Suzlon Energy

Operator: Ladies and gentlemen, good day and welcome to the Suzlon Energy Limited Q1 FY27 earnings conference call.

During this call, the company management may make forward-looking statements that reflect their outlook for the future. These statements are based on management's current expectations and are associated with uncertainties and risks as detailed in the annual report. Actual results may differ, so these statements should be reviewed in conjunction with the risks the company faces.

As a reminder, all participants will be in the listen-only mode. If you need assistance during the call, please signal an operator by pressing star and then zero on your touch-tone phone. Please note that this conference is being recorded.

We will begin with the opening remarks followed by a question-and-answer session. To be fair to others, we kindly request each participant to ask no more than two or three questions. From the management, we have with us Mr. Ajay Kapoor, Group CEO, and Mr. Rahul Jain, Group CFO, along with senior members of the finance team. I now hand the conference over to Mr. Ajay Kapoor. Thank you, and over to you, sir.

Management: Thank you. Good evening, everyone, and thank you for joining the Suzlon Q1 FY27 earnings call.

FY27 has started strongly for Suzlon and the Indian wind industry. Even amid global geopolitical tensions in the Middle East and resulting supply chain volatility, we have sustained strong execution, demonstrating the resilience of our business model and the strength of India's renewable energy opportunity. While Middle East tensions created near-term supply chain disruptions, they have also reinforced the strategic importance of energy security, further strengthening the long-term investment case for domestic renewable energy, especially wind energy.

India's economic growth, rapid electrification, AI-led data center expansion, industrial growth, EV adoption, and cooling demand continue to drive structural power demand growth. The country's peak power demand has already crossed 270 GW plus, reinforcing the need for large-scale renewable energy capacity additions, especially during non-solar hours, which are peak demand periods. This momentum sets the stage for a multi-year growth cycle, with annual installations expected to cross 10 GW in the near term and reach 15 GW by FY31. With 57 GW already installed and a strong pipeline with STU and PGCIL bids, as well as C&I demand particularly for wind, India is set to achieve the near-term target of 100 GW by 2030. Repowering has also started gaining traction, and there is rising customer interest which gives visibility of several opportunities ramping up in the next 2-3 years.

Now taking you through the business highlights. Suzlon delivered 506 MW in Q1, marking our highest-ever first-quarter deliveries. This performance was achieved despite temporary supply chain and logistics disruptions arising from geopolitical tensions in the Red Sea. These disruptions deferred approximately 10-20% of deliveries, which are expected to be recovered in the coming quarters.

In Q1 FY27, Suzlon installations grew 2.3 times from 117 MW to 269 MW COD, with more than 1,257 MW of erected turbines waiting for commissioning. This paves the way for an uptick in the COD. In the first four months of FY27, we have already secured 1 GW of orders and continue to have a strong pipeline. The order book is not constrained with the Devco model in place; 60% of new orders are coming from the Devco model, which will hopefully keep the momentum growing in the coming quarters.

Market pricing remains healthy and rational. Average Selling Price (ASP) increased from 5.6 crores per MW in Q1 FY26 to 6.3 crores per MW in Q1 FY27, aided by the product mix. The successful launch and maiden orders for the S175 in India, alongside the Blue Sky platform, mark Suzlon's return to advanced global markets. With the S175 and S163, Suzlon is expanding its technology portfolio with high-capacity turbines that are poised to deliver a superior yield, better reliability, and lower Levelized Cost of Energy (LCOE), unlocking opportunities across repowering and new build projects worldwide.

Our 4.5 GW manufacturing capacity is fully operational. We are expanding our footprint with three AI-enabled smart factories to drive efficiency and scale. Regarding Suzlon 2.0, it is consolidating into tangible growth opportunities across multiple adjacencies. On the technology side, we have successfully launched the S175 5 MW turbine and secured the first customer order. On the Devco side, strong market acceptance is reflected in 600 MW plus of orders booked within four months, which translates to 60% of the business coming from the Devco-led engine.

