

## INOX Wind Ltd.

Quarterly (₹ cr)	Q3FY19	Q3FY18	% yoy	Q2FY19	% qoq
Net sales	391	91	330%	437	-11%
EBITDA	61	-18	-439%	53	15%
EBITDA margin (%)	15.7%	-19.8%	3548	12.13%	352
Adjusted PAT	1.67	-46.12	-103.6%	1.52	10%

During the quarter under review, Inox Wind Ltd's (IWL) revenue de-grew by 11% on qoq basis due to lack of availability of substation for SEC-I & II orders, however situation has improved since February, and management expects to increase the commissioning activities, once substation is ready. On the margin front, EBITDA margin improved to 15.7% in Q3FY19 as compared to 12% in previous quarter on account of stock adjustment.

- o IWL has supplied component of 75MW during the quarter.
- o During the quarter, IWL has received LOI of 501.6MW for current SEC-I-III, IV, V, VI and upcoming auction under SECI from Adani Green Energy.
- o Recent issue of land allocation in Gujarat has delayed the execution of few SEC-I orders, however, post intervention of Ministry of New and Renewable Energy, Gujarat state government has come up with land allocation policy. We expect the situation will improve going forward.
- o Key things to watch out for in the near term are (a) execution pick up, (b) resolution of land allocation issue and (c) order inflow. However, by looking at the government's ambitious target to auction 10GW of wind capacity every year till FY2028, our outlook for the sector is positive in the long term.

**Outlook and Valuation:** Considering the changing dynamics of renewable energy consumption and government's thrust to auction 10GW wind capacity by year 2028, we are bullish on the sector, and hence, have a positive outlook on IWL. At the CMP of ₹68, stock is available at PE multiple of 5.3x its FY2020E EPS of ₹13. We recommend a BUY with revised target price from ₹120 to ₹110 on account of delay in commissioning of order.

### Key Financials

Y/E March (₹ cr)	FY16	FY17	FY18	FY19E	FY20E
Net Sales	4,451	3,415	480	1,505	3,416
% chg	65	(23)	(86)	214	127
Net Profit	461	303	(188)	61	287
% chg	(30)	(34)	(162)	(133)	367
EBITDA (%)	16.0%	16.4%	-17.0%	15.0%	15.0%
EPS (Rs)	21	14	(8)	3	13
P/E (x)	3	5	(8)	25	5.3
P/BV (x)	0.8	0.7	0.8	0.7	0.6
RoE (%)	24.4	13.9	(9.4)	3.0	12.2
RoCE (%)	20.4	13.9	(4.7)	5.9	14.2
EV/EBITDA	3.1	4.2	(22.6)	4.7	3.2

Source: Company, Angel Research; Note: CMP as of February 12, 2019

## BUY

CMP ₹68

Target Price ₹110

Investment Period 12 Months

### Stock Info

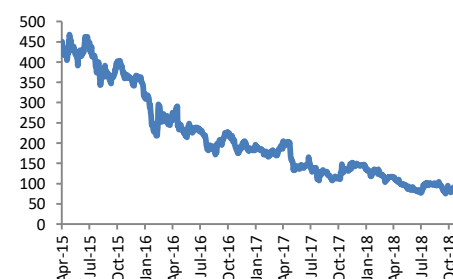
Sector	Capital Goods-Wind
Market Cap (₹ cr)	1,509
Beta	1.0
52 Week High / L	139.9/56.8
Avg. Daily Volume	77,291
Face Value (₹)	10
BSE Sensex	36,153
Nifty	10,831
Reuters Code	INWN.BO
Bloomberg Code	INXW IN

### Shareholding Pattern (%)

Promoters	75.0
MF / Banks / Indian FIs	0.8
FII / NRIs / OCBs	7.5
Indian Public / Others	16.8

Abs.(%)	3m	1yr	Since Listi
Sensex	3.8	6.3	25.2
INOX Wind (22.1)	(45.1)	(84.5)	

### Performance charts since listing



Source: Capitaline, Angel Research

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## Exhibit 1: Q3FY19 Performance

