Suzlon Energy's Path to Growth and Strategy: A Case Study of BCG Matrix

Aarsh Gautam, Arjun Rao K
School of Business Management,
Christ deemed to be University, Lavasa, Pune

Today the world is moving towards renewable energy, and wind energy has become a significant part of this transition. Suzlon Energy is an India-based company that is part of this revolution. It is growing rapidly, not only in India but also in other countries. This is the reason for the increase in demand for wind power: environmental concerns and the goal of shifting towards sustainable energy. Suzlon is in a good position as it has created demand for their wind turbines. However, sustaining itself in a fast-changing industry will be a challenge for them.

Suzlon currently has roughly 27% of the wind energy market in India. Suzlon has a critical role to play in India's plan to transition to cleaner energy production. Suzlon has been part of India's green energy plan, as it raised its installed capacity by 1,800 MW in the 2020-21 fiscal. It has invested heavily in research in order to improve its technologies. For instance, it invested over ` 1.5 crore to upgrade its S66 engine which improved its reliability. Now operating in more than 20 countries, Suzlon has effectively expanded its operations beyond India by developing alliances with public and commercial sectors. By 2022, Suzlon's installed capacity worldwide will be 19.2 GW. With the expected 10% annual growth of the wind energy market, the company plans to reach a capacity of 25 GW by 2025. But reaching this target will be difficult because there are many new entrants in this market.

Suzlon earned ` 10,862 crores in the year 2022. As a result, it earned more than ` 1200 crores in revenue from turbine sales and other maintenance services. With this revenue, Suzlon will need to continue pumping money into new projects and technology to sustain its operations since the green energy market is dynamic. Suzlon is now also focusing on high-growth markets such as India and Africa, but these markets are highly risky in their own right. These markets are very risky due to a changing political and legal environment, as well as economic forces that affect demand and the way the business operates.

India, for instance, wants to obtain 140 GW of wind power by 2030. Suzlon has developed a strategy for the same through research and development, though the upgrade of their engines will cost them over ` 1,000 crores. Recently, the offshore wind power segment has gained significant popularity. India has set a goal to achieve 30 GW of offshore wind power by 2030. Suzlon is already looking for business opportunities in Gujarat and Tamil Nadu. By 2026, the offshore wind market is projected to be worth ` 6000 crores, giving Suzlon an opportunity to gain a larger share.

Suzlon holds a solid position in India, but its global market share lags behind that of its competitors, mainly Vestas and Siemens Gamesa. Some of Suzlon's older turbines, such as the S66 model, lag in performance compared to newer, more efficient models offered by competitors. This is why they decided to invest in this particular model to make it more efficient and reliable.

Apart from India, Suzlon has faced losses in global markets such as Europe and the U.S., where both its market share and installations have declined.

However, these challenges have forced Suzlon to innovate and improve its technology to stay competitive in the global market. Financial pressures are also growing. Suzlon's operating expenses rose to ` 1,900 crores in 2023, while its revenues from less competitive products were as low as ` 1,350 crores. After this, the company decided to invest in future growth and create long-term cost management plans.

The most recent news is that Suzlon had good results for the fourth quarter and the whole fiscal year of 2023. In FY23, it made ` 5,947 crores, with ` 1,690 crores coming in just in the fourth quarter. Its EBITDA was ` 832 crores for FY23, and ` 233 crores for Q4. They had orders totalling 1,542 MW by the end of fiscal year 2023. But the important question here is: how long can Suzlon continue to rely on its steady cash cows to support its dreams of global leadership in wind energy? At what point must it find new stars to grow or risk losing its demand in a market that waits for no one?