Inox Wind

Performance Highlights

Quarterly Data (Consolidated)

(₹ cr)	2QFY16	2QFY15	% chg (yoy)	1QFY16	% chg (qoq)
Revenues	1,008	543	85.6	636	58.6
EBITDA	137	87	57.6	86	58.6
EBITDA margin (%)	13.6	16.0	(242bp)	13.6	-
Reported PAT	89	55	63.5	51	76.5

Source: Company, Angel Research

Inox Wind (IWL) reported a strong set of numbers for 2QFY2016. Its top-line grew by 85.6% yoy to ₹1,008.2cr, led by 212MW of wind turbine generator (WTG) sales (increase of 86% yoy) during the quarter as against 114MW of WTGs supplied during 2QFY2015. The commissioning of the 140MW of WTG (increase of 367% yoy) during the quarter (as against 30MW in 2QFY2015) also contributed to the revenue. The EBITDA during the quarter came in at ₹137cr, an increase of 57.6% yoy; however, the same is lower than our estimate of ₹152.4cr. Its EBITDA margin fell by 242bp yoy to 13.6% and the same is below our estimate of 15.3%. The decline in the EBIDTA margin was largely due to increase in the share of commissioning revenue. The Net profit improved by 63.5% yoy to ₹89.1cr, during the quarter.

Strong order book to boost performance: IWL received new orders worth 194MW during the quarter, and as of September 2015 the order book stands at 1,202MW, down by 1.5% against 1,220MW during June 2015. The strong order book provides revenue visibility over the next 12-15 months. The company also has project sites worth in excess of 5,000MW, which have been acquired or are under various stages of acquisition. Thus, IWL has a healthy revenue visibility in the medium term.

EBIDTA rises by 57.6% yoy: IWL reported an EBIDTA of ₹137cr for the quarter as against ₹87cr during 2QFY2015, thus registering a growth of 57.6% yoy. However, the EBIDTA margin for the quarter came in at 13.6% (our estimate was of 15.3%) as against 16% during 2QFY2015, a dip of 242bp yoy. The margin decline was mainly due to rupee deprecation impacting raw material cost and increase in the share of the relatively lower margin commissioning segment to the overall revenue. Going forward, margin is expected to improve on account of higher supply of 100 meter blades as against 93 meters being currently supplied. Further it will introduce larger 113 meter blades later during FY2016. We expect this higher blade segment to account for 50% of its business, going forward. The larger blades would get higher realizations and would improve the overall margin further. We expect IWL's margin to improve from 16.9% in FY2015 to 17.5% by FY2017.

Outlook and Valuation: We forecast IWL's top-line to grow at a CAGR of 48.1% during FY2015-17 on the back of aggressive capacity expansion, strong order book, and large project sites. We expect EBITDA margin to improve to 17.5% by FY2017 on the basis of higher realization from larger rotor blades and no royalty payment burden from FY2016 onwards. The stock is currently trading at 12.4x its FY2017E EPS. Given the attractive valuation, **we maintain our Buy rating on the stock. We have assigned a multiple of 16x to its FY2017 EPS of ₹31.6 to arrive at a target price of ₹505.**

Key Financials (Consolidated)

Y/E March (₹ cr)	FY2014	FY2015	FY2016E	FY2017E
Operating income	1,567	2,710	4,980	5,943
% chg	48.0	73.0	83.8	19.3
Adj PAT	132	296	590	701
% chg	(12.0)	124.1	99.2	18.7
EBITDA (%)	11.3	16.9	17.0	17.5
EPS (₹)	6.6	13.4	26.6	31.6
P/E (x)	59.0	29.2	14.7	12.4
P/BV (x)	18.2	6.2	4.4	3.2
RoE (%)	36.6	32.6	35.0	30.0
RoCE (%)	20.8	27.6	32.0	31.5
EV/Sales (x)	5.3	3.2	1.9	1.5
EV/EBITDA (x)	46.7	19.2	11.1	8.7

