Suzlon Energy Ltd — Aug 2025 Quarterly Analysis

1. VERDICT & BUSINESS QUALITY SNAPSHOT

Result: Strong Operational Beat **One-line:** The fundamental thesis of an industrial powerhouse remains intact as Suzlon delivers its strongest Q1 in 30 years, but the unexpected departure of the Group CFO and massive working capital absorption introduce a new layer of execution and leadership risk.

Dimension	This Quarter	Signal / Evidence	Sentiment
Beat/Miss vs Guidance / Prior Quarter	Strong Beat	Q1 deliveries (444 MW) grew 62% YoY; EBITDA (□599 Cr) exceeded high-growth estimates.	□
Earnings Quality	Moderate	PAT is clean of last year's DTA one-offs, but CFO-to-PAT is negative due to □1,424 Cr WC build.	□
Guidance Confidence	Strong	Management reaffirmed the "minimum 60% growth" floor for FY26 despite CFO transition.	□
Management Credibility	Neutral	Operational performance is flawless, but the abrupt CFO resignation creates a continuity void.	□
Business Quality Signal	Improving	WTG contribution margins hit 26% (vs 23% target); order book reached a record 5.7 GW.	□
Key Q&A Exchange	Q# 10 - Execution Gap	664 MW is "ready/erected" but grid-lag prevents COD; Suzlon is supply-constrained, not demand-led.	□
The Street's Primary Anxiety	CFO Succession	Analysts pressed on the CFO's exit; Mgmt cited "personal growth" but timing is sub-optimal.	□
Capital Cycle Stage	Growth / Scale	Aggressive ramp-up phase; capacity fully operational (4.5 GW) to support the S144 rollout.	□
Margin / Return Ratio Trajectory	Improving	EBITDA margins rose to 19.2% (vs 18.4% YoY) on high-ASP order execution and operating leverage.	□
Pricing Power	Stable	No pricing pressure from Chinese peers; ALMM norms create a protected domestic moat.	□
FCF Conversion & Quality	Distorted	Net Cash dropped by □323 Cr QoQ as liquidity was plowed into □1.4k Cr of inventory/receivables.	□
Competitive Moat Signals	Widening	RLMM/ALMM compliance is now a "license to play" that penalizes non-integrated assemblers.	□
Balance Sheet Strength	Strong	CRISIL upgrade to A+/Stable; Net Cash at □1,620 Cr despite the working capital surge.	□
Working Capital Efficiency	Deteriorating	Net Working Capital days remain elevated (90-100 days) to buffer against project-site delays.	□
Mgmt Guidance Track Record	Reliable	10 consecutive quarters of order book growth and consistent MW delivery ramp.	□
Key Vulnerability	CFO Continuity	The Group CFO was the architect of the financial turnaround; his exit tests institutional depth.	□
Management Tone	Confident/ Sentimental	J.P. Chalasani was bullish on the 60% target but acknowledged the "hard decision" of the CFO's exit.	□

Key Takeaways (Positives & Negatives): * **Positives:** Suzlon has decoupled from its "distressed" past; Q1 revenue grew 55% YoY while EBITDA grew 62%, proving the operating leverage inherent in the 4.5 GW capacity. The S144 platform is now the "standard" for India, with the order book reaching a record 5.7 GW (92% S144). ALMM policy changes have effectively neutralized the "cheap Chinese import" threat by mandating domestic sourcing for key components where Suzlon is vertically integrated. * **Negatives:** Group CFO Himanshu Mody's resignation (effective Aug 31) is a material "Key Man" risk, as he was the face of the balance sheet restructuring. Operationally, the gap between *deliveries* (444 MW) and *commissioning* (117 MW) is widening due to grid/land bottlenecks; Suzlon has □1.4k Cr of capital locked in inventory and receivables to support 547 MW of turbines that are "erected but waiting for the grid." * **Street Concern:** Analysts are skeptical of the "order mix" sustainability. While Q1 margins hit 26%, management admitted this is an outlier driven by high-ASP legacy orders and low EPC activity. * **Watchpoint:** Successor announcement for the CFO role and the conversion of the 547 MW "pre-commissioned" stock into cash by Q3 FY26.