For exports, we are expanding our global footprint with a growing opportunity pipeline spanning key international markets, with opportunities under evaluation in Europe, Australia, Latin America, and Southeast Asia. On the BESS side, we are advancing our storage ambitions through strategic technology partnership discussions, which are ongoing. On the solar side, we have identified 20 GW plus of serviceable solar asset base, leveraging Suzlon's extensive field presence and infrastructure within a 25-kilometer radius of our service locations.

Our O&M portfolio remains strong with a 16.1 GW plus installed base in India and machine availability consistently crossing 95%. Renom’s AUM is consistently growing on the back of steady fleet additions across multi-brand services and a healthy pipeline. Foundry & Forging continues to scale strongly; revenues are at 126 crores and EBITDA is at 22 crores, with continued momentum driven by domestic demand and export growth.

Now I invite Rahul Jain, our Group CFO, to take you through our financial performance.

Management: Thank you, Ajay. Good afternoon, ladies and gentlemen. I will be using slides 20 to 27 of our investor presentation as the reference point for my discussion.

In Q1 FY27, Suzlon delivered 506 MW, marking our highest-ever first-quarter deliveries in India. Suzlon reported consolidated revenue of 3,819 crores in Q1 FY27, a 23% year-over-year growth, with an EBITDA of 595 crores and PBT of 390 crores. A PAT of 305 crores was reported during Q1 FY27.

EBITDA was impacted by several factors. Certain deliveries were affected by temporary supply chain and logistics disruptions arising from geopolitical tensions in the Middle East, which impacted fuel availability and the movement of critical equipment including cranes, trailers, and transport vehicles required for WTG execution. Higher fixed costs reflect investments we made to support scale, including the Puducherry facility, new blade plants, leadership strengthening, and Suzlon 2.0 initiatives. While Q1 FY27 was impacted by these factors, in the long term, we continue to grow in line with our ambitions for Suzlon 2.0 at a 25% CAGR over the next 5 years.

We are pleased to report that our balance sheet as of June 2026 reflects a position of exceptional strength with a strong consolidated net worth of 9,869 crores. Our net cash position of 2,322 crores further enhances our financial flexibility and resilience. Adequate working capital limits have been tied up for the execution of the current order book. Our integrated business model, backed by a robust supply chain, strong execution capability, and industry-leading service network, continues to differentiate Suzlon and create a sustainable competitive advantage. With that, I would now like to hand the call back to the operator to open the floor for questions. Thank you.

Operator: Thank you, sir. We will now begin the question and answer session. Our first question comes from the line of Bala Subrahmanyan with Arihant Capital. Please go ahead.

Bala Subrahmanyan - Arihant Capital: Good evening, sir. Thank you so much for the opportunity. In Q1, the deliveries are around 506 MW, but the commissioning is only 269 MW. This implies a gap of about 237 MW in Suzlon. What is the typical revenue recognition gap between delivery, erection, and commissioning? Also, there is a total of 1,257 MW of erected inventory expected to convert; when can we expect clarity on that, in Q2 or Q3?

Management: Let me try to answer that. In Q1, deliveries were 506 MW and our total COD was about 269 MW. From an overall perspective, a certain gap between revenue recognition and commissioning will continue to remain. We have 1,257 MW of erected machines. As the erection completion happens, the COD positions will likely improve going forward. We shouldn't just look at the gap, but also the stock of machines that have been installed and are ready for commissioning. Regarding the seasonal trend for Q3 and Q4, historically we see about 35-40% of activity in H1 versus 60-65% in H2. That trend still remains.

Bala Subrahmanyan - Arihant Capital: Got it. My second question is about the strategic investments in the S170 platform, new blade factories, and the Blue Sky European relaunch. What is the expected payback period for these investments? When can we expect meaningful revenue contribution—is it in FY28 or FY29?

Management: As Rahul mentioned, we have 1,257 erected turbines, so a large part of that is now ready for commissioning, which should help improve COD. As we migrate to the new 5 MW series for the Indian market and the 6.3 MW S163 for international markets, we are making these investments. Internationally, it takes anywhere between 18 to 24 months to hit the market and start the first shipment. Domestically, we have already received the first order for the S175, and deliveries will start at the end of this year and into next year. Other strategic investments in new factories are part of our expansion. These investments pan out over the next 12 to 18 months, and we believe the payback is fairly short as the ramp-up in volume happens.