Source: Company, Angel Research; Note: CMP as of October 26, 2015

BUY

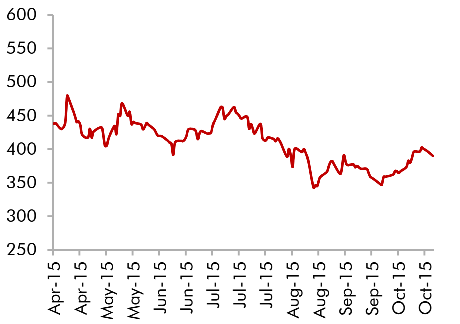
CMP	₹390
Target Price	₹505
Investment Period	12 months

Stock Info	
Sector	Capital Goods
Market Cap (₹ cr)	8,651
Net debt (₹ cr)	135
Beta	1.2
52 Week High / Low	495 / 315
Avg. Daily Volume	1,463,396
Face Value (₹)	10
BSE Sensex	27,362
Nifty	8,261
Reuters Code	NA
Bloomberg Code	INXW IN

Shareholding Pattern (%)	
Promoters	85.6
MF / Banks / Indian Fls	4.8
FII / NRIs / OCBs	3.4
Indian Public / Others	6.2

Abs.(%)	3 Months
Sensex	(2.7)
Inox Wind	(7.9)

3 year price chart



Source: Company, Angel Research

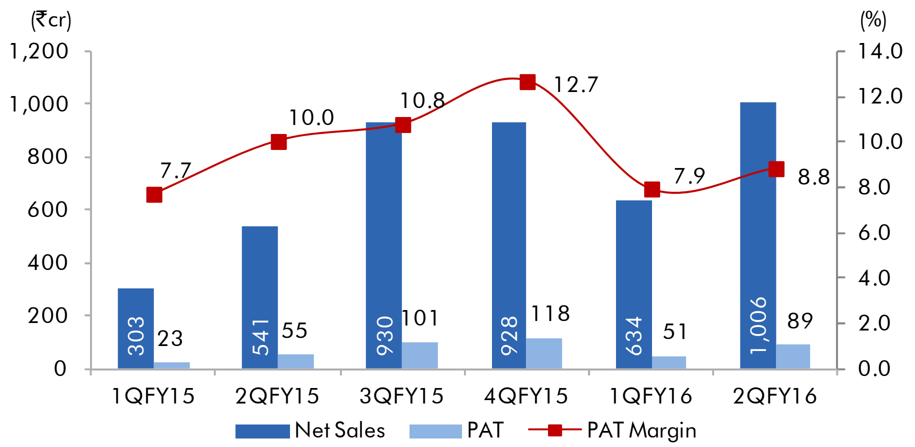
Shrenik C. Gujrathi
022 39357800 Ext: 6872
shrenik.gujrathi@angelbroking.com

Exhibit 1: Quarterly Performance

(₹ Cr)	2QFY2016	2QFY2015	% chg (yoy)	1QFY2016	% chg (qoq)	1HFY2016	1HFY2015	% chg (yoy)
Net Sales	1,006	541	86.0	634	58.7	1,640	844	94.3
Other operating income	2	2		2		4	3	
Total income	1,008	543	85.6	636	58.6	1,644	848	94.0
Stock adjustments	3	(35)		(17)		(14)	(36)	
Raw Material	680	373	82.2	408	66.5	1,088	585	85.9
(% of total income)	67.8	62.3		61.6		65.4	64.8	
Employee Cost	20	13	55.3	19	6.3	39	25	58.2
(% of total income)	2.0	2.4		3.0		2.4	2.9	
EPC cost	78	54	44.1	73	6.5	151	65	131.6
(% of total income)	7.7	10.0		11.5		9.2	7.7	
Other Expenses	90	51	77.9	66	36.8	156	75	108.7
(% of total income)	8.9	9.3		10.3		9.5	8.8	
Total Expenditure	871	456	91.0	549	58.6	1,421	714	99.1
EBITDA	137	87	57.6	86	58.6	223	134	66.7
(EBITDA %)	13.6	16.0		13.6		13.6	15.8	
Interest	28	15	94.6	22	28.2	50	30	67.0
Depreciation	8	5	62.8	6	25.5	14	9	54.4
Other Income	21	6	237.9	11	91.7	31	8	307.8
PBT	121	74	64.8	69	76.7	190	102	85.9
PBT (%)	12.0	13.6		10.8		11.6	12.1	
Total Tax	32	19	(68.7)	18	77.1	50	24	(107.9)
(% of PBT)	26.6	26.0		26.5		26.6	23.7	
Reported PAT (After Min. Int.)	89	55	63.5	51	76.5	140	78	79.0
PAT Margins(%)	8.8	10.0		7.9		8.5	9.2	
Extra ordinary exp/(inc)	0	0		0		0	0	
Adj PAT	89	55	63.5	51	76.5	140	78	79.0
EPS (₹)	4.0	2.7	47.3	2.3	76.5	6.3	3.9	61.4

