Suzlon Energy Ltd — Feb 2025 Quarterly Analysis

1. VERDICT & BUSINESS QUALITY SNAPSHOT

Result: Strong Beat **One-line:** The thesis has transitioned from "Recovery" to "Operational Dominance," as Suzlon successfully decoupled from industry-wide execution paralysis through proactive land-banking and a record-breaking 5.5 GW backlog.

Dimension	This Quarter	Signal / Evidence	Sentiment
Beat/Miss vs Guidance / Prior Quarter	Strong Beat	Deliveries (447 MW) grew 163% YoY; EBITDA (□500 Cr) surged 102% YoY.	□
Earnings Quality	High (Core driven)	Operating leverage from volume growth; WTG contribution margins expanded to 22.7% (9M).	□
Guidance Confidence	Strong	FY26 order book is already fully secured; Mgmt upped WTG margin floor from "late teens" to "20%+".	□
Management Credibility	Strong	Achieved the 4.5 GW manufacturing capacity target on time; clear execution visibility for 24 months.	□
Business Quality Signal	Improving	Pivot to "Advanced Project Development" (1.1 GW pipeline) creates a moat against industry land/ROW bottlenecks.	□
Key Q&A Exchange	Q# 11 - Conversion	1.1 GW of land-ready development projects will convert to high-margin EPC orders within 3–4 quarters.	□
The Street's Primary Anxiety	Execution Pace	Anxiety over industry-wide land/transmission delays; Mgmt countered with "pre-commissioned" inventory (218 MW).	□
Capital Cycle Stage	Growth / Scale	Shift from debottlenecking to full-scale manufacturing utilization (4.5 GW capacity reached).	□
Margin / Return Ratio Trajectory	Improving	EBITDA margins rose to 16.8% (vs 14.1% QoQ) as fixed costs were diluted by record deliveries.	□
Pricing Power	Stable	Realizations steady at ~□5.8 Cr/MW; framework agreements with suppliers protect against input spikes.	□
FCF Conversion & Quality	Distorted (WC)	PAT growth is robust, but cash is being re-invested into inventory (□3,288 Cr) to support the 5.5 GW backlog.	□
Competitive Moat Signals	Widening	Largest domestic order book in history; 31% market share; only OEM with a 3 GW multi-brand O&M arm.	□
Balance Sheet Strength	Strong	Net Cash position improved to □1,107 Cr; CRISIL upgrade to A/ Positive.	□
Working Capital Efficiency	Stable	Inventory buildup is intentional and strategic; receivables tracking revenue growth.	□
Mgmt Guidance Track Record	Reliable	Consistent delivery on capacity ramp and S144 adoption (92% of order mix).	□
Key Vulnerability	Grid Readiness	Execution remains subject to the ISTS (Inter-State Transmission System) substation commissioning timelines.	□
Management Tone	Confident	Bullish on "multi-decade" growth toward India's 400 GW wind target for 2047.	□

Key Takeaways: * **Positives:** Suzlon has entered "high gear," delivering 447 MW in a single quarter—surpassing its entire FY24 volume in just 9 months. The order book of 5.5 GW provides absolute revenue visibility for FY26, with the high-margin S144 turbine now the dominant product. The 1.1 GW "Advanced Project Development" pipeline is a strategic masterstroke, allowing Suzlon to sell "land-ready" solutions, thus bypassing the primary cause of project delays. * **Negatives:** While financial performance is record-breaking, the industry at large (excluding Suzlon) is struggling, with only 2.3 GW commissioned in 9M FY25 against optimistic targets. This macro bottleneck creates a "push-back" risk where customers might delay offtake if their transmission lines aren't ready. * **Street Concern:** Analysts pressed on the gap between *deliveries* (revenue recognition) and *commissioning* (grid connection). Management neutralized this by highlighting 218 MW of turbines that are already "pre-commissioned," implying a massive commissioning catch-up in Q4. * **Watchpoint:** Monitor the "Scheme of Reclassification" for reserves (expected June/July 2025). This is the final accounting hurdle to unlock dividend-paying capabilities and improve "bankability" for massive PSU tenders.