In INR Cr	Q3FY19	Q3FY18	Q2FY19	YOY %	QOQ%
<b>Net Sales</b>	<b>391</b>	<b>91</b>	<b>437</b>	<b>330%</b>	<b>-11%</b>
Total Income	391	91	437	330%	-11%
<b>Total Expenditure</b>	<b>330</b>	<b>109</b>	<b>384</b>	<b>203%</b>	<b>-14%</b>
Raw Material Consumed	250	14	265	1727%	-6%
Stock Adjustment	-24	19	-4	NA	NA
Purchase of Finished Goods	0	0	0	NA	NA
<b>COGS</b>	<b>225</b>	<b>33</b>	<b>261</b>	<b>584%</b>	<b>-14%</b>
(Profit)/ Loss on Forex Transaction	<b>-10</b>	<b>-2</b>	<b>5</b>		
Employee Expenses	22	24	24	-7%	-6%
EPC,O&M, and common Infra Facility expenses	41	30	27	35%	48%
Other Expenses	51	24	66	112%	-23%
<b>As a % of sales</b>					
Raw Material Consumed	64%	15%	61%		
Stock Adjustment	-6%	21%	-1%		
Purchase of Finished Goods	0%	0%	0%		
COGS	90%	241%	98%		
Gross Margin %	42%	64%	40%		
(Profit)/ Loss on Forex Transaction	-3%	-2%	1%	0%	0%
Employee Expenses	9%	176%	9%		
Other Expenses	20%	176%	25%		
<b>EBITDA</b>	<b>61</b>	<b>-18</b>	<b>53</b>	<b>-439%</b>	<b>15%</b>
Other Income	3.23	3.8	5.3	-15%	-39%
Interest	45.44	40.6	39.3	12%	16%
PBDT	18.95	-54.86	18.93	NA	0%
Depreciation	16.23	13	16	21%	-2%
<b>PBT</b>	<b>2.72</b>	<b>-68.26</b>	<b>2.44</b>	<b>NA</b>	<b>11%</b>
Tax	1.05	-22	1	NA	14%
PAT	1.67	-46.12	1.52	NA	10%
<b>Ratios</b>				<b>BPS</b>	<b>BPS</b>
EBITDA margin (%)	16%	-20%	12%	3548	351.77
PAT margin %	0%	-51%	0%	5115	8
Tax rate %	39%	NA	38%	NA	90

Source: Company, Angel Research

## Q3FY2019 Key highlights of the quarter

- During the quarter under review, Inox Wind Ltd. (IWL) has reported de-growth in revenue on qoq basis at ₹391cr from ₹437cr in Q2FY2019. However, EBIDTA/ PAT (₹61cr, up 15% qoq/ ₹1.67cr, up 10% qoq,) despite challenging environment.
- EBIDTA margin increased to normal levels at 15.7% in Q3FY2019 as compared to 11.7% in last quarter on account of stock adjustment and gain in forex transactions.
- Management expects speeding of commissioning activity from Q4FY2019 and Q1FY2020 onwards due to availability in substation for SEC-I and II orders.

- IWL has supplied 75MW of component quarters, 244MW of orders are yet to be commissioned, which will happen over the next couple of months.

#### **Valuation**

Considering the changing dynamics of renewable energy consumption and government's thrust to auction 10GW wind capacity by year 2028, we are bullish on the sector, and hence, have a positive outlook on IWL. At the CMP of ₹68, stock is available at PE multiple of 5.3x its FY2020E EPS of ₹13. We recommend a BUY with revised target price from ₹120 to ₹110 on account of delay in commissioning of orders.

#### **Risks to our estimates**

##### **Delay in auction**

Any delay in auction of wind energy may lead to slowdown in sector, and hence, create an uncertainty in revenue visibility.

## Income statement

Y/E March (₹ cr)	FY16	FY17	FY18	FY19E	FY20E
<b>Total operating income</b>	<b>4,451</b>	<b>3,415</b>	<b>480</b>	<b>1,505</b>	<b>3,416</b>
% chg	65	(23)	(86)	214	127
<b>Total Expenditure</b>	<b>3,737</b>	<b>2,855</b>	<b>561</b>	<b>1,280</b>	<b>2,903</b>
Raw Material	2,716	1,920	47	933	2,118
Personnel	92	117	100	30	68
Loss on Forex Transaction	21	-19	-1	-	-
Others Expenses	908	836	416	316	717
<b>EBITDA</b>	<b>713</b>	<b>560</b>	<b>-81</b>	<b>226</b>	<b>512</b>
% chg	(22)	(21)	(115)	(378)	127
(% of Net Sales)	16.0%	16.4%	-17.0%	15.0%	15.0%
Depreciation & Amortisation	36	44	52	55	59
<b>EBIT</b>	<b>677</b>	<b>517</b>	<b>-134</b>	<b>171</b>	<b>453</b>
% chg	(25)	(24)	(126)	(228)	165
(% of Net Sales)	15	15	-28	11	13
Interest & other Charges	98	155	171	115	95
Other Income	70	65	24	27	29
Extraordinary Items	-	-	-	-	-
<b>Recurring PBT</b>	<b>649</b>	<b>427</b>	<b>-280</b>	<b>83</b>	<b>387</b>
% chg	(24)	(34)	(166)	(130)	367
Tax	188	124	-93	22	101
<b>PAT (reported)</b>	<b>461</b>	<b>303</b>	<b>-188</b>	<b>61</b>	<b>287</b>
% chg	(46)	(34)	(162)	(133)	367
(% of Net Sales)	10.4	8.9	-39.1	4.1	8.4
<b>Basic &amp; Fully Diluted EPS (Rs)</b>	<b>21</b>	<b>14</b>	<b>-8</b>	<b>3</b>	<b>13</b>
% chg	(97)	(34)	(162)	(133)	367