Source: Company, Angel Research

Exhibit 2: Financial Performance

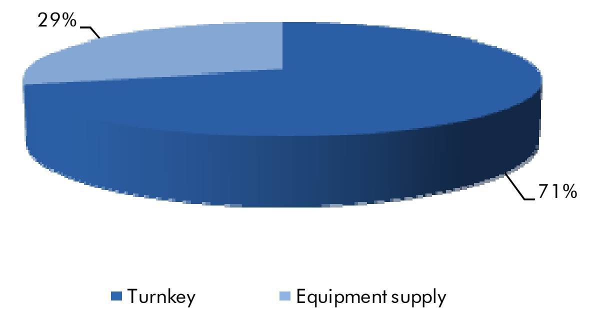


Source: Company, Angel Research

Strong order book and ready pipeline of project sites

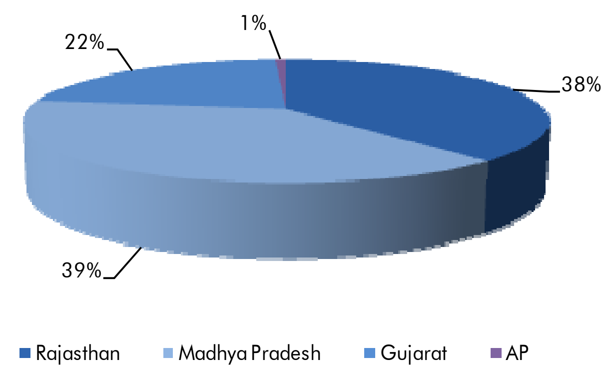
IWL has delivered a strong volume growth of 84% during 1HFY2016, wherein it has sold 332MW of WTGs as against 180MW sold during 1HFY2015. During 2QFY2016 the company sold 212MW of WTGs as against 114MW of WTGs sold during 2QFY2015 (growth of 85.6% yoy). The order book as of June 2015 stands at 1,202MW (down by 1.5% qoq) as against 1,220MW during June 2015, having an execution period of 12-15 months. Out of this order book, 71% are turnkey orders, while the remaining 29% orders are for supply of WTGs. The Management is optimistic about the future order inflow, mainly driven by government focus on renewable sector and larger capex from independent power producers (IPPs).

Exhibit 3: Turnkey vs Equipment supply Order Book breakup



Source: Company, Angel Research

Exhibit 4: Geography wise Order Book



Source: Company, Angel Research

The company also has project sites worth in excess of 5,000MW, which have been acquired or are under various stages of acquisition. These sites are located across Rajasthan, Gujarat, Madhya Pradesh, Andhra Pradesh and Maharashtra. Thus, it provides healthy revenue visibility for IWL over the next few years.

