



“Suzlon Energy Limited
Q1 FY26 Earnings Conference Call”
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Moderator:

Ladies and gentlemen, good day, and welcome to the Suzlon Energy Limited Q1 FY '26 Earnings Conference Call. During this call, the company management may make certain statements that reflect their outlook for the future, which could be constructed as forward-looking statements. 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 could be reviewed in conjunction with the risk the company faces.

As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during this conference call, please signal an operator by pressing star, then zero on a touch-tone phone. Please note that this call is being recorded.

We will begin with opening remarks followed by a Q&A 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. J.P. Chalasani, Group CEO; and Mr. Himanshu Mody, Group CFO. Thank you, and over to Mr. J.P. Chalasani, sir.

J.P. Chalasani:

Thank you. Good evening, everyone, and thank you for joining us for Suzlon Q1 FY '26 Earnings Conference Call, especially considering that these are crowded days for results. This year is a momentous one for us as we celebrate 30 years of Suzlon. Over the past 3 decades, we have consistently demonstrated resilience, innovation and future focused mindset that continues to shape our journey.

Talking about the industry, the recent amendment to the wind ALMM procedure by MNRE marks significant policy shift, one that is expected to realign industry dynamics by providing a level playing field to all participants and strengthen supply chain resilience.

Suzlon is fully compliant and strategically aligned with the policy framework. On the commissioning front, the industry is over 2GW is already commissioned in the first 4 months of FY '26 signaling a positive shift in the execution phase. We expect the industry to do close to 6GW of wind installations in FY '26.

Coming to business highlights. We are delighted to report yet another record-breaking quarter with Suzlon setting a new benchmark in execution by delivering an unprecedented 444 MW in Q1 FY '26, which is the highest ever first quarter deliveries in the last 30 years.

Our order books surpassed 5.7GW, marking 10 consecutive quarters of growth and reaffirming our leadership across PSU and C&I segments and utility segments. Order book for S144 now exceeds 5GW, a testament to superior technology and strong customer confidence. We take pride in stating that S144 has the lowest carbon footprint across all the OEMs globally and complies with the latest MNRE regulations.

On the manufacturing front, our capacity of 4.5GW is fully operational and ramped up to meet the order book. At Suzlon, we commissioned 117MW in Q1, with an additional 547MW of erected WTG currently in the pre-commissioning stage bringing the total to over 664MW

With less than 25% of our order book comprising non-EPC projects, where land acquisition lies outside our scope, client-side delays have impacted commissioning time lines. To address this, we have prioritized the projects with partial land availability upfront. Looking ahead, projects which come with substantial land readiness are progressing well and offer greater commissioning visibility for FY '26.

Additionally, Suzlon is actually pursuing a long-term strategy to mitigate land-related delays by developing an active project pipeline. Our OMS business continues to do well with more than 15GW of capacity in India, with machine availability ensured above 95%.

Renom continues its stride for customers' fleet acquisition with AUM crossing 3GW. Our Forging and Foundry business started showing upticks in the last 3 quarters and we expect to continue this trend in FY '26. Our top priority remains the timely execution of our robust order book, while maintaining the highest standards of quality in ESG. We remain committed to achieving our FY '26 guidance of 60% year-on-year growth across all key performance parameters. I would now like to invite Himanshu to take you through our financial performance.

Himanshu Mody:

Thank you, J.P. sir, and good evening, ladies and gentlemen. As always, for this discussion, I shall be referring to Slide number 19 to 26 of our investor presentation, which has now been uploaded on our website. Taking you through the Q1 FY '26 numbers.

In Q1 FY '26, Suzlon continued its exponential growth trajectory, delivering 444MW in revenue recognition, which is recording 62% growth on a year-on-year basis with all financial parameters, showing a strong uptrend. Suzlon reported consolidated revenue of INR3,117 crores in Q1 FY '26 with EBITDA reaching INR599 crores, a robust 62% year-on-year growth.

The EBITDA margin improved by 86 basis points to 19.2%, up from 18.4% in the same quarter last year. We achieved the PBT of INR459 crores, posting a year-on-year growth of 52% over Q1 FY '25. We are pleased to report on our balance sheet as of June '25, reflects our position of exceptional strength with a consolidated net worth of INR6,542 crores, and our net cash position stands at INR1,620 crores, further enhancing our financial flexibility and resilience.

Adequate banking limits have been tied up of approximately INR7,000 crores for execution of current order book towards working capital requirement. I would also like to reiterate that our end-to-end wind energy model supported by a fully integrated supply chain proven execution capability and best-in-class service delivers a competitive edge that is both distinct and difficult to replicate. With this, I would now like to hand over the call back to J.P. Chalasani sir.

J.P. Chalasani:

Thank you, Himanshu. Before we start discussing the results with all of you, I thought it's good for us to upfront the brief you with the development today. As you all know, that which we reported publicly, Himanshu has decided to step down and he would be quitting as a CFO as on

31st of August this year. Himanshu joined us 4 years back. I still remember -- at that point of time, I was advising Mr. Tulsi Tanti, on key managerial persons hiring.

We had at least 2 or 3 calls at that point of time, for him to take this opportunity and come to Suzlon the stage where we are in. And it was good that I was able to convince him and he came on board. And he had -- all of you know that he had a phenomenal performance for the last 4 years.

With all that performance as the CFO, obviously, the next question is the growth in the company -- in the financial position that he can't be beyond the Group CFO. Therefore, a few months back, we started discussion and said that Himanshu should move to business for his growth purpose. And in fact, at that point of time, in fact, we started search for the successor of a CFO over a couple of months back, and we have been discussing various growth opportunities for him within the business in the company.