Source: Company, Angel Research

**Balance Sheet**

Y/E March (₹cr)	FY16	FY17	FY18	FY19E	FY20E
<b>SOURCES OF FUNDS</b>					
Equity Share Capital	221.9	221.9	221.9	221.9	221.9
Reserves & Surplus	1,665	1,968	1,782	1,844	2,130
<b>Shareholders Funds</b>	<b>1,887</b>	<b>2,190</b>	<b>2,004</b>	<b>2,066</b>	<b>2,352</b>
Total Loans	1,437	1,528	831	831	831
Other Liabilities	50	113	33	355	355
<b>Total Liabilities</b>	<b>3374</b>	<b>3831</b>	<b>2868</b>	<b>3251</b>	<b>3538</b>
<b>APPLICATION OF FUNDS</b>					
<b>Net Block</b>	<b>569</b>	<b>765</b>	<b>985</b>	<b>1,062</b>	<b>1,098</b>
Capital Work-in-Progress	43	112	20	20	20
Investments	-	53	0	-	-
Long Term Loans & Advances	12	16	15	15	15
<b>Current Assets</b>	<b>3,895</b>	<b>3,938</b>	<b>2,708</b>	<b>2,504</b>	<b>3,505</b>
Inventories	560	690	929	309	702
Sundry Debtors	2,409	2,382	1,339	1,031	2,059
Cash	494	437	127	1,026	462
Loans & Advances	304	87	0	0	0
Investments & Others	128	341	313	137	282
<b>Current liabilities</b>	<b>1,404</b>	<b>1,324</b>	<b>1,230</b>	<b>606</b>	<b>1,337</b>
<b>Net Current Assets</b>	<b>2,491</b>	<b>2,614</b>	<b>1,478</b>	<b>1,899</b>	<b>2,168</b>
Other Non Current Asset	260	270	370	256	238
<b>Total Assets</b>	<b>3374</b>	<b>3831</b>	<b>2868</b>	<b>3251</b>	<b>3538</b>

**Cash flow**

Y/E March (₹cr)	FY16	FY17	FY18	FY19E	FY20E
Profit before tax	649	427	(280)	83	387
Depreciation	36	44	52	55	59
Change in Working Capital	283	(436)	(669)	(568)	1,689
Interest / Dividend (Net)	98	155	171	115	95
Direct taxes paid	188	124	(93)	22	101
Others	(1,418)	(200)	1,088	1,474	(2,551)
<b>Cash Flow from Operations</b>	<b>(163)</b>	<b>114</b>	<b>269</b>	<b>1,181</b>	<b>(219)</b>
(Inc.)/ Dec. in Fixed Assets	(404)	(290)	(186)	(272)	(99)
(Inc.)/ Dec. in Investments	(31)	(111)	302	0	-
<b>Cash Flow from Investing</b>	<b>(968)</b>	<b>(5)</b>	<b>332</b>	<b>(272)</b>	<b>(99)</b>
Issue of Equity	-	-	-	-	-
Inc./(Dec.) in loans	1,403	90	-697	-	-
Others	(901)	(71)	(63)	72	(245)
<b>Cash Flow from Financing</b>	<b>501</b>	<b>19</b>	<b>(760)</b>	<b>72</b>	<b>(245)</b>
Inc./(Dec.) in Cash	(630)	128	(159)	981	(564)
<b>Opening Cash balances</b>	<b>706</b>	<b>76</b>	<b>204</b>	<b>46</b>	<b>1,026</b>
<b>Closing Cash balances</b>	<b>76</b>	<b>204</b>	<b>46</b>	<b>1,026</b>	<b>462</b>

Source: Company, Angel Research

## Key Ratio

Y/E March	FY16	FY17	FY18	FY19E	FY20E
P/E (on FDEPS)	3	5	-8	25	5
P/CEPS	3	4	-11	13	4
P/BV	1	1	1	1	1
EV/Sales	0	1	4	1	0
EV/EBITDA	3	4	-23	5	3
EV / Total Assets	5	4	3	2	3
<b>Per Share Data (Rs)</b>					
EPS (Basic)	21	14	-8	3	13
EPS (fully diluted)	21	14	-8	3	13
Cash EPS	22	16	-6	5	16
DPS	0	0	0	0	0
Book Value	85	99	90	93	106
<b>Returns (%)</b>					
ROCE	20	14	-5	6	14
Angel ROIC (Pre-tax)	24	16	-5	8	15
ROE	24	14	-9	3	12
<b>Turnover ratios (x)</b>					
Inventory / Sales (days)	46	74	707	75	75
Receivables (days)	198	255	1018	250	220
Payables (days)	97	104	408	110	110
Working capital cycle (ex-cash) (days)	146	225	1317	215	185

Source: Company, Angel Research

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1. Financial interest of research analyst or Angel or his Associate or his relative	No
2. Ownership of 1% or more of the stock by research analyst or Angel or associates or relatives	No
3. Served as an officer, director or employee of the company covered under Research	No
4. Broking relationship with company covered under Research	No