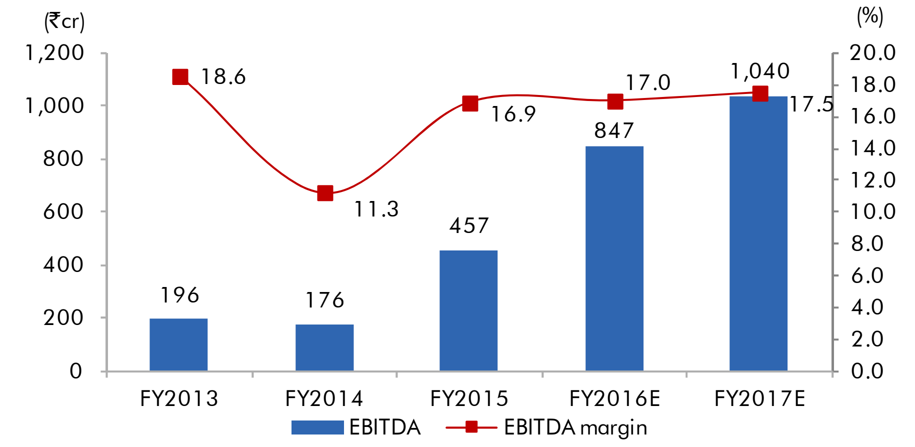
Improvement in working capital cycle

IWL improved its working capital (WC) cycle from 169 days in 1QFY2016 to 148 days in 2QFY2016. It was mainly due to reduced capacity mismatch, efficient execution and increased project commissioning. The Management is confident of further reducing the WC cycle and expects it to stabilize in the range of 120-150days.

Margin expected to improve

On the EBITDA front, the company's consolidated margin for 2QFY2016 declined by 242bp yoy to 13.6% and was below our estimate of 15.3%. It was led by rupee depreciation (as 64% of raw material is imported) and increase in contribution of the relatively low margin commissioning segment to the overall revenue. Going forward, as IWL's blade plant in Madhya Pradesh commences production of larger diameter blades (of 100meters vs 93 meters earlier), we expect 50% of its business to come from this segment. The larger blades would get higher realizations and would improve the overall margin. We expect IWL's margin to improve from 16.9% in FY2015 to 17.5% by FY2017.

Exhibit 5: Expected margin improvement



Source: Company, Angel Research

Outlook and Valuation: We forecast IWL's top-line to grow at a CAGR of 48.1% during FY2015-17, on the back of aggressive capacity expansion, strong order book and larger project sites. We expect the EBITDA margin to improve to 17.5% by FY2017 on the basis of higher realization of larger rotor blades (expect 50% of revenue to come from this segment). Further, there would be no royalty payment from FY2016. The stock is trading at 13.7x its FY2017E EPS. Given the attractive valuation, **we recommend a Buy rating on the stock. We have assigned a multiple of 16x to its FY2017 EPS of ₹31.6 to arrive at a target price of ₹505.**

Company Background

Inox Wind Ltd (IWL), incorporated in 2009 and a part of the Inox Group, is one of the leading manufacturers of wind turbine generators in India. The company also provides turnkey solutions, and operation and maintenance services for wind power projects. Currently, IWL has an installed capacity of 550 nacelles and hubs at Una, Himachal Pradesh, 400 rotor blade sets, and a capacity of 300 towers at Rohika, Ahmedabad, Gujarat. The company is setting up a new integrated capacity of 400 nacelles and hubs, 400 rotor blade sets, and 300 towers at Barwani, Madhya Pradesh. This would take the total nacelles and hubs capacity to 950 units, rotor blades capacity to 800 sets, and tower capacity to 600 units.

Profit & Loss Statement (Consolidated)

Y/E March (₹ cr)	FY2013	FY2014	FY2015	FY2016E	FY2017E
Net Sales	**1,059**	**1,567**	**2,710**	**4,980**	**5,943**
% Chg	*70.3*	*48.0*	*73.0*	*83.8*	*19.3*
Total expenditure	**862**	**1,391**	**2,252**	**4,133**	**4,903**
Net Raw Materials	679	940	1,671	3,087	3,685
EPC and O&M expenses	94	273	364	672	802
Employee expenses	25	38	55	100	119
Other expenses	64	139	163	274	297
EBITDA	**196**	**176**	**457**	**847**	**1,040**
% Chg	*38.5*	*(10.3)*	*159.5*	*85.1*	*22.9*
EBIDTA %	**18.6**	**11.3**	**16.9**	**17.0**	**17.5**
Depreciation	9	12	20	36	40
EBIT	188	165	437	811	1,001
% Chg	*39.7*	*(12.2)*	*165.4*	*85.5*	*23.4*
Interest Charges	39	46	62	80	76
Other Income	5	9	14	57	10
(% of Net Sales)	*0.5*	*0.6*	*0.5*	*1.1*	*0.2*
PBT	154	128	389	787	934
Tax	3	(4)	93	197	234
% of PBT	*2.1*	*(3.5)*	*23.8*	*25.0*	*25.0*
PAT	**150**	**132**	**296**	**590**	**701**
% Chg	*50.6*	*(12.0)*	*124.1*	*99.2*	*18.7*
PAT %	*14.2*	*8.4*	*10.9*	*11.9*	*11.8*
Diluted EPS (₹)	**7.5**	**6.6**	**13.4**	**26.6**	**31.6**