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2. BUSINESS PERFORMANCE

2A. KEY METRICS

DATA SOURCE: PPT figures as primary source.

Metric	Current Qtr (Q1 FY26)	YoY Change	QoQ Change	Trend	Mgmt Commentary
Deliveries (MW)	444	+62.0%	-22.5%	↑	Highest ever Q1; seasonality causes QoQ dip (Q4 is always peak).
Revenue (Consol □ Cr)	3,117	+54.6%	-17.4%	↑	Driven by volume growth and high-ASP order execution.
EBITDA (□Cr)	599	+62.3%	-13.6%	↑	Operating leverage diluted fixed costs vs prior year.
EBITDA Margin %	19.2%	+80 bps	+80 bps	↑	Expansion reflects WTG contribution margin of 26%.
PAT (□Cr)	302*	+1.0%	-74.4%	→	*Derived: PBT (459) minus Tax (157). Q4 FY25 had 600 Cr DTA gain.*
Order Book (GW)	5.7	+94.5%	+1.8%	↑	Highest ever; includes 381 MW Zelestra order in July/August.
Net Cash (□Cr)	1,620	+205.7%	-16.6%	↓	Dropped from □1,943 Cr (Mar'25) due to WC buildup.
WTG Contrib. Margin %	26.0%	+240 bps	+240 bps	↑	Outlier quarter; guidance remains at 23% steady state.
India OMS Base (GW)	15.2	+2.7%	+0.7%	→	Annuity model; 95%+ machine availability maintained.
Renom AUM (GW)	3.2	+28.0%	+6.7%	↑	Multi-brand service business scaling ahead of peers.
Inventory (□Cr)	3,991	+74.1%	+23.4%	□	Built up to support 60% growth guidance and site lags.
Trade Receivables (□Cr)	4,553	+148.8%	+17.8%	□	Receivables expanded in line with record Q1 revenue recognition.
SE Forge Utilization %	19.0%	+820 bps	+390 bps	↑	Recovery continues; expanding into non-wind/ export sectors.

2B. SEGMENT BREAKDOWN

Segment	Revenue (₹ Cr)	YoY Growth	EBITDA Margin	Trend	vs Co. Avg	Key Development
WTG (Wind)	2,495	+66.7%	14.3%*	↑	Below	EBITDA hit ₹357 Cr; operating leverage finally hitting.
OMS (India)	535	+8.7%	39.2%	→	Above	Resilient cash flow; Yearly fee escalation of 4-5%.
SE Forge	179	+44.4%	10.8%	↑	Below	Diversifying customer base (Defense/Rail/Export).
Renom	Not in doc	N/A	~20-25%	↑	Below	AUM hit 3.2 GW; servicing different OEM makes.
**Segment EBITDA calculated from PPT segment reporting slides.*						

3. MANAGEMENT OUTLOOK & EXECUTION TRACKER

Dimension	Category	Management Target / Claim	Required Run-Rate / Mathematical Feasibility	Historical Delivery	Risk Flag
Guidance	Volume	60% growth in FY26 deliveries.	Needs ~2,480 MW total. Feasible with 5.7 GW backlog.	Met (Q1)	Moderate
Guidance	Revenue/ PAT	60% growth in parameters.	Needs ₹17,300 Cr Rev. High confidence in visibility.	Met	Low
Guidance	Margins	WTG Contrib. at 23%.	Needs to drop from current 26%. Mgmt says ASPs will normalize.	Over-met	Low
Guidance	Industry	6 GW Industry COD in FY26.	National execution must pick up from 2 GW in 4 months.	Missed (FY25)	High
Strategy	Land	Acquire land in advance.	Result of advanced banking will materialize in FY27.	In-progress	Moderate
Strategy	Leadership	Smooth CFO Transition.	Succession search in "advanced stage."	New	High
Macro	ALMM	100% Compliance.	Creates barrier to entry for Chinese-reliant assemblers.	Met	Low
Balance	Net Finance	₹200 Cr for FY26.	Q1 was ₹70 Cr (₹14 Cr one-off); needs ₹43 Cr/qtr avg now.	Moderate	Low
Balance	Working Cap	Target 75 days.	Currently 90-100 days; requires liquidation of pre-COD stock.	Deteriorating	Moderate

