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A Study on Suzlon Energy's Financial Performance with Special Reference to Its Decline During the Financial Crisis (2008-2012)

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ABSTRACT:
Suzlon Energy Ltd., once a leader in the renewable energy sector, has experienced a remarkable journey marked by rapid growth, global expansion, and, eventually, significant financial struggles. As one of India's largest wind energy companies, Suzlon played a pivotal role in promoting sustainable energy solutions. However, over time, a mix of strategic errors, escalating debt, and changing market conditions led to its decline.This study seeks to assess Suzlon Energy's financial performance during both its years of growth and its subsequent downturn, focusing on the key factors that contributed to its financial instability. The analysis draws on secondary data from the company's financial statements between 2008 and 2012. Using ratio analysis, the study offers a comprehensive evaluation of Suzlon's profitability, liquidity, solvency, and operational efficiency during this critical period.

Keywords: profitability, ratio analysis, downturn, financial instability, liquidity

INTRODUCTION:
Suzlon Energy Ltd. once stood as a shining example of success in the renewable energy sector, experiencing rapid growth and global expansion. As one of India's leading wind energy companies, Suzlon played a pivotal role in the country's shift toward sustainable energy, driven by a strong belief in the long-term potential of wind power. In its early years, Suzlon's success was fueled by a solid market presence, a diverse portfolio of innovative products, and an unwavering commitment to the future of green energy. However, as the company sought to extend its reach internationally, it began to encounter mounting challenges. Intense competition, rising operational costs, and an unpredictable market environment began to take their toll. Over time, these pressures, combined with some strategic missteps and an overwhelming debt load, led to a significant decline in Suzlon's financial stability.
This study aims to take a closer look at Suzlon Energy's financial performance, not just during its years of growth but also during the difficult period that followed. Focusing on the years from 2008 to 2012, the analysis digs into the key factors that led to the company's financial instability. Specifically, it explores how Suzlon's decision, ranging from business strategy to debt management, interacted with shifting market conditions, ultimately affecting its performance. The research draws on secondary data from the company's publicly available financial statements from this period, providing a thorough examination of the company's financial health during this crucial time.

Using ratio analysis as the primary method of evaluation, the study aims to give a comprehensive overview of Suzlon’s financial situation. Key metrics like profitability, liquidity, solvency, and operational efficiency will be analyzed to uncover trends and identify potential weaknesses that may have played a role in the company’s struggles. By taking this structured approach, the study aims to uncover the financial challenges that contributed to Suzlon's decline and provide valuable insights into the importance of effective financial management and strategic decision-making for the long-term sustainability of businesses

STATEMENT OF PROBLEM:

Suzlon Energy Ltd. enjoyed a period of rapid growth and global expansion, establishing itself as a leader in India’s wind energy market. However, after this early success, the company began to face significant financial challenges. A combination of poor strategic decisions, mounting debt, and changing market conditions led to a decline in its financial stability. This study looks into the reasons behind Suzlon’s struggles between 2008 and 2012. By examining the company’s financial performance through ratio analysis, the research aims to uncover the factors that weakened its financial position.

REVIEW OF LITERATURE:

Dr.Homiga , Mr.Bhuvanesh (2024) This study provides a detailed analysis of Suzlon Energy Ltd., looking at its fundamental, qualitative, quantitative, and technical aspects to help investors make informed decisions. By reviewing existing research, this explore how these different analyses can predict stock trends, with a focus on Suzlon. This findings show a positive outlook for Suzlon, driven by its strong position in the renewable energy sector and improving financial performance. However, the study recommends a cautious investment approach due to potential challenges. This study aims to guide investors by emphasizing thorough analysis, risk management, and the importance of combining fundamental and technical insights when evaluating Suzlon Energy Ltd.'s stock.

Swapna Pragada (2009) This case looks at the challenges Suzlon Energy Ltd. faced during the liquidity crisis in 2008. What started as a small company, founded by Tulsi R. Tanti to provide alternative energy to his textile business, quickly grew into the world’s fifth-largest wind turbine manufacturer. However, in 2008, Suzlon ran into several problems, including over-leveraging, high costs from replacing faulty turbine blades for clients in the US and Portugal, and a drop in sales due to the global financial slowdown. To make matters worse, the company had acquisition commitments for a stake in REpower. Now, Suzlon is exploring different financing options to meet its financial obligations and find a way out of the liquidity crisis.