Obviously, while we went through a number of discussions, pros, cons, and also he had an opportunity in the financial sector. I know that it's -- we having spent hours and hours together, as friend, as mentor, as group CEO versus group CFO, we went through various pros and cons of continuing here in the business role versus financial sector.

At the end of it, of all the debate he finally decided that at this juncture, the age where he is in, where he has been an ambition and definitive interest, so he decided to take up the financial sector job. So that was a hard decision for him. But having known that what he went through in taking the decision, we all said we respect the decision and we will support him fully. As he mentioned in letter, obviously, he is available to us any point of time we need to drop on. And I would clearly told him that I take that blank check completely to encash.

And if we would -- I would personally and as a company, we would keep dragging him into all critical issues for support moving ahead. This has been -- I know, personally, it has been a tough call for Himanshu to decide because his heart remain with Suzlon, but the mind always says that what to do next. So I think that's the reason he took this call, and we fully support, and we wish him the best of luck. Of course, he is available to us till 31st of August, and thereafter, as per the blank check is fully available. So I thought I should let you know.

And I also wanted to say that because we were moving into business, we started a search for the Group CFO some time back, and we're in advanced stage of appointing the successor to Himanshu. I thought it's better -- we owe you this explanation upfront rather than somebody asking us. So Himanshu, do you want to add anything?

Himanshu Mody:

Yes. Thanks a lot, J.P. sir. It's -- I mean no words can do justice to my 4 years that I've had here. So it's been a privilege to serve as the Group CFO at Suzlon over the last 4 years. So when I look back at this journey, it's been nothing short of mesmerizing. One that will always remain close to my heart, and will cherish.

From navigating the challenges of a debt-laden organization to now witnessing Suzlon as a cash surplus resilient enterprise, I feel a deep sense of fulfillment. The dream of reviving Suzlon was

ambitious journey that we embarked upon. And today, I can proudly say that the ship has not only weathered this storm but is now firmly anchored.

With the organization now on a strong footing, I believe this is the right time to explore new professional horizons for me personally, as explained outlined by you. And I echo the thought that it was a very, very tough decision and a well thought through one, after which I have decided to look for opportunities outside Suzlon.

And whilst I will be there till 31st August this year, but as I've also put in my resignation letter and has echoed by J.P. sir, I will be available at the end of the phone should the company, the management or the Board or the Tanti family need me at any point in time. With this, I want to express my heartfelt gratitude to Suzlon family, my colleagues, the leadership team, every individual, all of you who are on this call, several of you have interacted on several occasions, one-on-one.

And I'm sure I will continue to do so in one shape or form. So I really want to thank all of you, investors and analyst community for the support that you've shown in us as the management during the Suzlon transformation journey. With that, I'd like to conclude my presentation, and we can open the floor to discuss any performance-related, Q1-related questions that the callers may have. Thank you, sir.

Moderator: The first question comes from the line of Sumit Kishore from Axis Capital.

Sumit Kishore: My first question is in relation to the Q1 P&L. The Q1 interest cost seems to be up quarter-on-quarter, even though the company is net cash. Is there any specific reason? And also if you could comment on the tax rate. We've started with about 29% tax rate in Q1.

What is the sustainable tax rate we should be working with going forward on an annual basis?

Himanshu Mody: So Sumit, so far as the interest cost is concerned, there are certain onetime processing fees, which we've paid out to institutions for working capital optimization that you will see in place over the next few quarters. So as you know, a large part of our working capital is or has been dependent on letter of comfort issued by REC, based on which we take exposure from the bank.

So it's a double ongoing commission that we are paying. Now with our improved results and with an improved FY '25 performance, there are quite a few banks where we have tied up direct working capital limits now. As a result, there is onetime processing fees that we've paid during the quarter to these institutions.

But as we move along in the journey quarter-on-quarter basis, we'll only -- this will only help us optimize our bank guarantee and LC charges. So whilst you see the net Finance cost at about INR70 crores this quarter, but directionally, we maintain that close to about INR200 crores per annum would -- should be the net Finance cost going forward for the year. So far as the tax rate is concerned, you should stabilize at about 25% through the year? As you know, for this year, it will just be a P&L charge, which is the charge-off of the DTA that was created in FY '25. There is no cash outflow on account of tax.

Depending on how this year pans out, we may have cash outflow going forward, but you should be working with about 25%.

Sumit Kishore: Okay. And so what was the one-off impact in interest for the quarter?

Himanshu Mody: Sumit, I don't have the numbers handy, but as I said, directionally assume about INR200 crores of net Finance cost for the year.

Sumit Kishore: Okay. Second question is in relation to the phaseout of WTG deliveries for the fiscal. So you've done about 444MW in Q1. I mean, typically, you had a 40-60 H1-H2 mix on a full fiscal basis. Is this year going to be somewhat different, if at all?

J.P. Chalasani: We expect Sumit to be same. And then we also, as I said in the opening comments, we expect a 60% growth compared to last year to be there.

Sumit Kishore: Yes. But the phaseout will be similar to earlier years?

J.P. Chalasani: Yes.

Sumit Kishore: Okay. And finally, after ALMM, what are the early indications for the upcoming tenders or upcoming bids or orders in terms of competition, especially from the Chinese players?

J.P. Chalasani: See, as I said, Sumit, what the ALMM does -- of course, there are 3 components, R&D and cybersecurity, which we will not talk right now. On the supply sourcing, if you look at it, what it does is, it creates a level playing field because everybody has to source from list of wind turbine components listed in the ALMM wind companies, which anybody wants to list there, there is an inspection process, quality checks before it gets listed.