Bala Subrahmanyan - Arihant Capital: My last question: around 85% of the order book is from PSU and C&I sectors. Is there a difference in receivable days for PSU contracts versus C&I or IPP contracts?

Management: Every order has its own uniqueness. Wherever payable days are longer, the pricing is adequately adjusted to account for those days. From that aspect, we are well-covered.

Bala Subrahmanyan – Arihant Capital: Will this mix continue or change in the coming years?

Management: It is an evolving market, so we cannot predict exactly. However, achieving India's renewable energy goals requires investment from everyone, including PSUs with large targets. Large corporates are also repeat customers for us. We are happy to partner with both. We have a sharp focus on receivables management and are seeing improvements there.

Operator: Thank you. Our next question comes from the line of Mohit Kumar with ICICI Securities. Please go ahead.

Mohit Kumar – ICICI Securities: Good evening and thanks for the opportunity. What explains the weakness in EBIT margin during the quarter for the WTG segment? On a per-megawatt basis, it seems to have declined. Average selling price has gone up, so why the decline?

Management: If you look at the consolidated EBITDA, it was flattish year-over-year at 595 crores compared to 599 crores in Q1 FY26. There are certain investments we are making for the Suzlon 2.0 strategy where expenses are upfronted, but the benefits will show over time. Secondly, as mentioned earlier, geopolitical issues caused lower operating leverage this quarter. As operating leverage improves, this should get better. Thirdly, from a segment perspective, the mix between the WTG business and the high-margin AMS business affects the overall numbers.

Mohit Kumar – ICICI Securities: My second question is regarding ALMM. Have you seen the impact on the ground and are you gaining market share? Also, do you see ALMM expanding into components like yaw and pitch drives?

Management: The ALMM SOP brings a level playing field for Indian players. Suzlon is fully compliant and well-positioned compared to import-dependent competitors. The SOP provides clear requirements for listing and inspection, along with a new import monitoring system. Regarding your second question on specific components, we can connect separately to discuss that in detail.

Operator: Thank you. Our next question comes from the line of Sumit Kishore with Axis Capital. Please go ahead.

Sumit Kishore – Axis Capital: Good evening. First, how should we think about the full-year WTG fixed cost for FY27? How much of the Q1 impact was due to one-time issues like fuel availability or crane movement?

Management: Certain one-time costs were baked into the Q1 numbers. There will be ongoing investments throughout the year for our future positioning in exports and the Devco model. Last year, our EBITDA margins were around 17-18%. We endeavor to maintain that within a 1-2% range. As operating leverage plays out in H2, we should see a positive change.

Sumit Kishore – Axis Capital: Could you put a number to those fixed expenses for exports and Suzlon 2.0 for the full year?

Management: I don't want to put a specific number on it. We are being judicious. Since we are looking at growth, there will be upfront costs, and I am not overly worried about those.

Sumit Kishore – Axis Capital: Regarding the 600 MW Devco EPC contracts, what kind of advances have you booked and what is the execution timeline?

Management: These are similar to our past contracts with the same commercial terms. The difference here is the readiness of land banks and connectivity, which allows for faster implementation. Advances are consistent with our previous business nature, and these orders are value accretive.

Operator: Thank you. Our next question comes from Saket Forwal with Ambit Capital. Please go ahead.

Saket Forwal – Ambit Capital: Thank you for the opportunity. On the Devco orders, I assume the conversion cycle is 3 to 5 years. Have these projects already had land acquired and have customers provided advances?

Management: We have offered our currently available, fully-vetted Devco sites. The investments we already made in land will be unlocked soon as advances start coming in and sites progress. The longer-term Devco orders for years 3, 4, and 5 are part of a slightly different strategy yet to be announced. These currently booked orders have high demand from our customers.

Saket Forwal – Ambit Capital: What specific types of fixed costs are being upfronted for Suzlon 2.0?

Management: We are investing in setting up new plants, technology for new prototypes for international and domestic markets, and marketing to open up international opportunities.

Saket Forwal – Ambit Capital: On repowering, could you highlight the potential in India and the European opportunity you discussed on Investor Day?

