

# INOX Wind Ltd.

Quarterly (₹ cr)	Q2FY19	Q2FY18	% yoy	Q1FY19	% qoq
Net sales	437	80	449%	430	1%
EBITDA	53	-20	NA	70	-25%
EBITDA margin (%)	12.1%	-25.4%	NA	16.4%	-422
Adjusted PAT	1.52	-70.60	NA	10.44	-85%

During the quarter under review, Inox Wind Ltd. (IWL) has reported flattish growth in revenue on qoq basis at INR 437 cr from INR 430 cr. However, EBITDA/ PAT (INR 53 cr., (-25% qoq)/INR 1.52cr (-85% qoq)) declined drastically. EBITDA margin fell by 422bps to 12.13% from 16.35% during the same period on account of forex loss of INR 5 cr as against forex gain of INR 2 cr in previous quarter and increases in other expenses such as payment of royalty against purchase of turbines and job handling charges.

- IWL has delivered 170MW of wind turbines during H1FY2019 and left with an order book of 780MW, which is executable by FY2020-21. During the quarter, it has delivered 90MW as against 80MW in Q1FY19. Further, IWL is in the advanced stage to conclude 600MW order from various IPPs.
- Key things to watch out for in the near term are (a) execution pick up, (b) meaningful reduction in debt level 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 sector looks promising in long term.

**Outlook and Valuation:** Considering the changing dynamics of renewable energy consumption and government's thrust to auction 10 GW wind capacity every year by 2028, we are bullish on sector and hence have a positive outlook on IWL. At the CMP of INR 90, stock is available at PE multiple of 5.8x its FY2020E EPS of INR 16. We recommend a BUY on Inox Wind and assign a multiple of 7.5x to arrive at a target price of INR 120 implying a potential upside of 33%.

## Key Financial

Y/E March (₹ cr)	FY16	FY17	FY18	FY19E	FY20E
Net Sales	4,451	3,415	480	3,005	4,036
% chg	65	(23)	(86)	526	34
Net Profit	461	303	-188	228	355
% chg	(30)	(34)	(162)	(221)	56
EBITDA (%)	16.0%	16.4%	-17.0%	15.0%	15.0%
EPS (Rs)	21	14	-8	10	16
P/E (x)	4	7	-11	9	5.6
P/BV (x)	1.1	0.9	1.0	0.9	0.8
RoE (%)	24.4	13.9	(9.4)	10.2	13.7
RoCE (%)	20.4	13.9	(4.7)	12.9	16.0
EV/EBITDA	3.8	5.0	(28.6)	5.0	3.6

## BUY

CMP	₹90
Target Price	₹120

Investment Period 12 Months

Stock Info	
Sector	Capital Goods-Wind
Market Cap (₹ cr)	1,997
Beta	1.3
52 Week High / Low	158/73
Avg. Daily Volume	25,125
Face Value (₹)	10
BSE Sensex	35,158
Nifty	10,585
Reuters Code	INWN.BO
Bloomberg Code	INXW IN

## Shareholding Pattern (%)

Promoters	75.0
MF / Banks / Indian Fls	0.8
FII / NRIs / OCBs	7.6
Indian Public / Others	16.6

Abs.(%)	3m	1yr	3yr
Sensex	0.03	12.6	25.3
INOX Wind	(8.7)	(32.9)	(75.9)

## 3 Years Performance charts



Source: Capitaline Angel Research

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**Exhibit 1: Q2FY19 Performance**