So I think whatever the disadvantage we had till now with respect to the Chinese the other one, it goes away. All of us are on the same level of playing field. So even with the disadvantage, we had a significant amount of order book and moving ahead I feel it is good for us, the ALMM what has come in, and we are fully compliant on all 3 aspects, whether it is sourcing or it is R&D or it is the cybersecurity.

Himanshu Mody: Thanks, Sumit. And to answer your question, out of the INR70 crores, INR14 crores is the onetime processing fees for this quarter.

Moderator: The next question comes from the line of Mohit Kumar from ICICI Securities.

Mohit Kumar: My first question is order inflow. How is the order inflow opportunity looking like given some concerns on the slowing down of signing up of power purchase agreements and concerns related to land acquisitions?

J.P. Chalasani: Mohit, first of all, I think henceforth I'm not going to ask my people for business plan, I will look at your analyst report. You seem to be dot on in everything, okay? That's up to you. On the order book wise, if you look at the breakup, Mohit, for us is that the 54% of our order book is C&I, not currently with bidding and 21% is PSU and 25% is coming to the

- Moderator:** As there is no response from the participant, we'll move to the next participant. The next question comes from the line of Amit from Morgan Stanley.
- Amit:** We see continued increase in your other expense and employee costs, where we were expecting that we will have some operational leverage once volumes pick up. So can you please throw some light on it. Because on contribution margin level, things are good, but O&M and employee cost increases. And on the other hand, your O&M business margins are declining. So is there some linkage that we can rely over here on cost controls?
- Himanshu Mody:** Amit, before I answer your question, firstly, I just want to make sure, are we audible?
- Moderator:** Yes, sir, you are audible.
- Himanshu Mody:** So from a manpower cost perspective, as we've maintained that -- I mean, of course, OMS will continue to deliver close to 40% EBITDA margin. That has always been our guidance. And we are very close to that. So quarter-to-quarter, it may differ based on certain onetime income or onetime charges. So the range may vary from a tight range of 39% to 40%, depending on quarter-to-quarter.
- But going forward on the overall breakeven analysis for the WTG division, as we maintain that about 700 to 750MW, so long as we do, we will be breakeven at the EBITDA level. And we will ensure that the manpower costs or other operational costs are kept under control with that.
- Another feature that we've started adding from Q1 this year is that the annual PLI provisioning, which historically was done to the extent of 80% because company was always falling short of its targets or for obvious reasons we know of. But now we started provisioning the PLI to the extent to 100%, which means that we are, of course, confident of meeting our own internal budgets and targets, which are in line with the guidance that we've offered to the street.
- Moderator:** The next question comes from the line of Sucrit Patil from Eyesight Fintrade Private Limited.
- Sucrit Patil:** My question is to Mr. J.P. As Suzlon grows in the wind energy and maybe it looks like new markets or tech, how are you planning to keep the growth steady if demand slows or there are some policy changes? And if some plans say don't work out, do you have a backup to protect the margins and keep moving ahead?
- J.P. Chalasani:** Yes. Obviously, if you see that today, our -- the order book is 5.7GW, as on today as we speak. And then there are many more orders, which are under the discussion. So there are sufficient order book for this year, next year. And the other one, as I mentioned sometime back, our order book is predominantly for C&I segment and the PSU segment, which is not going to stop, okay?
- Because the C&I segment needs this switch over to renewable energy for the tariff arbitrage as well as for the green energy for their products. And PSU would continue to be there. If at all, we can speak about is that will there the PPA signed and the bidding route can be slightly slowed down, but I don't see the overall impact to that extent.

We are very much on target to reach that the -- if not 100, as we always mentioned that we will definitely touch 80 and 90GW by 2030, we will reach there. Even today, as we speak, about 17GW of wind is under construction, and we already crossed about 51 GW or so.

And I really don't see that as an issue. And as we mentioned sometime back that to ensure that anybody is backing out, we are always consciously overbooking compared to what we can supply in a quarter or in a year.

Sucrit Patil: Just curious, in case the competition picks up, so are you thinking of going into JVs or into partnership with any firm? And if possible, can you discuss with whom would you be partnering up in the future?

J.P. Chalasani: We don't need to partner with anybody in India. We are the leading wind manufacturer and the competition has been there. Competition will be there. Only the competition would keep changing. At one point of time, we were competing with European players.

And today, we're competing with Chinese players. Competition would always be there, and we always remain in the market. We bring our models because we have an in-house R&D. We bring our models, which are more competitive. the ALMM has come, new ALMM regulations have come in, which I mentioned some time back, also removes our disadvantage, and we are on the same level playing field with everybody.

So therefore that competition of cheaper imports is not there anymore moving ahead. So therefore, I don't -- it's not out of sense of arrogance, but I think magically if you see, that won't be an issue. But having said that, we always need to keep working towards the reduction of cost per kilowatt hour of our turbines, which would happen from the point of view of reducing the cost of procurement, COGS as well as improving the efficiency of each of the turbines. And as in the next few months, you will see that newer and newer versions coming in, in terms of the same platform with improved efficiencies for our turbines.

Moderator: The next question comes from the line of Sidhartha, an individual investor.

Sidhartha: Congrats on a great set of numbers, sir. Two questions I wanted to ask, one on the new product development journey that you just talked about. Could you please throw some light on what kind of product development journey we have? I understand the S144 is one of the highest performing products in the market today, but are you looking to launch products beyond the 3.15MW, say, somewhere around 4MW turbines?

