



Uncover the Financial Story of Suzlon Energy Limited

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ABSTRACT

Financial Statement Analysis serves as a systematic approach to evaluating a company's financial reports, enabling an assessment of its historical, current, and anticipated performance. The primary benefit of this analysis lies in its capacity to interpret and assess the data presented in financial statements, thereby facilitating an evaluation of the firm's profitability and financial stability, as well as forecasting its future potential. This paper aims to scrutinize the financial statements and assess performance through the lenses of asset utilization and profitability. The research methodology employed in this study concentrates on the historical and contemporary performance of SUZLON. It is based exclusively on secondary data, which was gathered over a five-year period from 2020 to 2024, sourced from the company's audited annual reports, as maintained by the organization. To evaluate the company's performance, various analytical tools and techniques, such as common size analysis and comparative statement analysis were utilized. The findings of this study highlight the financial strengths and weaknesses of the company throughout the specified period. Upon analyzing the financial statements, it was determined that the company is financially robust and has exhibited significant business momentum in India, with revenue growth accelerating in recent years. The company has successfully met its key objectives over the past years, despite facing various challenges.

INTRODUCTION

A financial statement consists of three key reports: the cash flow statement, income statement, and balance sheet, offering a comprehensive view of a business's financial status. It helps assess a company's ability to repay debts, manage operational expenses, and generate cash inflows. It also highlights how cash is allocated and evaluates profitability, indicating whether a business can sustain its operations. The statement can reveal potential issues, such as declining sales, and is used by financial institutions to gauge performance, often prompting deeper analysis if concerns arise.

Businesses prepare financial statements to inform stakeholders and meet legal requirements, especially when seeking credit lines or funding for expansion. They may generate such statements at the end of a fiscal quarter, month, or year. Using standardized accounting terminology ensures clarity for external parties, while internal reports may use specialized language.

Accurate and up-to-date financial records are essential, as investors or government agencies may unexpectedly request statements for taxation or auditing purposes. Financial analysis of these statements helps businesses make strategic decisions, such as acquiring assets, issuing stocks, or securing loans, while forecasting future profitability and cash flows, ensuring the company's financial health and long-term viability.

COMPANY PROFILE

Suzlon Energy Ltd., founded in 1995, is one of India's leading renewable energy companies, specializing in wind power solutions. Headquartered in Pune, Suzlon designs, manufactures, and installs wind turbine generators, offering end-to-end services in wind energy development. The company has a significant presence both in India and globally, with installations across various countries. Suzlon's integrated approach includes wind resource assessment, land acquisition, engineering, procurement, construction, and operations and maintenance. It is committed to sustainability and reducing the global carbon footprint by providing eco-friendly energy solutions, contributing to India's renewable energy goals.

OBJECTIVES

The review has the accompanying targets

1. To give hypothetical system to dissecting budget reports.
2. to investigate Suzlon Energy Limited's current situation and financial situation.
3. To figure out the monetary sufficiency of the organization.

SCOPE

The concentrate fundamentally endeavors to break down the monetary execution of the organization chose for the review. This can be used by financial authorities to evaluate their performance in the future. This will make it easier to analyze financial statements and use the company's resources effectively for the growth of the company and its employees. There can be determining to assess the general presentation of the Suzlon Energy Restricted in future.

LITERATURE REVIEW

DeVancy (1993) explored the changes in financial status within U.S. families over four years (1983-1986), utilizing financial ratios as indicators of progress. The study aimed to determine whether households improved their financial standing during this period by examining key financial indicators.

Gallizo and Salvador (2003) analyzed the financial ratios of U.S. manufacturing firms from 1993 to 2000. Their research focused on understanding the behavior and adjustment process of companies, with a particular emphasis on the balance between sales and assets. A proper balance indicated efficient asset management, critical for maximizing profitability. Profitability ratios, in this context, helped measure overall performance and efficiency.

Peeler J. Patsula (2006) emphasized the importance of a sound business analysis in understanding a company's challenges. He argued that a clear explanation of how final financial positions were calculated, avoiding excessive mathematical complexity, would enhance others' understanding of the company's financial status. A strong business analysis also provides a psychological advantage to employees and helps in planning for future growth and expansion.

Susan Ward (2008) stressed the utility of financial ratios in helping investors make sense of the large numbers presented in financial statements. Ratios such as the percentage of net profit generated by deployed funds assist investors in identifying better investment opportunities. Companies that achieve higher profitability ratios compared to others are considered more favorable investment options.

Ahmed and Ahmed (2014) conducted a study on the impact of mergers on the financial performance of Pakistani manufacturing industries. The study analyzed data from twelve companies that underwent mergers between 2000 and 2009. By using a paired sample t-test on accounting ratios, the researchers found that the overall financial performance of the acquiring companies showed insignificant improvement post-merger. While liquidity, profitability, and capital positions experienced some gains, the efficiency of the companies deteriorated. The impact of mergers varied across different industries within the manufacturing sector.