In INR Cr	Q2FY19	Q2FY18	Q1FY19	YOY %	QOQ%
<b>Net Sales</b>	<b>437</b>	<b>80</b>	<b>430</b>	<b>449%</b>	<b>1%</b>
Total Income	437	80	430	449%	1%
<b>Total Expenditure</b>	<b>384</b>	<b>100</b>	<b>360</b>	<b>285%</b>	<b>7%</b>
Raw Material Consumed	265	4	251	5874%	6%
Stock Adjustment	-4	20	2	NA	NA
Purchase of Finished Goods	0	0	0	NA	NA
<b>COGS</b>	<b>261</b>	<b>24</b>	<b>253</b>	<b>970%</b>	<b>3%</b>
(Profit)/ Loss on Forex Transaction	<b>5</b>	<b>2</b>	<b>-2</b>		
Employee Expenses	24	26	22	-8%	7%
EPC,O&M, and common Infra Facility expenses	27	29	38	-5%	-27%
Other Expenses	66	18	50	269%	33%
<b>As a % of sales</b>					
Raw Material Consumed	61%	6%	58%		
Stock Adjustment	-1%	25%	0%		
Purchase of Finished Goods	0%	0%	0%		
COGS	98%	550%	101%		
Gross Margin %	40%	69%	41%		
(Profit)/ Loss on Forex Transaction	1%	3%	-1%	0%	0%
Employee Expenses	9%	585%	9%		
Other Expenses	25%	405%	20%		
<b>EBITDA</b>	<b>53</b>	<b>-20</b>	<b>70</b>	<b>NA</b>	<b>-25%</b>
Other Income	5.29	7.6	3.3	-31%	61%
Interest	39.34	44.5	39.1	-12%	1%
PBDT	18.93	-57.08	34.55	NA	-45%
Depreciation	16.49	14	16	22%	1%
<b>PBT</b>	<b>2.44</b>	<b>-70.60</b>	<b>18.19</b>	<b>NA</b>	<b>-87%</b>
Tax	0.92	-	8	NA	-88%
PAT	1.52	-71	10	NA	-85%
<b>Ratios</b>				<b>BPS</b>	<b>BPS</b>
EBITDA margin (%)	12.13%	-25.44%	16.35%	NA	-422.20
PAT margin %	0.35%	-88.79%	2.43%	NA	-208
Tax rate %	37.70%	NA	42.61%	NA	-490

Source: Company, Angel Research

**Q2FY2019 Key highlights of results**

- During the quarter under review, Inox Wind Ltd. (IWL) has reported flattish growth in revenue on qoq basis at INR 437 cr from INR 430 cr. However, EBIDTA/ PAT (INR 53 cr., -25% qoq/ INR 1.52 cr (-85%) (qoq) declined drastically;
- EBIDTA margin fell by 422bps points to 12.13% from 16.35% on account of forex loss of INR 5 cr as against forex gain of INR 2 cr in previous quarter and increases in other expenses such as payment of royalty against purchase of turbines and job handling charges;
- IWL had to take the hit of foreign exchange fluctuation as most of the execution for the company is happening from SECI-I and SECI-II, where there is no pass

on benefit available. Currently, IWL import raw material roughly 30-35% of revenue in three foreign currencies namely USD, EURO and YUAN; however, the management is looking to change the import mix to a favourable currency. We believe this move will help to improve IWL's margins going forward;

- IWL has delivered 170MW of wind turbines during H1FY2019 and left with an order book of 780MW, which is executable by FY2020-21. During the quarter, it has delivered 90MW as against 80MW in Q1FY19. IWL is in the advanced stage to conclude 600MW order from various IPPs.

### **Outlook & Valuation**

Considering the changing dynamics of renewable energy consumption and government's thrust to auction 10 GW wind every year capacity by 2028, we are bullish on sector and hence have a positive outlook on IWL. At the CMP of INR 90, stock is available at PE multiple of 5.8x its FY2020E EPS of INR 15.6. We recommend a Buy on Inox Wind and assign a multiple of 7.5x to arrive at a target price of INR 120 implying a potential upside of 33%.