Management: Repowering has a potential of close to 25 GW in the country. Much of India's installed wind fleet was commissioned 10 to 20 years ago using small turbines with low hub heights. Modern turbines can generate substantially more energy from the same footprint. We have already started working on our S88 to 120 platform. In the next 1-2 quarters, I should be able to share more about pilots and confirmed orders for repowering in India. Europe is also a very promising market, and we will launch the same products there as we do in India.

Operator: Thank you. Our next question comes from Shweta Jain with Anand Rathi. Please go ahead.

Shweta Jain – Anand Rathi: Good evening. Regarding the 40-50 crores of costs mentioned earlier, is that the total upfront cost for the quarter?

Management: It is roughly around that number across various subheads. It's a year-long journey rather than just a one-quarter story, but as we ramp up volume, it should not have a major impact on the full year. We endeavor to remain in the 17-18% EBITDA margin range. The 230% growth in commissioning and the 1,257 erected machines are very positive indicators.

Shweta Jain - Anand Rathi: On Foundry & Forging, the external share of revenue is growing. How can the utilization be ramped up to a material level like 50%?

Management: This business was impacted by geopolitical issues, but we are looking to increase the share of exports. We are focusing on three distinct segments: Foundry, Forging, and Bearings. We are talking to more customers and building a strong order pipeline. Our goal is to increase the share of non-Suzlon, non-wind, and export business.

Operator: Thank you. Our next question comes from Satpal Singh with Ishan Ventures. Please go ahead.

Satpal Singh - Ishan Ventures: Good evening. There is unconfirmed news about a foreign holding cap placed by the company. Can you confirm if there is a limit on holdings by FPIs or FIIs?

Management: No, there is no such thing. We cannot place a cap like that.

Satpal Singh - Ishan Ventures: I recall a statement that as production of 5 MW machines starts, capacity will automatically go up from 4,500 MW to 7,500 MW. Is that correct?

Management: If the entire capacity shifts to 5 MW turbines, then theoretically, yes. But that transition takes time. Our current order book of 6.1 GW is a mix of the 3 MW series and some 2 MW series. It is a transition that happens as we shift our focus.

Satpal Singh - Ishan Ventures: Looking at the P&L, material consumption has increased significantly. What were the specific expenditures there?

Management: The EPC share increased from 22% in the same quarter last year to 32% this year. That substantial shift in project scope directly impacts the material consumption numbers.

Operator: Thank you. Our next question comes from Rasha with Inam PLC. Please go ahead.

Rasha - Inam PLC: Thank you for the opportunity. Realization has increased to 6.3 crores per MW. Will this upward movement continue as the EPC business grows?

Management: As the scope of our projects increases, the revenue and realization per megawatt will naturally reflect that. As long as our project business holds a higher share, you will see numbers in this range.

Rasha - Inam PLC: In the Asset Management Services business, EBITDA margins were at 43%. Is a level of 33-34% sustainable going forward?

Management: It was 43% this quarter, but we believe it should settle in the high 30s, around 38-39%. High margins are expected in this segment, though the exact percentage can vary slightly due to timing.

Operator: Thank you. Our next question comes from Amit Bindal with Axis Capital. Please go ahead.

Amit Bindal – Axis Capital: Interest expense is up almost 30% year-over-year. What is driving this? Also, what tax rate should we consider for the full year, as there was an initial commentary of no tax for a year or two?

Management: Revenue is higher by 23%, which naturally drives some higher working capital utilization and interest cost. However, our overall interest rate from the market has actually come down. Regarding the tax, the charge you see on the P&L is the recognition and rundown of deferred tax assets. These are largely non-cash items.

Amit Bindal – Axis Capital: How much have you invested in the Devco side so far?

Management: Our Devco investment is expected to be about 500 crores on a revolving basis. Currently, we are in the range of 200 to 300 crores. This is part of our overall working capital position.

Amit Bindal – Axis Capital: Can you discuss your CAPEX plans?

Management: Our guidance for CAPEX remains around 700 crores, plus or minus 100 crores depending on timing. These investments are for growth and capacity expansion, including new blade factories for the 5 MW series. These are currently focused in India, with the strategy to manufacture here and sell globally.

Operator: Thank you. Our next question comes from Nikhil Avyankal with UTI Mutual Fund. Please go ahead.