J.P. Chalasani: Let me not put a number to it, but the -- as you know that we are the only Indian OEM who has in-house R&D. We keep developing models from time to time. So the -- what we do is that because we studied -- I mentioned this in the earlier calls as well, because we studied wind data across the country from time to time every year, we keep new wind sites. We know what type of wind sites will come in 2 years, 3 years down the line and what type of a turbine model is required there so that cost per kilowatt hour doesn't go up. So once one model is out even before that is out, next model is always on the design for us.

I can assure you that the next set of models would come in time. And also, let's understand the fact that the megawatt size doesn't make any sense in India, especially. What is important is what comes as cost per kilowatt hour. So in fact, India is best suited for anywhere between 3 to 4MW because of our low wind speed and we are not suitable for high this thing. And second thing is also logistics is an issue.

So therefore, it takes some time before large turbines can be transferred to the site. But to answer your question, yes, we will bring out the next model as and when we think it is necessary.

Sidhartha:

Sure. And the second question on the industry dynamics. As you rightly pointed out, the LCOE is the North Star metric that a customer basically looks at. The battery prices decreasing further. Now we see that there is some indication that prices may go up. But are you seeing that a solar plus BESS sort of a system would displace wind except for the FDRE projects?

J.P. Chalasani:

Yes. We discussed earlier. Wind tariff is, let's say, anywhere between INR 3.6 to INR 3.9 depending upon which state what it is, okay? And most of it comes during the peak hours -- evening peak hours. If you are putting solar plus the battery, solar tariff is, let's say, 2.5, 2.6 today with ALMM requirement.

So if I take out the 2.0, unless the battery cost is less than 1.2 per kilowatt hour, the solar plus battery can never ever replace wind. Therefore, what would actually happen is nothing to do one replacing the other. The different combinations of solar plus storage, wind plus storage, solar plus wind plus storage would come in depending upon the load profile of different states or different requirement. I don't think one is going to replace the other one, which won't happen. And also from a grid stability point of view, it can't happen.

Moderator:

The next question comes from the line of Mohit Kumar from ICICI Securities.

Mohit Kumar:

My question was how is the order inflow opportunity looking like given concerns on slowing down of power purchase agreements and the concerns related to land acquisitions? That was my question, sir.

J.P. Chalasani:

If you look at last 10 quarters, 9 to 10 consecutive quarters, Mohit, our closing order book has been higher than the opening order book in spite of the fact that the deliveries each quarter has been increasing, okay? So therefore, order inflow has been very steady for the last 10 quarters. This itself shows sustainable growth. This shouldn't be an issue. Having said that, looking at the order pipeline, what currently we're discussing, one is we have 5.7GW and second thing looking at the order pipeline what we have we are discussing.

I don't foresee order -- which I mentioned earlier, order is an issue for at least next couple of years. I don't think that's an issue with respect to the next 2 to 3 years. We will have enough order book flowing in from C&I plus also the -- see, our advantage is also that slowly we will move ahead with the EPC, EPC nobody offers with land, then with OMS, plus ALMM. All this put together, I really feel pretty confident that order book will not be an issue.

Mohit Kumar: Understood, sir. My second question, sir what are the aspirations for us for SE Forge for next 3 to 4 years?

J.P. Chalasani: See, Mohit, it started -- first of all, we wanted actually to put it on the growth trajectory on a consistent basis. So if you see the last 3 to 4 quarters, we are consistently seeing the growth. So we can always have a debate about this growth rate is sufficient or more. But at least consistent growth rate. In fact, if you see the quarter 1, it has been one of the best quarters for SE Forge.

We are now expanding into non wind in a big way and then concentrating on exports as well. So therefore, we -- I don't want to put a number to what it is going to be, but we see a significant uptick. I would actually would prefer to talk about the next 2, 3 years plan for SE Forge towards end of this year after establishing this year numbers thoroughly. And also whatever is happening in terms of ALMM, , all these are going to help the SE Forge. In fact, now with this restriction, even the bearings can't be imported

They don't use the word of imported, but basically bearings have to be domestically sourced. So I think SE Forge will stand in a good position. But exactly what I see as a clear path is that it's good for us to talk first actually showing one year good numbers and which we are confident of showing this year.

Mohit Kumar: Sir, last question on export potential. I think your slides mentioned the export potential. Do you think there is a significant near-term opportunity in the neighborhood or maybe in the Middle East? And any comment on the export potential will be helpful,

J.P. Chalasani: Yes. There is a reasonably good export potential on the -- as I said, in the neighborhood in the Middle East, even including the Europe, where we can really compete. Right now, I'm not talking about U.S. That was one of the first countries we were targeting. But I don't think neither you nor me can comment upon whether I can --export to U.S. at this stage. But we are concentrating on the neighborhood, Middle East and the Europe.

We are now right now on the process of studying different countries, what models, what price ranges are there. And because most of these places -- other than the Middle East, most of the places we have been present and we're chalking out our program and getting the right kind of model ready. So therefore, let's say, can start some sort of an export in a year from now gradually. But we will start offering and taking the orders towards the end of this year.

Moderator: The next question comes from the line of Amit from Morgan Stanley.

Amit: So yes, the second question that I had was on your contribution margin. That's been pretty good at 26%. But do you see this like settling at this rate? Or will it go down back to 20% to 23%? And what has been the lever? What changed that drove this jump from 23% to 26% in this quarter?

Himanshu Mody: Amit, of course, I think -- firstly, I think we maintain our guidance that it will be about 22% to 23%. This quarter has been high because of 2 or 3 reasons. There are certain high average sales price orders that have got delivered in this quarter. And also, there has been a lower project

activity due to the early onset of monsoon. Plus, of course, we've been able to maintain our COGS.

Now the COGS maintaining would be an ongoing phenomenon. But the other 2 factors are very, very quarter-to-quarter dependent. So when you sort of look at overall metrics on an annual basis, I would say we maintain the guidance of 23%. So this is clearly an outlier performance for this quarter.