Mr. Vaibhav mukesh kulkarni (2020) This paper focuses on the importance of fixed and current assets in the successful operation of a business, highlighting the crucial role of working capital management in affecting both profitability and liquidity. The study examines the working capital components and how their management impacts profitability at Suzlon Energy Ltd. The research is based on secondary data from the company’s annual reports. Through this project, we aim to gain a deeper understanding of Suzlon Energy Ltd.'s working capital management practices and their effects on the company's financial performance

Mr. Abdul Rahman(2022) This study examines the impact of liquidity, profitability, and leverage on financial distress in mining companies listed on the Indonesia Stock Exchange. The research uses financial statements from these companies between 2014 and 2019, with a sample selected through purposive sampling based on specific criteria. Multiple regression analysis, assisted by SPSS software, was used to test the data. The findings reveal that liquidity does not significantly affect financial distress, while profitability and leverage have a notable impact on financial distress

OBJECTIVE:
1. To analyse the financial statement of suzlon energy
2. To study the profitability, liquidity and liverage of suzlon through ratio analysis
3. To study the percentage change of suzlon by using ratios over the study period
4. To investigate the underlying cause of the decline.

RESEARCH METHODOLOGY:
Research design
The study adopts a descriptive research design to attain the research objectives.
Source of data collection:
Secondary data: It used to analyze the financial performance of Suzlon over period of time from the source of Suzlon annual report, money control, journals, websites, newspaper, other published information etc**.**
Study period of data analysis:
The study period is taken for 5 years from 2007-2008 to 2011-2012 of SBI Bank.
Tools used for analysis:
Ratio analysis
1. Earnings Per Share ratio
2. Current Ratio
3. Debt to Equity Ratio
4. Net Profit Margin Ratio
5. Quick Ratio
6. Return on Equity Ratio

Percentage change
It is a statistical tool used to assess the relative difference between two variables.
(% CHANGE = Ending value – initial value / initial value x 100)

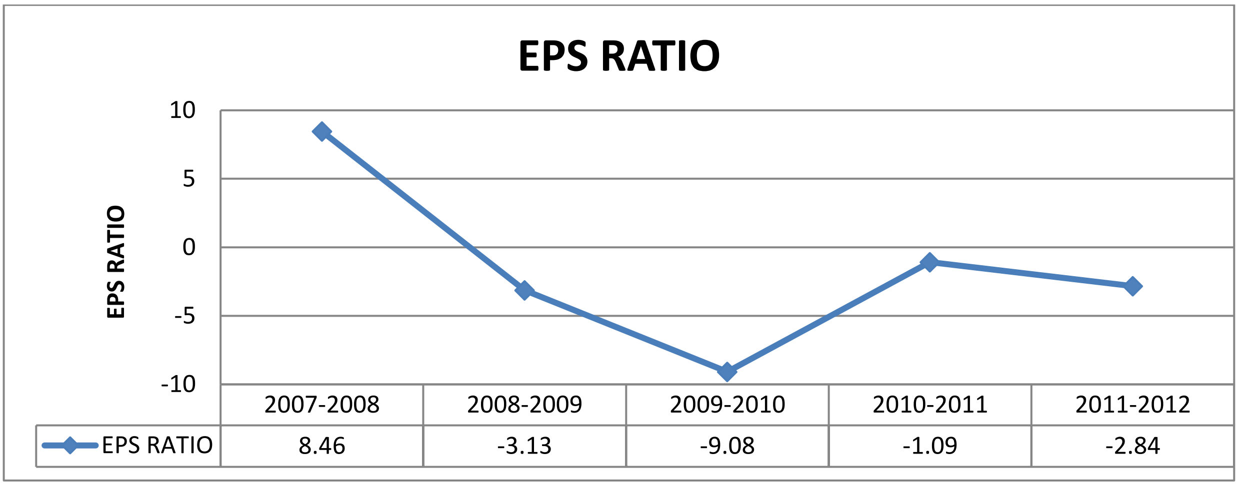
DATA AND INTERPRETATION:
EARNINGS PER SHARE RATIO
Earnings Per Share (EPS) is a way to measure how profitable a company is by showing how much profit each share of its stock earns. It helps investors understand how well the company is doing financially.
EPS= Net Income−Preferred Dividends / Weighted Average Number of Common Shares Outstanding
The EPS ratio of Suzlon energy from 2007-2008 to 2011-2012 are shown in the following table