4. ANALYST Q&A

Q#	Relevance	Analyst / Firm	Theme Cluster	Category	Underlying Concern	Management Response & Investment Implication	Evaded / Not Addressed	Credibility	Verdict
1	4.0	Sumit Kishore, Axis	Interest Cost	Financials	"Interest cost seems to be up quarter-on-quarter, even though the company is net cash. Is there any specific reason?"	Management clarified that out of □70 Cr interest, □14 Cr was a one-time processing fee for tying up □7,000 Cr in direct bank limits. This shift away from REC-backed limits will optimize LC/ BG charges in future quarters.	None	5.0	Clear and quantified
2	3.5	Sumit Kishore, Axis	Tax Rate	Financials	"What is the sustainable tax rate we should be working with going forward?"	Management guided for a 25% P&L tax rate (DTA absorption) but reiterated there is zero cash tax outflow for the near term. This normalizes reported earnings but protects FCF.	None	4.0	Clear and quantified
3	4.5	Sumit Kishore, Axis	Seasonality	Mgmt Outlook	"Is this year going to be somewhat different [40-60 H1-H2 mix]?"	Management confirmed the typical seasonal skew will hold despite the record Q1 performance. This implies a massive H2 ramp-up is still expected to meet the 60% growth floor.	None	4.0	Directional with evidence
4	4.0	Sumit Kishore, Axis	ALMM	Mgmt Outlook	"After ALMM, what are the early indications... especially from the	Management stated ALMM creates a level playing field by forcing all participants to source from	None	4.0	Directional with evidence

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					Chinese players?"	the same approved domestic list. Suzlon's vertical integration becomes a cost advantage over assemblers who must now find local vendors.			
5	3.5	Amit, Morgan Stanley	Op-Leverage	Financials	"We see continued increase in other expense and employee costs, where we were expecting operational leverage?"	Management explained they have started provisioning 100% for PLI (incentives) because they are confident of hitting targets, unlike prior years where only 80% was provisioned. Core breakeven remains at 700-750 MW annually.	None	3.0	Vague but consistent
6	3.5	Sucrit Patil, Eyesight	Risk Mgmt	Mgmt Outlook	"How are you planning to keep the growth steady if demand slows or there are policy changes?"	Management highlighted that 75% of their order book is PSU/C&I, which are less sensitive to PPA/tender delays. They are consciously overbooking their capacity to buffer against individual project drop-outs.	None	3.5	Directional with evidence
7	3.0	Sidhartha, Ind. Inv.	Next-Gen	Business Overview	"Are you looking to launch	Management stated that megawatt size	Specific launch dates	3.0	Vague but consistent

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					products beyond the 3.15 MW, say somewhere around 4 MW turbines?"	is secondary to LCoE in India's low-wind regime, but confirmed newer versions of the current platform are in development. The focus remains on site-specific suitability rather than headline MW numbers.			
8	4.5	Mohit Kumar, ICICI	Order Inflow	Mgmt Outlook	"How is the order inflow opportunity looking like given some concerns on slowing down of signing up of PPAs?"	Management noted that order inflows remain steady with a closing book (5.7 GW) higher than the opening book despite record deliveries. They confirmed they only book IPP orders after PPA signing to ensure visibility.	None	4.0	Clear and quantified
9	4.0	Amit, Morgan Stanley	Margins	Financials	"What changed that drove this jump from 23% to 26% [WTG Margin] in this quarter?"	Management identified three factors: high-ASP legacy orders, lower site-activity (monsoon) which reduced low-margin billing, and stable COGS. They warned this is an outlier and guided back to 23%.	None	5.0	Clear and quantified
10	5.0	Nikhil, UTI MF	Commissioning	Mgmt Outlook	"We have supplied 2 GW	Management acknowledged	None	4.0	