Balance Sheet (Consolidated)

Y/E March (₹ cr)	FY2013	FY2014	FY2015	FY2016E	FY2017E
Sources of Funds					
Equity Capital	40	200	222	222	222
Reserves Total	256	228	1,170	1,760	2,461
Networth	**296**	**428**	**1,392**	**1,982**	**2,683**
Total Debt	337	480	845	845	845
Other long term Liabilities	2	2	2	2	2
Deferred Tax Liability	20	15	0	0	0
Total Liabilities	**654**	**926**	**2,239**	**2,830**	**3,530**
Application of Funds					
Gross Block	177	204	277	477	527
Accumulated Depreciation	21	32	52	88	127
Net Block	**157**	**172**	**225**	**389**	**400**
Capital WIP	4	25	25	25	25
Goodwill	0	2	2	2	2
Investments	0	45	0	0	0
Deferred Tax Assets	0	0	1	1	1
Current Assets					
Inventories	79	271	424	752	897
Sundry Debtors	500	710	1,432	2,427	2,652
Cash and Bank Balance	2	4	710	131	419
Loans, Advances and Deposits	196	203	344	631	754
Other Current Asset	12	48	34	62	74
Current Liabilities	296	554	957	1,591	1,693
Net Current Assets	**494**	**681**	**1,986**	**2,412**	**3,102**
Miscellaneous Expenditure	0	0	0	0	0
Total Assets	**654**	**926**	**2,239**	**2,830**	**3,530**

Cash Flow Statement (Consolidated)

Y/E March (₹ cr)	FY2013	FY2014	FY2015	FY2016E	FY2017E
Profit before tax	154	128	389	787	934
Depreciation	9	12	20	36	40
Change in Working Capital	(286)	(185)	(599)	(1,004)	(403)
Interest / Dividend (Net)	34	46	62	80	76
Direct taxes paid	(29)	(4)	93	197	234
Other income	(3)	9	14	57	10
Cash Flow from Operations	(121)	(5)	(234)	(355)	404
(Inc.)/ Dec. in Fixed Assets	(351)	(48)	(73)	(200)	(50)
(Inc.)/ Dec. in Investments	216	(45)	45	0	0
Other income	(3)	9	14	57	10
Cash Flow from Investing	(135)	(84)	(14)	(143)	(40)
Issue of Equity	0	160	22	0	0
Inc./(Dec.) in loans	256	144	365	0	0
Dividend Paid (Incl. Tax)	0	0	0	0	0
Others	(38)	(213)	567	(80)	(76)
Cash Flow from Financing	219	91	953	(80)	(76)
Inc./(Dec.) in Cash	(38)	2	706	(578)	287
Opening Cash balances	39	1	4	709	131
Closing Cash balances	1	4	709	131	419

Key Ratios (Consolidated)

Y/E March	FY2013	FY2014	FY2015E	FY2016E	FY2017E
Valuation Ratio (x)					
P/E (on FDEPS)	57.6	65.5	32.4	16.3	13.7
P/CEPS	54.4	60.2	30.3	15.3	13.0
P/BV	5.9	20.2	6.9	4.8	3.6
EV/Sales	8.5	5.8	3.6	2.1	1.7
EV/EBITDA	45.8	51.6	21.3	12.2	9.6
EV / Total Assets	13.8	9.8	4.4	3.6	2.8
Per Share Data (₹)					
EPS (fully diluted)	7.5	6.6	13.4	26.6	31.6
Cash EPS	8.0	7.2	14.3	28.2	33.4
Book Value	73.9	21.4	62.7	89.3	120.9
Returns (%)					
RoCE (Pre-tax)	28.7	20.8	27.6	32.0	31.5
Angel RoIC (Pre-tax)	28.9	22.0	37.1	38.8	34.7
RoE	50.9	36.6	32.6	35.0	30.0
Turnover ratios (x)					
Asset Turnover (Gross Block)	6.0	8.2	11.3	13.2	11.8
Inventory / Sales (days)	27	41	47	43	51
Receivables (days)	172	141	144	141	156
Payables (days)	125	112	122	113	122
WC cycle (ex-cash) (days)	170	136	132	130	152
Solvency ratios (x)					
Net debt to equity	1.1	1.0	0.1	0.4	0.2
Net debt to EBITDA	1.7	2.4	0.3	0.8	0.4
Interest Coverage (EBIT / Int.)	4.8	3.6	7.0	10.1	13.2