TABLE 1.1:- EARNING PER SHARE

YEAR	EPS RATIO	% CHANGE
2007-2008	8.46	NIL
2008-2009	-3.13	-137%

2009-2010	-9.08	190%
2010-2011	-1.09	-88%
2011-2012	-2.84	161%
MEAN	-1.536	
MEDIAN	-2.84	

Source: Annual Report of Suzlon energy from 2007-08 to 2011-12



The table Demonstrates the earnings per share of Suzlon energy from 2007-2008 to 2011-2012. The lowest ratio observed over the years was -2.84 in 2012. and the highest ratio observed over the years 8.46 in 2008. The average EPS of -1.536 indicates that the company experienced an overall loss per share over the five-year period. This highlights consistent financial struggles and reflects a period where the company was unable to generate profits ultimately leading to a decline in shareholder value.

CURRENT RATIO:

The current ratio is a financial measure that helps evaluate a company's ability to cover its short-term debts with its short-term assets. It serves as an indicator of the company's liquidity, giving investors and creditors insight into its short-term financial health.

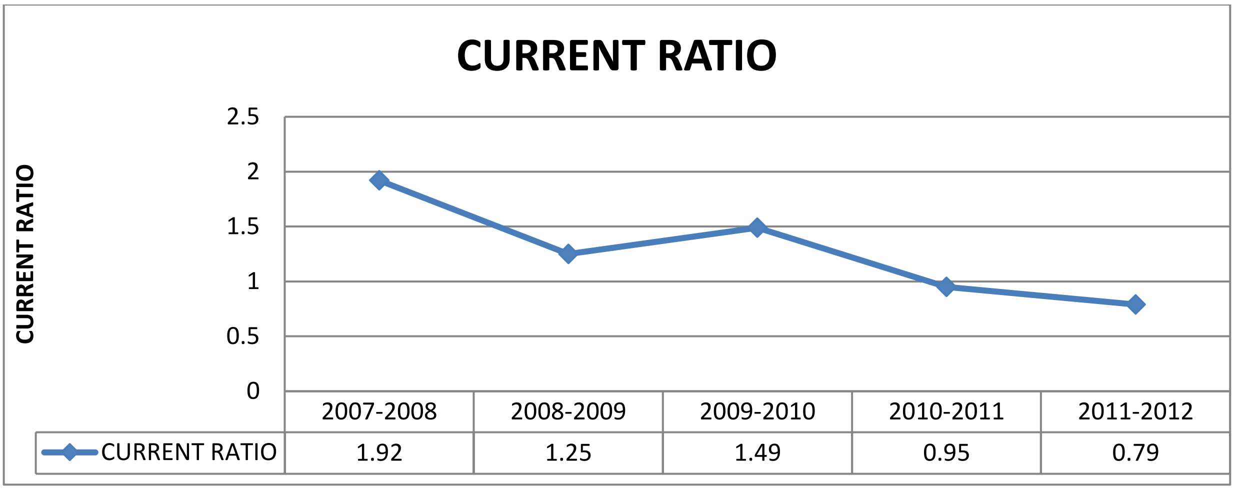
Current ratio = current assets / current liabilities

The Current ratio of Suzlon energy from 2007-2008 to 2011-2012 are shown in the following table

TABLE 1.2:- CURRENT RATIO

YEAR	CURRENT RATIO	% CHANGE
2007-2008	1.92	NIL
2008-2009	1.25	-35%
2009-2010	1.49	19%
2010-2011	0.95	-36%
2011-2012	0.79	-17%
MEAN	1.28	
MEDIAN	1.25	

Source: Annual Report of Suzlon energy from 2007-08 to 2011-12



The table Demonstrates the current ratio of Suzlon energy from 2007-2008 to 2011-2012. The lowest ratio observed over the years was 0.79 in 2012. and the highest ratio observed over the years was 1.92 in 2008. The mean current ratio of 1.28 means the company, on average, had enough assets to cover its short-term debts. However, since it's just above 1, it suggests the company's liquidity wasn't very strong, and it may have struggled to maintain a healthy margin in later years, as seen in the declining ratios.