Amit: Another thing just continuing on this point, is your realization actually are declining to around INR55 million per MW. Now despite you saying that there were some high price orders in this quarter and EPC is also not there. But still the trend goes down. So are we seeing pricing pressure despite the competition being temporary at the moment?

Himanshu Mody: No, it's not pricing pressure. It's low EPC activity and low EPC billing. I mean, with the higher EPC billing, the INR55 million would actually go close to INR57 million, INR58 million. So we're maintaining that there's no pricing pressure that we are seeing from customers or from competitors.

Moderator: The next question comes from the line of Nikhil from UTI Mutual Fund.

Nikhil: Just one question from my side. Sir, if you look at the last 5 quarters, we have supplied 2GW and our actual commissioning is somewhere around 500MW. So just want to understand as to how long will this go on? And will you start facing some kind of delivery pressures going ahead and we'd rather have some kind of an impact on our 60% volume guidance?

J.P. Chalasani: Very good question. That is what bothering everyone. See, the -- obviously, yes, commissioning wise, when you look at it, that shows the difference, but there are a number of turbines out there commissioned. In fact, beyond June, what we announced even in this 30, 40 days, we commissioned another 55MW and 166MW we precommissioned, means turbines are ready to get on to the grid, but the client is not ready with this 33 kV evacuation system, because another 400MW have been erected. So therefore, things are at different stages of the execution.

And hopefully, the -- now this year onwards, like you're seeing sector also is picking up a lot. Last -- if you look at quarter 1 last year, it was 700-oddMW, this year, it is 1600MW. Slowly, the pickup is happening on the execution. So therefore, I think before we've reached the stage, what you're talking about, will it have an impact on turbine supplies, I think we should be able to manage this. Yes, there was -- there is -- in fact, we would have supplied more than what we actually supplied in the quarter 1, if there was no other pressure of projects not being able to offtake.

That's already there. To what extent impact is the question. But to specifically answer your question on the guidance, no, we stand by that 60% with all these pressures, we know what projects we are doing it, what projects we're opening up. We don't see that this is having an impact on the guidance what we gave

Moderator: The next question comes from the line of Anuj Upadhyay from Investec.

Anuj Upadhyay: Sir, my question relates to the ALMM, that is the localization push, which definitely would lead to a self reliance. But don't you think so it would lead to a short-term supply chain disruption because certain key elements like special bearing, gearboxes, yawmachine, turbine control, they all are imported from China.

So won't this have any kind of an inflationary impact on the cost per se? Because if you see the industry anyway, India has close to 15, 16GW of overall WTG capacity -- manufacturing capacity, obviously, the utilization would be in the range of 1/3, close to around 6GW is what we are executing on an annual basis. So underutilization pressure plus this cost inflation, I mean just wanted to get your sense on how would this stand up to?

J.P. Chalasani: Partially, you answered yourself the question. The underutilization goes up, okay? Because we are -- let's say that some of the component suppliers today are at 25%, 26% utilization. Even in fact, if you look at our SE Forge is about 26% is the capacity utilization. As the capacity utilization goes up, the cost actually comes down, doesn't go up because your fixed costs remain the same, okay?

And the second -- I don't see any problem in terms of gearbox, generators and everything. We collected the full data. IW team has collected the full data and presented to MNRE. There is sufficient capacity available in India. And also, the -- with this upfront saying that for the projects which are going to get commissioned in the next 3 years, where the bids are submitted are exempted next 18 months commissioning for other things.

So there is enough stabilization period for us to meet that. So personally, I don't see any issue. In fact, the -- even before the notification came, I have seen many of these foreign suppliers going around the country and trying to source things and talking to various people designing their product, where everybody was on the job. I personally don't see any issue with respect to the supply constraint as well as I don't see any concern with respect to the cost because today -- even today, we -- our supply is mostly domestic. So still we are competitive in the market, okay?

So therefore, both point of view and also there being a time line, I don't think there's an issue. In fact, you asked me 2 to 3 years down the line or should actually start coming down because capacity utilization significantly will go up in India.

Anuj Upadhyay: Okay. That's helpful, sir. And just to reiterate, you mentioned that WTG market for the current year would be around 6GW, right sir?

J.P. Chalasani: Yes, commissioning target.

Anuj Upadhyay: Commissioning target. Got it, sir. And in terms of delivery, how much would that be?

J.P. Chalasani: Delivery generally doesn't -- nobody measures the delivery. We can only talk about our deliveries. Because we don't know who delivered how much, how much is sitting on the ground because except us and one more, there's no listed company which announces what deliveries they new made. That is not tracked by -- means at least publicly we cannot track. Even the ministry track only the commissioning target.