Research Team Tel: 022 - 39357800 E-mail: research@angelbroking.com Website: www.angelbroking.com

DISCLAIMER

Angel Broking Private Limited (hereinafter referred to as "Angel") is a registered Member of National Stock Exchange of India Limited, Bombay Stock Exchange Limited and Metropolitan Stock Exchange of India Limited. It is also registered as a Depository Participant with CDSL and Portfolio Manager with SEBI. It also has registration with AMFI as a Mutual Fund Distributor. Angel Broking Private Limited is a registered entity with SEBI for Research Analyst in terms of SEBI (Research Analyst) Regulations, 2014 vide registration number INH000000164. Angel or its associates has not been debarred/ suspended by SEBI or any other regulatory authority for accessing /dealing in securities Market. Angel or its associates including its relatives/analyst do not hold any financial interest/beneficial ownership of more than 1% in the company covered by Analyst. Angel or its associates/analyst has not received any compensation / managed or co-managed public offering of securities of the company covered by Analyst during the past twelve months. Angel/analyst has not served as an officer, director or employee of company covered by Analyst and has not been engaged in market making activity of the company covered by Analyst.

This document is solely for the personal information of the recipient, and must not be singularly used as the basis of any investment decision. Nothing in this document should be construed as investment or financial advice. Each recipient of this document should make such investigations as they deem necessary to arrive at an independent evaluation of an investment in the securities of the companies referred to in this document (including the merits and risks involved), and should consult their own advisors to determine the merits and risks of such an investment.

Reports based on technical and derivative analysis center on studying charts of a stock's price movement, outstanding positions and trading volume, as opposed to focusing on a company's fundamentals and, as such, may not match with a report on a company's fundamentals.

The information in this document has been printed on the basis of publicly available information, internal data and other reliable sources believed to be true, but we do not represent that it is accurate or complete and it should not be relied on as such, as this document is for general guidance only. Angel Broking Pvt. Limited or any of its affiliates/ group companies shall not be in any way responsible for any loss or damage that may arise to any person from any inadvertent error in the information contained in this report. Angel Broking Pvt. Limited has not independently verified all the information contained within this document. Accordingly, we cannot testify, nor make any representation or warranty, express or implied, to the accuracy, contents or data contained within this document. While Angel Broking Pvt. Limited endeavors to update on a reasonable basis the information discussed in this material, there may be regulatory, compliance, or other reasons that prevent us from doing so.

This document is being supplied to you solely for your information, and its contents, information or data may not be reproduced, redistributed or passed on, directly or indirectly.

Neither Angel Broking Pvt. Limited, nor its directors, employees or affiliates shall be liable for any loss or damage that may arise from or in connection with the use of this information.

Note: Please refer to the important 'Stock Holding Disclosure' report on the Angel website (Research Section). Also, please refer to the latest update on respective stocks for the disclosure status in respect of those stocks. Angel Broking Pvt. Limited and its affiliates may have investment positions in the stocks recommended in this report.

Disclosure of Interest Statement	**Inox Wind**
1. Analyst ownership of the stock	No
2. Angel and its Group companies ownership of the stock	No
3. Angel and its Group companies' Directors ownership of the stock	No
4. Broking relationship with company covered	No

Note: We have not considered any Exposure below ₹1 lakh for Angel, its Group companies and Directors

Ratings (Based on expected returns over 12 months investment period):	*Buy (> 15%)*	*Accumulate (5% to 15%)* *Reduce (-5% to -15%)*	*Neutral (-5 to 5%)* *Sell (< -15)*