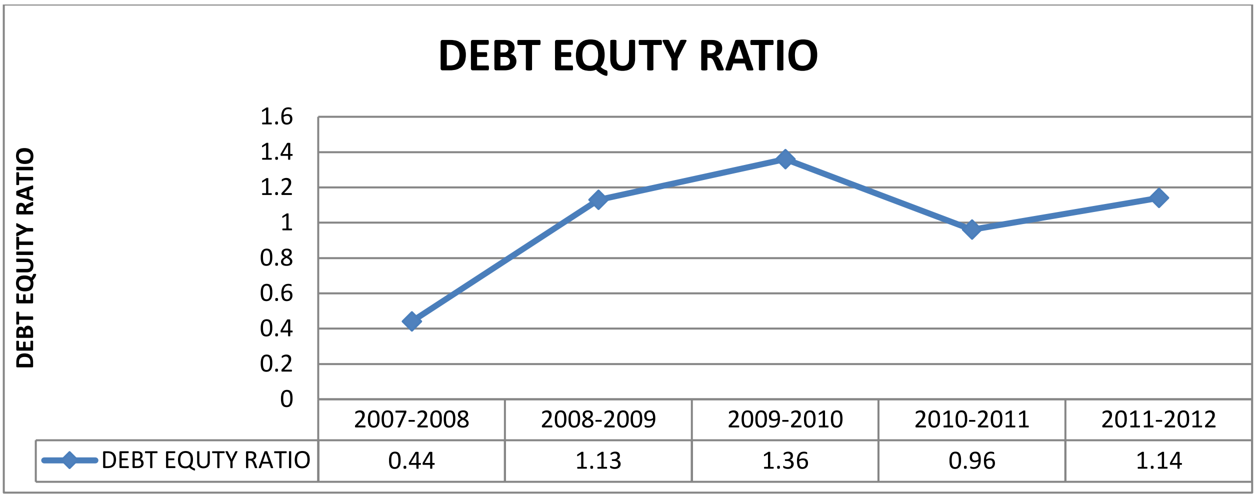
DEBT-TO-EQUITY RATIO :

The Debt-to-Equity Ratio compares a company's debt to its equity, showing how much of its assets are financed by debt versus shareholder investment. It highlights the company's financial leverage and risk.
Debt-to-Equity Ratio = Total Debt / Shareholders' Equity
The debt equity ratio of Suzlon energy from 2007-2008 to 2011-2012 are shown in the following table

TABLE 1.3:- DEBT TO EQUITY RATIO

YEAR	DEBT EQUTY RATIO	%CHANGE
2007-2008	0.44	NIL
2008-2009	1.13	157%
2009-2010	1.36	20%
2010-2011	0.96	-29%
2011-2012	1.14	19%
MEAN	1.006	
MEDIAN	1.13	

Source: Annual Report of Suzlon energy from 2007-08 to 2011-12



The table Demonstrates the debt equity ratio of Suzlon energy from 2007-2008 to 2011-2012. The lowest ratio observed over the years was 0.96 in 2011. and the highest ratio observed over the years was 1.36 in 2010. The mean debt-to-equity ratio of 1.006 means that, on average, the company used about the same amount of debt as equity over the five years. This suggests the company took a balanced approach to financing. However, since the ratio is slightly above 1, it shows a moderate reliance on debt, which could increase the company's financial risk compared to others that use less debt.

NET PROFIT MARGIN RATIO:

The Net Profit Margin Ratio is a financial measure that shows what portion of revenue is left as profit after all costs, taxes, and expenses are paid. It reflects how well a company can turn its sales into actual profit and gives an idea of how efficiently it manages its expenses.