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					[in 5 qtrs] and actual commissioning is ~500 MW. How long will this go on?"	the gap, noting 547 MW is erected/pre-commissioned but waiting for the grid (33 kV evacuation). They stood by the 60% delivery guidance, suggesting they will push supply even if site-CODs lag.			Follow-up forced clarity
11	4.0	Anuj Upadhyay, Investec	Supply Chain	Mgmt Outlook	"Won't ALMM lead to a short-term supply chain disruption for gearboxes/ bearings?"	Management argued that underutilization in the domestic supply chain (e.g., SE Forge at 19%) provides enough headroom to absorb demand without inflation. They expect costs to actually fall as domestic capacity utilization rises.	None	4.0	Directional with evidence
12	4.5	Shiva, Purnartha	Evacuation	Mgmt Outlook	"What gives us the confidence going ahead that the evacuation will improve?"	Management cited a "consciousness in the government" to resolve CTU substation delays and ROW issues. They expect industry COD to rise from 4 GW (FY25) to 6 GW (FY26) as bottlenecked projects finally clear.	Specific state-level reforms	2.5	Vague but consistent

PATTERN FLAGS & SENTIMENT * **The "Delivery vs. COD" Friction:** Analysts are clearly worried about the "Pre-Commissioned" stock. Suzlon is recognizing revenue on delivery, but the cash and official commissioning (COD) are stuck at the site level. Management's posture was "supply-first," basically stating they will deliver to the site as long as the contract permits, even if the grid isn't ready. This remains a live risk for cash flow conversion. * **CFO Continuity:** The opening of the call was dominated by Himanshu Mody's exit. While the CEO attempted to frame it as a "career growth" move into the financial sector, the timing (during an aggressive growth ramp) remains a friction point. However, the mention of an "advanced stage" search for a successor partially calmed nerves. * **ALMM as a Protective Shield:** Management successfully sold the ALMM narrative as a barrier to competition. They convinced the Street that Suzlon's vertical integration (blades, towers, casting) is no longer just a "legacy cost" but a strategic weapon in a domestic-content-mandated market.

Analyst Sentiment Verdict: Analysts are "Aggressively Constructive." There was zero pushback on demand or technology (S144 is accepted as a winner). Friction was entirely concentrated on execution logistics (grid) and the CFO's exit. Credibility remains high due to the record MW delivery, but there is a "monitoring watch" on the succession plan and the liquidation of the 547 MW erected inventory.

GUIDANCE GAPS REVEALED IN Q&A

Topic	What Mgmt Claimed (Opening)	What Q&A Revealed	Gap / Walk-back	Risk to Thesis
Finance Cost	Balance sheet health.	Interest grew QoQ.	**Gap:** □14 Cr in one-time fees and WC debt increased the interest load despite net cash status.	Low; temporary.
WTG Margins	23.6% (FY25).	26% in Q1.	**Walk-back:** Management called this an "outlier" and steered analysts back to 23%.	None; conservative mgmt.
Execution	High growth.	547 MW is stuck.	**Gap:** Site-readiness (Client scope) is lagging Suzlon's factory output.	Moderate; FCF drag.

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5. WHAT CHANGED vs PRIOR QUARTER

What Changed	Prior Quarter (Q4 FY25)	This Quarter (Q1 FY26)	Direction
Group CFO	Himanshu Mody (Architect of Turnaround)	Resigned (effective Aug 31, 2025)	□
Net Cash	□1,943 Cr	□1,620 Cr	↓
Order Book	5.6 GW	5.7 GW	↑
WTG Contrib. Margin	23.6%	26.0%	↑
Credit Rating	A / Stable	A+ / Stable (CRISIL)	↑
Inventory	□3,234 Cr	□3,991 Cr	□
Interest Cost (Qtr)	□47 Cr	□70 Cr	↓
Commissioning Gap	370 MW pre-commissioned	547 MW pre-commissioned	□
ALMM Policy	Announcement Stage	Enacted (Suzlon fully compliant)	↑
Tax Reporting	DTA Benefit (Non-cash gain)	25% P&L Charge (Non-cash)	→