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2. BUSINESS PERFORMANCE

2A. KEY METRICS *PPT not available for all 9M vs Q3 splits — derived from Slide 25 (Consol Income) and Segment Slides 22/23.*

Metric	Current Qtr (Q3FY25)	YoY Change	QoQ Change	Trend	Mgmt Commentary
Revenue (Consol □ Cr)	2,969	+91.2%	+41.8%	↑	Record performance driven by 163% YoY surge in deliveries.
EBITDA (□Cr)	500	+101.6%	+70.1%	↑	Significant operating leverage as volume diluted fixed costs.
EBITDA Margin %	16.8%	+90 bps	+270 bps	↑	Expansion reflects higher WTG volumes and O&M stability.
PAT (□Cr)	388	+91.1%	+93.0%	↑	Profit growth follows EBITDA; no exceptional items this quarter.
Order Book (GW)	5.5	+77.4%	+7.8%	↑	Highest ever backlog; includes 486 MW Torrent Power win in Jan-25.
Deliveries (MW)	447	+162.9%	+74.6%	↑	Surpassed entire FY24 total in just 9 months of FY25.
Order Inflows (MW - Q3)	486	+12% (est)	-33%	□	Sequential drop but focus remains on "quality and land-ready" orders.
Net Cash / (Net Debt) (□Cr)	1,107	+□2,287 Cr	-3.6%	□	Slight QoQ dip due to working capital/ inventory stocking.
WTG Contrib. Margin (%)	22.7% (9M)	+330 bps	N/A	↑	Improved from 19.4% in 9M FY24; mgmt upped floor to 20%.
OMS Machine Availability	95.8%	-70 bps	-30 bps	□	Impacted by monsoon/site accessibility; still above 95% target.
SE Forge Utilization (%)	19% (9M)	-600 bps	N/A	↓	Low utilization due to transition to non-wind/ export clients.
Inventory (□Cr)	3,288	+43.5% (vs Mar)	+3.1%	□	High levels maintained to support the 4.5 GW capacity run-rate.

2B. SEGMENT BREAKDOWN

Segment	Revenue (₹ Cr)	YoY Growth	Margin (EBITDA)	Trend	vs Co. Avg	Key Development
WTG (Wind)	2,371*	+125% (est)	8.6% (9M)	↑	Below	92% of orders now S144; volume-driven growth.
OMS (India)	512 (est)	+5%	40.5% (9M)	→	Above	Annuity business; 15 GW base; 4-5% annual escalation.
SE Forge	166 (est)	-12%	12.4% (9M)	↓	Below	Focus on insourcing machining to improve future margins.
Renom	Included in Consol	N/A	N/A	↑	N/A	AUM crossed 3 GW; serves 200+ multi-brand customers.
**Note: Segmental Q3 revenue derived from 9M totals minus H1 reported numbers.*						

3. MANAGEMENT OUTLOOK & EXECUTION TRACKER

Dimension	Category	Management Target / Claim	Required Run-Rate / Mathematical Feasibility	Historical Delivery	Risk Flag
Guidance	Volume	Industry to hit 3.5-4 GW in FY25; 6 GW in FY26.	Needs ~1.5 GW industry adds in Q4. Plausible given pre-commissioned levels.	Met (9M)	Low
Guidance	Margins	WTG Contribution Margin at ~20%; OMS EBITDA at 40%.	Currently over-delivering (22.7% 9M). Sustainable given S144 mix.	Met	Low
Guidance	Capacity	4.5 GW manufacturing capacity.	Fully achieved via Pondicherry/ Daman and new blade lines.	Met	Low
Guidance	Capex	₹350 - ₹400 Cr annually for 2-3 years.	Consistent with capacity augmentation and mould costs.	Met	Low
Strategy	Land De-risking	Advanced Development of 1.1 GW.	3-4 quarter conversion to EPC. Critical for execution predictability.	New	Low
Strategy	Diversification	Multi-brand O&M (Renom).	Integration success; AUM at 3 GW. Scaling ISP segment.	Met	Low
Macro	Logistics	Land and ROW are primary bottlenecks.	Shift to "Non-EPC" (81% of mix) transfers risk to customers.	Ongoing	High
Balance	Structure	Net Worth at ₹4,914 Cr; Net Cash ₹1,107 Cr.	Fortress balance sheet achieved; rating upgraded to A.	Met	Low