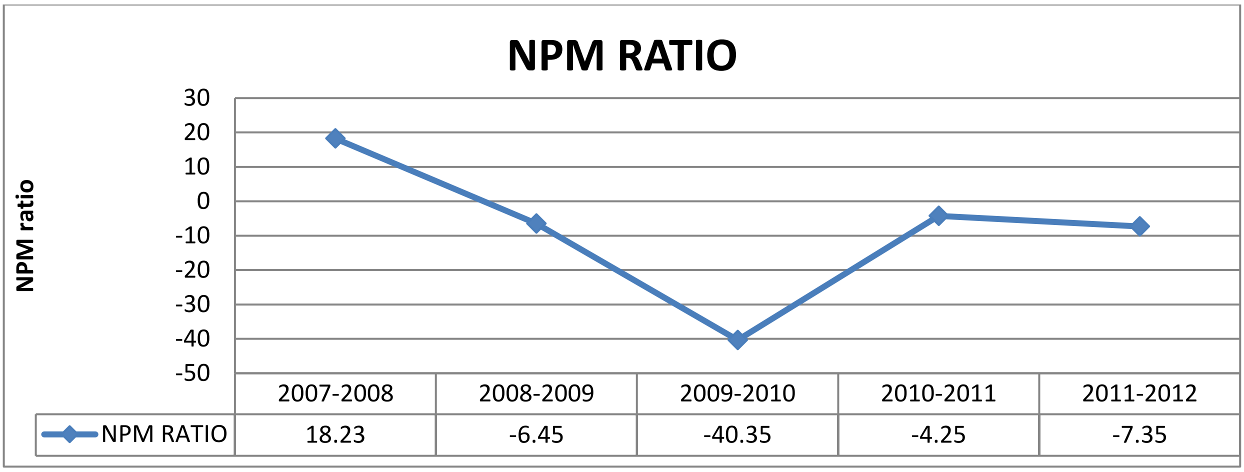
Net Profit Margin Ratio = Net Profit / Revenue * 100

The Net profit margin ratio of Suzlon energy from 2007-2008 to 2011-2012 are shown in the following table

TABLE 1.4:- NET PROFIT MARGIN

YEAR	NPM RATIO	% CHANGE
2007-2008	18.23	NIL
2008-2009	-6.45	-135%
2009-2010	-40.35	526%
2010-2011	-4.25	-89%
2011-2012	-7.35	73%
MEAN	-8.034	
MEDIAN	-6.45	

Source: Annual Report of Suzlon energy from 2007-08 to 2011-12



The table Demonstrates the debt equity ratio of Suzlon energy from 2007-2008 to 2011-2012. The lowest ratio observed over the years was -40.35 in 2010. and the highest ratio observed over the years was 18.23 in 2008. The mean net profit margin of -8.034 means that, on average, the company experienced losses over the five years. This negative figure suggests that, most of the time, the company was unable to turn its revenue into profit, with costs outweighing earnings. It reflects a challenging period for the company in terms of profitability.

QUICK RATIO:

The Quick Ratio, or Acid-Test Ratio, is a financial measure that shows a company's ability to pay off its short-term debts using its most liquid assets, excluding inventory. It's a more conservative way to assess liquidity than the current ratio, as it focuses on assets that can be quickly turned into cash.