- Moderator:** The next question comes from the line of Amit Mahawar from UBS.
- Amit Mahawar:** Congratulations on continuous growth journey. I just have one question on the orders that we've won in the last 2, 3 quarters. Are these different on the terms -- in terms of advances that we have, the execution time line and particularly, if you want to comment and connect this with the improving competitive edge Suzlon has, whether you call it ALMM, right, which will plug a lot of gaps or some consolidation in the sector. So -- just wanted to connect these 2 and wanted to know your thoughts, particularly on the quality of orders and the terms also, the time lines of the execution.
- J.P. Chalasani:** First thing is our aim is always not to increase the price, even if we are in a monopoly situation because price goes up, tariff goes up and market rises, as we caught saying a number of times. Our aim always is to keep reducing the cost. Any new model comes when it keeps -- or COGS keeps coming down and then we also keep offering some sort of reduction customers. So therefore, I don't see any -- that sort of a pressure. And also even the latest orders what we took, we have our margin expectations, and we don't compromise on that.
- And everything is taken at that level only. And obviously, depending upon some contracts, there is a different risk pattern. Obviously, this can cost would go through. It depends upon the commercial terms, payment terms, your price might vary. But otherwise, base price would remain the same.
- Amit Mahawar:** Okay. Fair. So sir, the same question. So broadly, you're confident that in case there is any possible minor inflation cost, it is within the mechanics to see and manage that so that the LCOE is optimized for the client?
- J.P. Chalasani:** I confirm that.
- Moderator:** The next question comes from the line of Mahesh Patil from ICICI Securities.
- Mahesh Patil:** First question is on the margin side. So let's say, given the increase in PSU orders and C&I Orders in our book, can we expect improvement in margins, especially in the WTG segment? And second related question is, will the part of this improvement in margins would be offset by, let's say, increasing share of WTG in the overall revenue mix compared to, let's say, higher margin O&M business?
- J.P. Chalasani:** Himanshu will major answer, but before that, if you are tracking us, we know that we were giving a guidance of saying that we'd be in mid-teens, then we revised it to early teens -- late teens, then we said that early 20s, 22, we have been revising and improving our margins anyway, our guidance as well from time to time. Himanshu, do you want to take it?
- Himanshu Mody:** Yes. So Mahesh, I think, as I mentioned earlier, we maintained that at least the contribution margin, we will continue at 23% on a longer-term basis. at least for this financial year. This quarter numbers may be a onetime outlier led by the 3 factors that I outlined earlier. So we've maintained the 23%.

I think the margin that we have guidance that we're giving is based on the order book mix that we have currently. Now of course, going forward, if that order book mix changes significantly, then we may come back and correct on the margins. But right now, where we stand, we maintain that we will be at about 23%.

Mahesh Patil: Okay. And sir, the 60% guidance that you have given. So if we consider this on the -- solely on the WTG installation. So considering the, let's say, inflation and other factors, can the top line growth be higher than 60% or 60% is for top line as well that is the guidance?

J.P. Chalasani: We can't change the guidance. We said 60% on all the key parameters, which is what we standby.

Moderator: The next question comes from the line of Aadesh Mehta from Motilal Oswal AMC.

Aadesh Mehta: I just wanted to understand versus Chinese competitors, what would be the pricing differential be? That's my first question. And second question is, with this requirement of domestic manufacturing of components, what does this do to SE Forge? You commented that it will do better. If you can just elaborate more on that.

J.P. Chalasani: Yes, see the -- on the Chinese, really I can't say what would be the difference because the different players are coming. Let's assume that we normally feel that there is a difference of about 5% to 6% between other and them, that's cheaper till now, that's the range what it is. But the thing is that there is a great differentiation factor between us and them, it's not just a price because of which people give it us. One is the reliability of the product or how people look at it. And then second is that we are here as the Indian company, and we offer 25 years of O&M service, which is comprehensive.

Anything happens during the O&M service, service period, any component fails or to replace. So I think the proven track record of 30 years and we being here, our product being strong, and we also offer end-to-end starting from the land to the service business is what we get the orders, especially from the C&I segment. If you see that's the reason we are strong in C&I and public sector, these 2 areas. So 75% of order book coming from these 2 segments. As far as your second question is concerned, the -- with ALMM coming in.

So let's see the fine print what is coming up because we also made these castings for all the gear boxes, and we also make the bearing rings, okay? So therefore, with the significant uptick coming in terms of everything to be probably domestically sources because it doesn't talk about domestic sourcing, but the intention is to domestic sourcing. The demand for the components from SE Forge will increase, both in terms of bearing rings as well as castings. So both foundry unit as well as the forging unit, both will get benefited.

Moderator: The next question comes from the line of Anupam Goswami from SUD Life.

Anupam Goswami: So as per what I can estimate your order inflow was close to about INR540 crores and that run rate is lower than any of the quarters last year. Can you throw some light on this? And how do you expect the order inflow to build up going forward?

Himanshu Mody: So from, as J.P. sir mentioned earlier, we don't see any slowdown in the order inflows. I mean, yes, you're right that during Q1, it may have been little less as compared to earlier quarters in terms of new order inflows, but that is not a barometer for the quarters going forward. I mean there is a very active pipeline that our team is in advanced stages of negotiation.

And as per our policy now you know that any order which is over 100MW and once we have received confirmed advance from the customer, only at that stage is when we declare the order as a confirmed order. So -- and you will hear about certain active orders that get translated to fairly soon into confirmed order.

Anupam Goswami: Okay, sir. And also in terms of slight PPAs getting delayed, and canceled also. Are we seeing any slowdown in the next quarter or so? And when you see the pickup may happen?

J.P. Chalasani: So as I said that our order portfolio, 75% comes from the C&I and the PSU segment. So therefore, only 25% comes from the bid segment. And every single order, what we take in the bid segment, which we mentioned earlier, is only after the PPA sign. So the -- if we don't take any orders where the PPA is not -- in fact, even the IPP would not be willing to give the orders without the PPA signing. So whatever order inflow is happening are all after the PPA sign, so therefore there is no uncertainty once the order is booked.

Anupam Goswami: Got it, sir. And grid order, that sort of bulk orders will -- are we ready for that? I mean we are qualified to take that, right?

J.P. Chalasani: Which order?

Anupam Goswami: Power utilities order?

J.P. Chalasani: Yes, yes. We -- today, the 21% of our order book is from PSUs. And NTPC itself is we have more than 1.5GW of order right now. NTPC is one of our -- the single largest client.

