2025)
10	Frequent Auditor change	□	M/s. Walker Chandiok & Co LLP continues
Final line: "Total: 9/10 □— Governance Rating: 3"			

Part C: Investor Verdict

THESIS: Suzlon is a high-beta play on India's renewable energy transition, transitioning from a distressed OEM to a professionalized solutions provider, but currently faces a "liquidity-less" growth phase.

OVERALL STANCE: WATCH

RATIONALE: While the order book and management quality have improved, the divergence between PAT and CFO, combined with the audit trail lapse, necessitates caution until working capital stabilizes. RE-EVALUATE WHEN: CFO/PAT ratio exceeds 0.70x for two consecutive quarters. BULL CASE: Successful execution of the 5.6 GW order book with a reduction in receivable days leads to a massive FCF surge and dividend initiation. BEAR CASE: A significant ECL provision on the □6,486 Cr receivables or a DTA write-down wipes out reported net worth and triggers a liquidity crisis. KEY MONITORABLE: Trade Receivables: □6,486 Cr → Watch for growth exceeding 20% YoY in FY27.

7. YEAR-OVER-YEAR ANALYSIS

7.1 Changes

Metric / Theme	Summary A Status (Prior Year)	Summary B Status (Current Year)	Forensic Takeaway
Capital Allocation	Self-funded growth (2.94x Capex coverage); debt maintained at 0.05x D/E.	FCF negative after WC; borrowings increased 72% and finance costs spiked 81% due to supplier financing.	The company has transitioned from a self-sustaining cash model to one heavily dependent on supplier credit and increased debt to bridge a widening liquidity gap.
Margin Trajectory	OPM at 17%; PAT (₹2,072 Cr) boosted by ₹639 Cr non-cash DTA credit.	OPM at 18%; PAT (₹3,163 Cr) boosted by ₹749 Cr non-cash DTA credit and ₹180 Cr other income.	While operating margins are stable, the quality of net profit remains structurally weak due to continued reliance on non-cash tax accounting and non-operating income.
Working Capital	Receivables grew 111% vs 67% Sales; CFO/PAT ratio at 0.53.	Receivables grew 67.7% vs 54% Sales; CFO/PAT ratio dropped to 0.38.	The cash conversion cycle is deteriorating as revenue growth consistently outstrips cash collection, leading to a massive ₹2,054 Cr liquidity drain.
Management Tone	"Calculated confidence" focused on a "reborn" growth proxy narrative.	"Aggressively Institutional" focused on "Suzlon 2.0" and ecosystem orchestration.	Leadership has pivoted from a survivalist recovery mindset to an expansionist industrial strategy, signaling a significant increase in operational risk appetite.
Subsidiary Risk	10 subsidiaries reported cash losses requiring parent support.	19 subsidiaries reported cash losses; RPT loans now consume 54.6% of CFO.	The consolidated structure is becoming increasingly fragmented and burdened by a growing number of non-performing entities that drain parent cash flow.

7.2 Persistent Patterns

- **Audit Trail Non-Compliance**: Management consistently fails to maintain database-level edit logs, preventing independent verification of financial record integrity and increasing the risk of undetected data changes.
- **Poor Cash Conversion**: **CFO significantly and consistently lags behind reported PAT**, indicating that a substantial portion of earnings is comprised of paper gains rather than liquid cash.
- **Aggressive DTA Recognition**: **The company continues to inflate PAT through the recognition of massive Deferred Tax Assets** based on subjective future profit forecasts, creating a high risk of future non-cash impairments.
- **Low Promoter Skin-in-the-Game**: The Tanti family maintains tight management control and increasing compensation despite a dangerously low equity stake of ~13%.
- **Structural Subsidiary Fragility**: **A significant number of subsidiaries consistently report cash losses**, requiring the parent company to perpetually divert capital to maintain group solvency.
- **Receivable Over-indexing**: Trade receivables consistently grow faster than revenue, suggesting aggressive revenue recognition timing or a deteriorating credit quality of the customer base.
- **Zero Shareholder Payouts**: Despite record reported profits, the company maintains a zero-dividend policy to fund its widening working capital gap and subsidiary losses.
- **Product Concentration Risk**: The business remains heavily over-indexed on a single technology platform (S144), creating a massive single-point-of-failure risk for the entire order book.