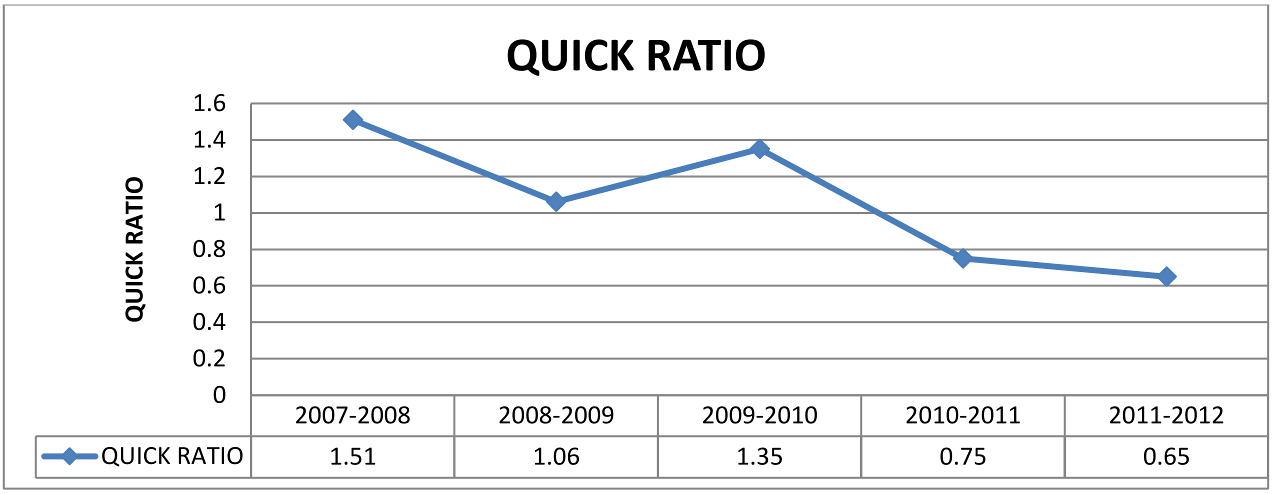
Quick Ratio = Current Assets−Inventory / Current Liability

The Quick ratio of Suzlon energy from 2007-2008 to 2011-2012 are shown in the following table

TABLE 1.5:- QUICK RATIO

YEAR	QUICK RATIO	% CHANGE
2007-2008	1.51	NIL
2008-2009	1.06	-30%
2009-2010	1.35	27%
2010-2011	0.75	-44%
2011-2012	0.65	-13%
MEAN	1.064	
MEDIAN	1.06	

Source: Annual Report of Suzlon energy from 2007-08 to 2011-12



The table Demonstrates the debt equity ratio of Suzlon energy from 2007-2008 to 2011-2012. The lowest ratio observed over the years was 0.65 in 2012. and the highest ratio observed over the years was 1.51 in 2008. The mean quick ratio of 1.064 shows that, on average, the company had just enough liquid assets to cover its short-term debts without depending on inventory. While the ratio is slightly above 1, it suggests the company's liquidity position was not very strong, and it could have struggled in tougher financial situations.

RETURN ON EQUITY RATIO:

The Return on Equity (ROE) Ratio is a financial measure that shows how well a company is using the money invested by its shareholders to make a profit. It reflects the company's ability to turn shareholders' equity into earnings.

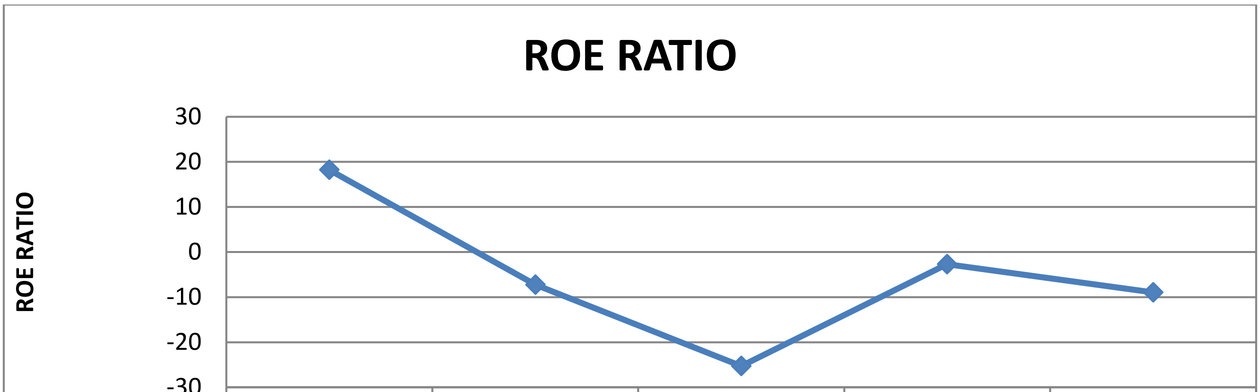
ROE = EquityNet Income / Shareholders' Equity * 100

The Return On Equity of Suzlon energy from 2007-2008 to 2011-2012 are shown in the following table