Moderator: The next question comes from the line of Prateek Giri from Subh Labh Research.

Prateek Giri: Mr. Chalasani, great numbers. Congratulations. Mr. Chalasani, I have my first question on BESS.

So I just wanted to get your sense in case the BESS storage goes up to, say, 6 or 10 hours or any long duration storage comes, will the role of wind still be relevant or wind's relevance due to long storage may change if it comes? That's the question number one, Mr. Chalasani, if you can help me understand.

J.P. Chalasani: Yes. See, the longer the storage, higher the price of storage, okay? Because number of charges, what you need to do and things like that. I don't think the -- see, there are 2 things, first of all, storage is not generation, okay? So the BESS is storing at the end of the day.

The -- and it has a huge amount of issues with respect to subsequently once the life is over, and I'm not counting all that. But at the current day, even if the prices are coming down, solar plus storage can not replace on the tariff basis the wind, okay? What would happen, as I said some

time back, one source will not replace other one. There will be different combinations. Potentially now, for example, let's take this case of what CRC came up saying that the solar substation, wherever solar is connected, during the non-solar hours, they're going to give connectivity for wind or storage and everything.

In those cases, it automatically makes sense for the wind and storage. Daytime whatever is generated in the wind, you put in the store and the nighttime anyway we have the connectivity. So there are so many things that are happening in the grid level. I really don't see one replacing the other, the -- because our wind -- our load profile country is different and the peak demands are different. So I think all 3 will co-exist, in my opinion.

So the -- it won't happen that one is going to replace the other one. In this case, I will give you is that everybody talks about the storage prices being the cheapest in China, okay, and which is a fact. But if you go back and look at the capacity addition, what is happening there, there is a significant addition of capacity of wind, which is, in fact, they do whatever we're doing in 5 years, they are doing in 1 year.

So if the solar plus storage is the right case, why should they add wind at all because in their case, there is no question of battery not being available.

So from a grid point of view, it doesn't work that way. It is not just a tariff alone.

Prateek Giri:

Understood. My second question on competitive intensity. So we saw the resolution of one of the European players in India recently probably 6, 8 months back. So are you seeing incremental competitive intensity in the new orders what we are bidding?

J.P. Chalasani:

The competition is going to be there and the competition number of players is increasing -- so that's a which we can't wish away. It was there earlier, it is there even today. And then there are more players today in the market than it was about like a couple of years back, including the new player who will be talking about. As long as we have our -- the specific product, when you specific product is that service what we provide the entire EPC plus service business. And with our in-house technology, we do have a differentiation compared to ours, okay?

How many of them will really stand by for the service business. They might say we will do service, but will be there, the track record in the past as there's not even one single OEM domestic or global who do for servicing, we can service

So the world company, we can do the service for entire 15GW, and then going for everything else. I think we will build those different patients, while at the same time, trying to reduce our cost through biggies means and compete in the market. But competition will always be there.

Prateek Giri:

Got it. Understood. Understood. Very helpful. Mr. Chalasani, one last one, if I may. You highlighted this point a lot, but please allow me to ask this again with a little bit of change. So last quarter, I remember you told us that there are 2 Indian players in wind turbine generator

segment, are highly self-reliant in terms of their supply chain, in terms of their component sourcing.

So is it fair to assume that this ALMM issue, which is being implemented recently, is kept -- is done to keep the other folks in check who are basically non-Indians. Is that understanding correct? Mr. Chalasani, if you can -- experientially if you throw some light. And first, is this understanding that -- correct that the 2 Indian players are entirely self-reliant?

J.P. Chalasani:

I don't know where from 2 -- I don't remember I said 2, but we are completely -- we as an Indian company, will completely meet the requirements what has come in. Let's understand the ALMM is not saying that somebody from X country or the Y country is not allowed. It is not the case. There what they're saying is that, please design here, please manufacture here, you do whatever business you want to do, we are most welcome to do, okay? That's what ALMM does.

But then what they're trying to say is that, okay, we will set the standards for wind components. Till now, we have not done this. We only were doing it for the turbine as a whole as the type certificate. But all these 5 components now we need to get listed in the ALMM wind turbine components list. And if you want to get listed, we will come, we will inspect, we take the quality and everything, then only you get listed. And everybody has to procure only from the approved list of component suppliers. So this brings in, in terms of level playing field

Prateek Giri:

Mr. Chalasani, you were at the point of a list of approved vendors under this new ALMM scheme.

J.P. Chalasani:

Yes. I was saying that everybody is on the same level playing field with respect to the same list of components. So therefore, there is no advantage of cheaper imports to others.

Moderator:

The next question comes from the line of Shiva from Purnartha Investment Advisers.

Shiva:

So my first question is with respect to the installations. I just wanted to understand, so you're saying that the evacuation power, I mean, that is the bottleneck of your. So if you could just explain, I mean, what can -- I mean, obviously, this is the government that has to be done? Or can it be done in any other way, like C&I or captive have their own way of transmitting or is it totally dependent on government for this to happen?

And what gives us the confidence going ahead that the evacuation, I mean, this aspect of that will improve going ahead? I mean is it a state -- a few states picking up pace? Or is the central taking the entire load on it? If you could just explain this entire.

J.P. Chalasani:

Yes, evacuation is 2 parts. One evacuation is within the wind farm factory kV system, which takes from each turbine to the pooling substation. And the second one is you have to put the transmission line by the IPP from the pooling substation to the nearest central -- CTU substation and the CTU substation itself. These are the 3 areas what I talked about, whether it's ROW or various issues, creating problems, land acquisition, ROW, EC. Even the power grid faces the same issue in terms of ROW and land execution.