Nikhil Avyankal – UTI Mutual Fund: Regarding gross margins, was the impact largely due to the mix between EPC and supply, or was there a commodity inflation component?

Management: It was largely the mix between the high-margin AMS business and the RE solutions business, along with some one-time costs.

Nikhil Avyankal – UTI Mutual Fund: How much land bank is available under the Devco model?

Management: As a rule, we earmark up to 25% for a project to invest in land. As we stage-gate and move to 50% investment, we typically already have a term sheet with a customer. We then transfer the land to the customer, recycling the capital. We are currently well below the 500-crore threshold we earmarked for this.

Operator: Thank you. Our next question comes from Priyesh Babariya with Mahindra Manulife Mutual Fund. Please go ahead.

Priyesh Babariya – Mahindra Manulife Mutual Fund: Regarding the Devco model, is the 500 crore a hard cap or could it go higher?

Management: That is currently our cap and one of our financial guardrails. If there is any change, we will report it.

Operator: Thank you. Our next question comes from Meel Oswal with PGIM India Asset Management. Please go ahead.

Meel Oswal – PGIM India Asset Management: As the EPC share increases, do you expect the working capital cycle to worsen? Also, any specifics on the BESS partnership discussions?

Management: EPC does not negatively impact the working capital cycle. We are working to improve the cycle overall and have seen a significant reduction in our receivable numbers. On BESS, we are in discussions with several potential partners. Our target is to reach 3.1 GW by FY31. We expect to close initial partnership arrangements in the next couple of months. We are also doing pilots for hybrid controllers developed through our internal R&D.

Operator: Thank you. Adhering to the timeline, our next question comes from Abhishek from Motilal Oswal. Please go ahead.

Abhishek – Motilal Oswal: What is your pricing strategy versus global players in markets like Australia and Europe? Are you competing with the Chinese on price?

Management: We are looking at markets where we can provide a good alternative to existing players. Many potential customers already have or use Suzlon turbines. We aren't competing on price alone, but on total value add and energy yield. We choose markets like Europe and Australia for repowering opportunities where our product fits well. Our pricing will be competitive and generally at par with local players.

Abhishek – Motilal Oswal: How has pricing moved in the domestic market given the currency depreciation?

Management: Pricing has been more or less stable. We are seeing good traction with almost 5 GW of bids in the market. The challenge is execution and lead times, which we are addressing through the Devco model. As we ramp up volumes, especially for the 3 MW series, we optimize our cost and unit economics.

Operator: Thank you. Our next question comes from Nitin Kaushik with FN Capital Private Limited. Please go ahead.

Nitin Kaushik – FN Capital Private Limited: In your presentation, you mentioned RE sales of 10 GW by FY31. How will you achieve that when current capacity is 4.5 GW?

Management: The 10 GW target for FY31 includes wind, solar, and storage. The wind portion is targeted at 7,500 MW. Our current 4,500 MW capacity will naturally increase as we transition to higher-capacity 5 MW turbines. We have ample time to invest in the necessary plant transitions to meet these long-term goals.

Operator: Thank you. Our last question comes from the line of Nikhil Totani with Mizuho. Please go ahead.

Nikhil Totani – Mizuho: You mentioned 10-20% of deliveries were deferred. Can we assume those will happen in Q2?

Management: We should look at it from an H1 versus H2 perspective. Typically, 35-40% happens in H1 and 60-65% in H2. That seasonal trend remains.

Nikhil Totani - Mizuho: Did contribution margins come down because of the EPC mix?

Management: It's not EPC versus non-EPC, it's the higher-margin AMS business versus the sales volume of the WTG business. As WTG volumes ramp up, the mix leads to slightly lower overall margins for the group.

Operator: Thank you. Ladies and gentlemen, that was the last question for today. I now hand the conference over to the management for closing remarks.

Management: Thank you very much, everyone, for participating in the Suzlon Energy Q1 FY27 call. We hope we have answered most of your questions. If you have further queries, please connect with our investor relations team. Thank you very much.

Operator: Thank you, sir. Ladies and gentlemen, on behalf of Suzlon Energy Limited, that concludes today's conference. Thank you for joining us and you may now disconnect your lines.