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	Mohit Kumar, ICICI	Order Inflow	Management Outlook	"Are we seeing inquiry as strong as it has been there in the last 18 months?"	Management indicated inquiries are actually increasing sequentially across C&I, PSU, and Bid segments. Strong inflows support the multi-decade growth thesis and ensure the 4.5 GW manufacturing capacity remains loaded.	None	5.0	Clear and quantified
2	3.5	Mohit Kumar, ICICI	C&I Momentum	Business Overview	"Are you seeing that momentum [given transmission charge changes in June '25]?"	Management noted that while 100% waivers end, 75% waivers remain for another year, sustaining the C&I traction. This provides a buffer for the C&I segment (58% of order book) to execute without a sharp cliff in demand.	None	4.0	Directiona with evidence
3	4.5	Sumit Kishore, Axis	Financials	Financials	"Could you quantify the non-recurring items... part of employee expenses?"	Management identified □32 Cr of ESOP charges in Q3 and estimated □116 Cr for the full year FY25. Lowering ESOP charges in FY26 will provide a natural tailwind to EBITDA margins and	Exact FY26 ESOP quantum	4.0	Follow-up forced clarity

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						bottom-line growth.			
4	4.0	Sumit Kishore, Axis	Diversification	Strategy	"What strategic steps are you taking for diversifying from your main growth engine?"	Management highlighted the 1.1 GW "Advanced Development" pipeline and Renom's multi-brand acquisition strategy as the primary diversifiers. These high-margin service/ development plays reduce reliance on pure turbine manufacturing and mitigate land risk.	Export timelines	3.5	Vague but consistent
5	4.5	Puneet Gulati, HSBC	Execution	Management Outlook	"What period would you expect to deploy this [5 GW order book]?"	Management confirmed the 5.5 GW backlog is primarily for execution across FY26 and FY27. This provides a "locked-in" revenue floor of ~□32,000 Cr over the next 24 months, significantly de-risking the short-term growth outlook.	Specific quarterly split	3.0	Vague but consistent
6	4.0	Puneet Gulati, HSBC	Pricing	Financials	"How are you pricing your product, where there is uncertainty of timing?"	Management uses steel pass-through clauses and price validity periods to safeguard against delays	None	5.0	Specific timeline given

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						not attributable to Suzlon. These contractual protections insulate the 20%+ contribution margin targets from inflationary or timing risks.			
7	4.0	Vikram Datwani, Nuvama	Margins	Financials	"Do you have any sustainable margin guidance... target mix?"	Management upped the WTG contribution margin guidance to "close to 20% or a little over" from the previous "late teens." This reflects confidence in operating leverage and the higher realization of the S144 model.	Segmental EPC/Product split	3.0	Directiona with evidence
8	3.5	Amit Bhide, Morgan Stanley	Realization	Financials	"Realization it comes to around 52 million per MW... is there any pricing pressure?"	Management clarified steady-state realization is ~□5.8 Cr/MW (□58M) and the lower Q3 figure was due to lagging EPC work. The thesis of stable pricing is intact, with no evidence of irrational competition hitting Suzlon's backlog.	None	4.0	Clear and quantified
9	4.0		Land/ROW				None	4.0	

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		Aadesh Mehta, Motilal		Business Overview	"How long do you think this can continue that even our installations are lagging?"	Management expects industry-wide execution to improve significantly in FY26 as players invest in land and ROW ahead of time. Suzlon's proactive land acquisition for 1.1 GW of projects makes them less vulnerable to the general market lag.			Specific timeline given
10	3.5	Satpal Singh, Ishaan	Macro	Management Outlook	"Impact of the Trump Era on the renewable energy sector in India?"	Management views the US policy shift as potentially positive for India, as it may divert global investment toward the Indian market. This suggests Suzlon sees no immediate threat to its domestic growth engine from global political shifts.	None	3.0	Vague but consistent
11	4.5	Depesh Kashyap, Invesco	Dividends	Capex and Allocation	"Any dividend payments you are thinking about?"	Management indicated that a scheme to reclassify reserves is underway and expected to be completed by June/July 2025. This is a critical milestone for	Exact dividend payout ratio	4.0	Specific timeline given