TOOLS AND TECHNIQUES

1.COMPARATIVE STATEMENT ANALYSIS

COMPARATIVE ANALYSIS OF INCOME STATEMENT

Particulars	Mar-23	Mar-24	Absolute change	% Increase/ Decrease
Revenue	5,970.53	6529.09	558.56	936%
Expenses	5137.33	5491.9	354.57	690%
Operating Profit	833.2	1037.19	203.99	2448%
Other Income	2738.95	-23.78	-2,762.73	-10087%
Depreciation	259.68	189.6	-70.08	-2699%
Interest	420.76	164.32	-256.44	-6095%
Profit before tax	2891.71	659.49	-2,232.22	-7719%
Tax	4.42	-0.86	-5.28	-11946%
Net profit	2849.01	660.35	-2,188.66	-7682%
EPS	2.28	0.49	-1.79	-7857%

Price to earning	3.46	82.54	79.08	228678%
Price	7.9	40.4	32.50	41139%

INTERPRETATION :

- * Revenue increased significantly from Mar-23 to Mar-24.
- * Expenses also increased, but not as much as revenue.
- * Operating profit improved due to better cost management.
- * Other income declined dramatically, negatively impacting overall profit.
- * Overall profitability decreased significantly due to the decline in other income and potential issues with cost control.

COMPARATIVE ANALYSIS OF BALANCE SHEET

Particulars	Mar-23	Mar-24	Absolute change	% Increase/ Decrease
Equity Share Capital	2,454.40	2,721.72	267.32	10.89
Reserves	-1,355.26	1,198.59	2,553.85	-188.44
Borrowings	1,937.92	150.24	-1,787.68	-92.25
Other Liabilities	2,486.32	3,108.47	622.15	25.02
Total	5,523.38	7,179.02	1,655.64	29.98
	-	-	-	
Net Block	866.14	886.46	20.32	2.35
Capital Work in Progress	6.00	19.72	13.72	228.67
Investments	0.03	8.38	8.35	27833.33
Other Assets	4,651.21	6,264.46	1,613.25	34.68
Total	5,523.38	7,179.02	1,655.64	29.98
	-	-	-	
Working Capital	2,164.89	3,155.99	991.10	45.78
Debtors	1,170.44	1,829.58	659.14	56.32
Inventory	1,827.13	2,292.29	465.16	25.46
	-	-	-	
Debtor Days	71.55	102.28	30.73	42.94
Inventory Turnover	3.27	2.85	-0.42	-12.84
	-	-	-	
Return on Equity	259%	17%	-242%	-93.50
Return on Capital Emp	115%	23%	-92%	-79.90

INTERPRETATION :

- * Total assets and liabilities increased significantly from Mar-23 to Mar-24.
- * Equity share capital increased, while reserves and borrowings decreased.
- * Working capital increased due to higher debtors and inventory.

* Debtor days increased, while inventory turnover decreased.

* Return on equity and return on capital employed declined significantly.

COMPARATIVE ANALYSIS OF CASH FLOW STATEMENT

Particulars	Mar-23	Mar-24	Absolute change	% Increase/ Decrease
Cash from Operating Activity	491.08	79.53	-411.55	-83.81
Cash from Investing Activity	84.71	-151.63	-236.34	-279.00
Cash from Financing Activity	-708.91	131.63	840.54	-118.57
Net Cash Flow	-133.12	59.53	192.65	-144.72

INTERPRETATION :

- * Cash from operating activities decreased significantly from Mar-23 to Mar-24.
- * Cash from investing activities also decreased.
- * Cash from financing activities increased, but not enough to offset the decreases in other activities.
- * Net cash flow decreased significantly, indicating a decline in overall liquidity.
- * The company's ability to generate cash from operations and invest in growth appears to be under pressure.

2.COMMAN-SIZE STATEMENT ANALYSIS

COMMAN-SIZE STATEMENT ANALYSIS OF BALANCE SHEET

Particulars	Mar-20	Mar-21	Mar-22	Mar-23	Mar-24
Equity Share Capital	16.29%	25.78%	28.47%	44.44%	37.91%
Reserves	-184.48%	-79.93%	-86.50%	-24.54%	16.70%
Borrowings	202.28%	104.91%	99.85%	35.09%	2.09%
Other Liabilities	65.90%	49.25%	58.18%	45.01%	43.30%
Total	100.00%	100.00%	100.00%	100.00%	100.00%
Net Block	20.80%	17.66%	16.36%	15.68%	12.35%
Capital Work in Progress	1.87%	1.63%	0.30%	0.11%	0.27%
Investments	0.30%	0.35%	0.00%	0.00%	0.12%
Other Assets	77.02%	80.36%	83.34%	84.21%	87.26%
Total	100.00%	100.00%	100.00%	100.00%	100.00%

INTERPRETATION :

- * Equity share capital increased significantly from Mar-20 to Mar-24, while reserves decreased.
- * Borrowings decreased significantly, and other liabilities remained relatively stable.
- * Net block decreased, indicating a shift towards intangible assets or investments.
- * Capital work in progress and investments increased slightly.
- * Other assets increased significantly, suggesting a growth in the company's non-current assets.