TABLE 1.6:- RETURN ON EQUITY

YEAR	ROE RATIO	% CHANGE
2007-2008	18.21	NIL
2008-2009	-7.23	-140%
2009-2010	-25.3	250%
2010-2011	-2.73	-89%
2011-2012	-8.98	229%
MEAN	-5.206	
MEDIAN	-7.23	

Source: Annual Report of Suzlon energy from 2007-08 to 2011-12



	2007-2008	2008-2009	2009-2010	2010-2011	2011-2012
ROE RATIO	18.21	-7.23	-25.3	-2.73	-8.98

The table Demonstrates the debt equity ratio of Suzlon energy from 2007-2008 to 2011-2012. The lowest ratio observed over the years was -25.3 in 2010. and the highest ratio observed over the years was 18.21 in 2008. The mean return on equity (ROE) of -5.206 shows that, on average, the company struggled to generate profits from shareholders' equity over the five years. This negative figure suggests the company wasn't using its equity effectively and faced consistent losses, pointing to overall underperformance.

FINDINGS:

- The EPS is fluctuating, with consistent losses after 2007-2008. The company struggled with profitability, as reflected in the mean EPS of -1.536.
- The company's current ratio fell from 1.92 in 2007-2008 to 0.79 in 2011-2012, indicating growing challenges with short-term liquidity.
- The debt-to-equity ratio increased from 0.44 to 1.14, reflecting higher debt reliance, with a mean of 1.006 indicating a balanced mix of debt and equity.
- The net profit margin fluctuated significantly, with a mean of -8.034%, indicating persistent losses. The ratio dropped from 18.23% in 2007-2008 to -7.35% in 2011-2012.
- The quick ratio fell from 1.51 to 0.65, indicating a decline in liquidity, with a mean of 1.064.
- The return on equity declined from 18.21% in 2007-08 to -8.98% in 2011-12, with a mean of -5.206%. This reflects ongoing losses, with sharp drop seen in 2009-2010.

SUGGESTIONS:

- The average EPS of -1.536 shows that the company has been facing struggles with profitability, especially with a significant drop in 2009-2010 [-190%]. Focusing on turning these losses into profits will be crucial for driving future growth.
- The company's average current ratio of 1.28 suggests it generally had enough assets to cover short-term liabilities. However, the declining trend, in 2010-2012, indicates a need for better liquidity management to avoid potential financial strain.
- Given the average debt-to-equity ratio of 1.006, the company should consider reducing its debt, especially after large increases in 2008-2009 [+157%] and 2009-2010 [+20%], to better manage financial risk.

- The company is challenges with profitability, as reflected in a mean net profit margin of -8.034% and a median of -6.45%. The notable loss in 2009-2010 [-40.35%] and continued losses in the following years highlight the need for improved cost control and strategies to boost revenue.
- The quick ratio dropped from 1.51 in 2007-2008 to 0.65 in 2011-2012, with striking declines in 2010-2011 and 2011-2012. With a mean of 1.064, the company's liquidity position weakened over time, indicating a need for better management of liquid assets to meet short-term liabilities.
- The company's return on equity (ROE) showed significant fluctuation, with losses in most years, especially in 2009-2010 [-25.3%] and 2011-2012 [-8.98%]. The mean ROE of -5.206 suggests it struggled to generate consistent profits. To improve, the company should focus on boosting profitability and reducing losses.

CONCLUSION:

Suzlon Energy Ltd. faced major financial struggles between 2008 and 2012 Which resulted from continuous struggles in generating profits. managing liquidity, and controlling its reliance on debt. The company's earnings per share fluctuated widely, and both its current and quick ratios showed a steady decline, reflecting growing difficulties in meeting short-term financial obligations. Persistent losses were evident in its net profit margins, while the rising debt-to-equity ratio highlighted its increasing dependence on borrowed funds. Additionally, Suzlon struggled to deliver value to its shareholders, as indicated by its negative return on equity. These issues point to the need for stronger financial management, including better cost control, more effective liquidity planning, and efforts to reduce debt. Such measures would be essential for Suzlon to regain stability and remain competitive in the renewable energy sector

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