Q#	Relevance	Analyst / Firm	Theme Cluster	Category	Underlying Concern	Management Response & Investment Implication	Evaded / Not Addressed	Credibility	Verdict
						long-term investors as it finally enables dividend distribution after years of restructuring.			
12	3.0	Rusmik Oza, 9 Rays	Market Share	Management Outlook	"Can we maintain the market share of 40%?"	Management focused on the 5.5 GW order book and supply dominance rather than just commissioning (COD) share. Given the 4.5 GW capacity, Suzlon is positioned to supply ~45-50% of India's annual wind additions in FY26.	Commissioning market share target	3.0	Directiona with evidence

PATTERN FLAGS & SENTIMENT * **The Land-Risk Pivot:** Multiple analysts expressed skepticism about execution given that industry-wide additions remain sluggish. Management's posture was highly confident, shifting the narrative from "we are waiting for land" to "we are developing land ourselves" (1.1 GW pipeline). This resolved the primary anxiety by demonstrating a proactive solution rather than passive reliance on customers. * **Margin Confidence:** There was a recurring theme regarding the sustainability of the current 22%+ contribution margins. Management moved from a defensive "late teens" stance to a more assertive "20% or more" target. This suggests that the cost efficiencies from the 4.5 GW manufacturing scale are now permanent rather than temporary. * **Shareholder Returns:** Analyst questions on dividends revealed a "trust but verify" sentiment regarding the balance sheet cleanup. Management provided a specific June/July timeline for the reserve reclassification, which cleared the path for a potential re-rating as Suzlon moves from "turnaround story" to "dividend-paying utility major."

Analyst Sentiment Verdict: Analysts were remarkably bullish, shifting from concerns about Suzlon's survival (past quarters) to concerns about how fast it can scale to 4 GW+ per annum. The primary friction point—land availability—was effectively addressed by the "Advanced Development" strategy. Management's credibility is at a peak following the second CRISIL upgrade and the record delivery performance.

GUIDANCE GAPS REVEALED IN Q&A | Topic | What Mgmt Claimed (Opening / Prior Q) | What Q&A Revealed | Gap / Walk-back | Risk to Thesis | | :--- | :--- | :--- | :--- | :--- | | **WTG Margins** | Targeted "late teens" margins. | Now guiding for "20% or a little over." | **Positive Gap:** Upward revision in margin floor. | Low; margin expansion tailwind. | | **Industry Adds** | Targeted 4-5 GW for India. | Revised to 3.5-4 GW for FY25. | **Miss:** Reflects macro land/grid delays. | Moderate; impacts sector pace. | | **Interest Cost** | Expected to drop with net cash. | Sticky at

~₹40 Cr/qtr (net). | **Inconsistency:** Reflects high LC/BG commission costs. | Low; cost of doing business at scale. |

5. WHAT CHANGED vs PRIOR QUARTER

What Changed	Prior Quarter (Q2 FY25)	This Quarter (Q3 FY25)	Direction
Order Book	5.1 GW	5.5 GW	↑
Deliveries	256 MW	447 MW	↑
Revenue (Qtr)	₹2,093 Cr	₹2,969 Cr	↑
EBITDA Margin	14.1%	16.8%	↑
Net Cash	₹1,277 Cr	₹1,107 Cr	↓
Manufacturing Capacity	Ramping up	4.5 GW (Fully Achieved)	↑
WTG Margin Guidance	"Late teens"	"20% or more"	↑
O&M AUM (Renom)	2.9 GW	3.0 GW	↑
Land Strategy	Passive (Non-EPC focus)	Active (1.1 GW Advanced Dev pipeline)	↑
Credit Rating	A-	A / Positive	↑
CFO-to-PAT Divergence	Inventory buildup of ₹897 Cr (6M)	Inventory buildup of ₹1,000 Cr+ (9M)	↓
ESOP Charge	₹32 Cr	₹32 Cr (confirmed lower in FY26)	↑