COMMAN-SIZE STATEMENT ANALYSIS OF INCOME STATEMENT

Particulars	Mar-20	Mar-21	Mar-22	Mar-23	Mar-24
Revenue	100%	100%	100%	100%	100%
Expenses	129%	86.3%	86%	86%	84%
Operating Profit	-29%	14%	14%	14%	16%
Other Income	-1%	1%	1%	46%	0%
Depreciation	14%	4%	4%	4%	3%
Interest	46%	11%	11%	7%	3%
Profit before tax	-90%	0%	0%	48%	10%
Tax	0%	3%	3%	0%	0%
Net profit	-89%	-3%	-3%	48%	10%

INTERPRETATION:

- * Revenue remained relatively stable from Mar-20 to Mar-24.
- * Expenses decreased slightly, leading to an improvement in operating profit.
- * Other income fluctuated significantly, with a significant increase in Mar-23.
- * Depreciation decreased, while interest remained relatively stable.
- * Profit before tax and net profit increased significantly, indicating improved profitability.

FINDINGS

1. Revenue remained steady at 100% from 2020 to 2024, indicating strong market presence and consistent sales performance despite economic conditions.
2. Expenses dropped from 129% in 2020 to 84% in 2024, reflecting improved cost management and operational efficiency.
3. Operating profit shifted from a loss of -29% in 2020 to a profit of 16% by 2024, highlighting better core business profitability.
4. Borrowings reduced from 202.28% to 2.09%, leading to lower interest costs and reflecting a focused effort on reducing financial liabilities.
5. Negative reserves from 2020 improved to 16.7% by 2024, strengthening the company's retained earnings and profitability.
6. Net profit moved from -89% in 2020 to 10% by 2024, demonstrating a strong recovery and sustainable profitability.
7. Fixed assets decreased from 20.8% to 12.35%, suggesting an asset-light strategy with a focus on efficiency over capital-heavy investments.
8. The 2023 profit spike was due to exceptional other income, which was not repeated in 2024, showing normalization.
9. Despite a drop from 2023, 2024 saw a stable 10% net profit, indicating consistent, long-term profitability.
10. Depreciation and capital work in progress remained low, suggesting fewer new capital projects and a focus on current assets in a mature business phase.

SUGGESTION

1. Suzlon should continue reducing operational costs to enhance profitability by optimizing processes and minimizing inefficiencies in production.
2. The drop in cash flow from operations in 2024 raises concerns; Suzlon should analyze and improve core operational cash generation to ensure sustainable financial health.
3. The decrease in Return on Capital Employed suggests inefficiency in capital use; Suzlon should reassess asset management to ensure optimal returns on investments.
4. Despite reducing borrowings significantly, Suzlon must continue monitoring debt levels, maintaining a balance between debt and equity for long-term stability.

5. The sharp increase in investments in 2024 indicates growth potential; Suzlon should focus on sustainable investments, particularly in renewable energy technologies, to ensure long-term returns.

CONCLUSION

1. Suzlon maintained consistent revenue throughout the analysis period, indicating resilience in a volatile market, supporting operational sustainability.
2. The significant reduction in expenses from 129% to 84% of revenue reflects enhanced cost control, demonstrating a focus on operational efficiency and financial discipline.
3. Suzlon transitioned from operating losses in 2020 to profitability by 2024, showcasing effective strategic efforts and improved core operational performance.
4. A sharp decline in borrowings has significantly lowered interest costs, enhancing financial health and reducing overall risk.
5. The recovery of reserves from negative to positive levels demonstrates improved financial stability and the company's ability to retain earnings.
6. The substantial increase in investments signals Suzlon's commitment to future growth, particularly focusing on long-term gains in renewable energy.
7. Despite positive metrics, a significant decrease in cash flow from operations raises liquidity concerns and could affect the sustainability of cash generation.
8. The rise in operating profit margins to 16% reflects successful cost management strategies and a more profitable operational framework.
9. While 2023 experienced exceptional gains, 2024 showed normalized performance, suggesting Suzlon is positioned for sustainable profitability.
10. The decline in depreciation and capital investments indicates a shift toward optimizing existing resources, focusing on efficiency to enhance future financial performance.

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