Everybody is taking the same issue. But having said that, I think the -- whatever delays have happened, happened till now at least CTU substations are now -- with all the delays are likely to come up. And the -- our expectation that why we said that this year we will do 6GW, while we did only 4GW last year. The -- because these things are easing out and then we should reach 7, 7.5GW in FY '27 and go to 8, 9 thereafter. Things are easing out and don't say it's gone away.

We can't wish them away, but there is a consciousness in the government in various areas, this needs to be resolved. But problem is there, but slowly getting resolved.

Shiva: Okay. So the second, just to understand the 4.2GW or the 1.6GW that we installed this quarter and 4.2 last year. This is installed and giving power, right? They've already been installed and giving power. Our proportionate is slightly lower, like 4.2 was installed at entire like 3.3 -- in FY '24, 3.3 was installed, and we installed 882MW, but FY '25 and Q1, our installations ratio to the India's is very low.

So what is the missing link in here?

J.P. Chalasani: That's because the -- gradually our EPC, where we have a full component has come down. We are depending upon more on the clients' ability to acquire the land into the projects. In fact, in our order book, about 52%, I think -- at least 78% is the non-EPC in that, again, about 52% or 54% is pure equipment supply. We don't even do erections for that. So I think one, during the last couple of years, the -- our share has come down.

But we expect this year, as we see the things, it's picking up, and we will continue to have decent share compared like what we used to have earlier. We always used to be around 24%, 25%, 26% sort of a share. We should be able to reach that level.

Shiva: And any plans to move towards -- because the installations are delaying because we have lesser number of EPC -- any plans to shift towards EPC slightly higher going ahead? Or you still feel it can be manageable?

J.P. Chalasani: We want to move to EPC. That's the reason we -- last time also I mentioned that we are now acting on acquiring the land in advance in different states, but the result of that will come only in FY '27.

Shiva: Understood. And one more this thing regarding the ISTS charges. This ISTS charges, which I think 25% can start kicking in. So any rough idea about what are the C&I things cross state in our orders? Or does it have an impact in cross state?

Or do you think it is too early -- this 25% is too early?

J.P. Chalasani: No. It will have an impact on them, but still 25% is much cheaper than 100%.

Shiva: So going ahead after once, so because...

J.P. Chalasani: This is a life long -- the commission, yes, this 25% remains for the rest of the life of the project.

- Shiva:** So because in the case of sun, it is throughout India, but in the case of wind it is only 8 states, but the C&I factories would be throughout India, So that cost state thing, do you think in the larger scheme...
- J.P. Chalasani:** Simplify it even after you account for all the transmission charges, arbitrage for C&I is much better if you go for renewable energy.
- Shiva:** Okay. And just one small understanding. In the 4.2GW, this does not include captive power that's got installed, right?
- J.P. Chalasani:** Sometimes -- they include sometimes, but it doesn't make much difference, but C&I think it's included in that.
- Shiva:** So C&I is included, but captive is not included?
- J.P. Chalasani:** Captive also should be included mostly because this is the connect -- they take it from all OEMs, how much they commissioned, the turbines were commissioned.
- Shiva:** I was just checking the data, earlier they were not including this...
- J.P. Chalasani:** Whatever is connected to the grid, whether it's captive unless it's the back of the meter, is part of 4.2.
- Moderator:** The last question comes from the line of Dileep, an individual investor.
- Dileep:** Congratulations to the team for a good set of numbers. I have my last question here. See, this year, or particularly this quarter, you have installed about 444MW of power. Now that's the Q1 and it's basically summer quarter, hardly any rain and no much of external obstacles. Going forward, is the company going to have similar kind of a tempo to have the similar things in the rainy season thing or as the country having too much of rain elsewhere and particularly the regions where you have the presence quite a good amount of rain is there.
- So what is your call on the next quarter? I mean the installation would be there? That is my first question. The second question is that the inventory and other things are also proportionately increasing as the sales turnovers are going. So is it something will keep on increasing as the revenue goes up or at some point of time, it will be stabilized?
- These are my 2 limited questions.
- Himanshu Mody:** So inventory, of course, Dileepji in overall terms, rupee crore terms, it will -- it is bound to go up. What we monitor and we've been giving guidance is the net working capital and inventory forms a part of it. Currently, we are give or take anywhere between 90 to 100 days, which used to be about 120 days at one point in time.
- So directionally, we said that we are looking at reducing that and bring it down close to about 75 days. So the trajectory towards that is very much on. But of course, looking at

inventories, share in rupee crore terms on an absolute basis will of course increase because of the order book and the inflows that we have.

Dileep: A small question at this point -- sorry, just to interrupt, small question that you recognize the revenues, the moment you components and everything out of the factory and you raise the bill or it is only recognized at the time of -- once the installation is commissioned and everything is complete?

Himanshu Mody: No. So when we say that revenue recognition, we do at the time of the entire equipment being dispatched from our factory premises. So that's when the revenue recognition of the equipment is done. What is linked to various milestones is payments. So upon dispatch or from the factory upon receipt of the goods at the site, upon commissioning of the turbine, that is a linkage of the payment, what invoices raised upon dispatch of the goods.

Dileep: So that will come into receivables and inventory and all kind of receivables. It will come into receivables. Okay, fair enough. My last question was that this quarter, yes.

J.P. Chalasani: See that the quarter-to-quarter variation will always be there. But as an year, we gave a guidance of 60% growth, we stand by that

Moderator: Thank you. Ladies and gentlemen, on behalf of Suzlon Energy Limited, that concludes this conference. Thank you all for joining us, and you may now disconnect your lines.

Himanshu Mody: Thank you.

J.P. Chalasani: Thank you.