### **Risks to our estimates**

#### **Delay in auction**

Any delay in auction of wind energy may leads to slowdown in sector 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>3,005</b>	<b>4,036</b>
% chg	65	(23)	(86)	526	34
<b>Total Expenditure</b>	<b>3,737</b>	<b>2,855</b>	<b>561</b>	<b>2,555</b>	<b>3,430</b>
Raw Material	2,716	1,920	47	1,863	2,502
Personnel	92	117	100	60	81
Loss on Forex Transaction	21	-19	-1	-	-
Others Expenses	908	836	416	631	847
<b>EBITDA</b>	<b>713</b>	<b>560</b>	<b>-81</b>	<b>451</b>	<b>605</b>
% chg	(22)	(21)	(115)	(654)	34
(% 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>396</b>	<b>546</b>
% chg	(25)	(24)	(126)	(397)	38
(% of Net Sales)	15	15	-28	13	14
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>308</b>	<b>480</b>
% chg	(24)	(34)	(166)	(210)	56
Tax	188	124	-93	80	125
<b>PAT (reported)</b>	<b>461</b>	<b>303</b>	<b>-188</b>	<b>228</b>	<b>355</b>
% chg	(46)	(34)	(162)	(221)	56
(% of Net Sales)	10.4	8.9	-39.1	7.6	8.8
<b>Basic &amp; Fully Diluted EPS (Rs)</b>	<b>21</b>	<b>14</b>	<b>-8</b>	<b>10</b>	<b>16</b>
% chg	(97)	(34)	(162)	(221)	56

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	2,010	2,366
<b>Shareholders Funds</b>	<b>1,887</b>	<b>2,190</b>	<b>2,004</b>	<b>2,232</b>	<b>2,588</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>3418</b>	<b>3773</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	21	21
<b>Current Assets</b>	<b>3,895</b>	<b>3,938</b>	<b>2,708</b>	<b>3,275</b>	<b>4,012</b>
Inventories	560	690	929	618	829
Sundry Debtors	2,409	2,382	1,339	2,059	2,432
Cash	494	437	127	368	466
Loans & Advances	304	87	0	0	0
Investments & Others	128	341	313	231	284
<b>Current liabilities</b>	<b>1,404</b>	<b>1,324</b>	<b>1,230</b>	<b>1,163</b>	<b>1,579</b>
<b>Net Current Assets</b>	<b>2,491</b>	<b>2,614</b>	<b>1,478</b>	<b>2,112</b>	<b>2,432</b>
Other Non Current Asset	260	270	370	203	202
<b>Total Assets</b>	<b>3374</b>	<b>3831</b>	<b>2868</b>	<b>3418</b>	<b>3773</b>

Source: Company, Angel Research

**Cash flow**

Y/E March (`cr)	FY16	FY17	FY18	FY19E	FY20E
Profit before tax	649	427	(280)	308	480
Depreciation	36	44	52	55	59
Change in Working Capital	283	(436)	(669)	316	237
Interest / Dividend (Net)	98	155	171	115	95
Direct taxes paid	188	124	(93)	80	125
Others	(1,418)	(200)	1,088	(351)	(553)
<b>Cash Flow from Operations</b>	<b>(163)</b>	<b>114</b>	<b>269</b>	<b>522</b>	<b>443</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)	322	98
<b>Opening Cash balances</b>	<b>706</b>	<b>76</b>	<b>204</b>	<b>46</b>	<b>368</b>
<b>Closing Cash balances</b>	<b>76</b>	<b>204</b>	<b>46</b>	<b>368</b>	<b>466</b>

Source: Company, Angel Research

**Key Ratio**

<b>Y/E March</b>	<b>FY16</b>	<b>FY17</b>	<b>FY18</b>	<b>FY19E</b>	<b>FY20E</b>
P/E (on FDEPS)	4	7	-11	8.8	5.6
P/CEPS	4	6	-15	7.1	4.8
P/BV	1	1	1	0.9	0.8
EV/Sales	1	1	5	0.8	0.5
EV/EBITDA	4	5	-29	5.0	3.6
EV / Total Assets	6	5	4	4.0	3.8
<b>Per Share Data (Rs)</b>					
EPS (Basic)	21	14	-8	10.3	16.0
EPS (fully diluted)	21	14	-8	10.3	16.0
Cash EPS	22	16	-6	12.7	18.7
DPS	0	0	0	0.0	0.0
Book Value	85	99	90	100.6	116.6
<b>Returns (%)</b>					
ROCE	20	14	-5	12.9	16.0
Angel ROIC (Pre-tax)	24	16	-5	13.1	16.6
ROE	24	14	-9	10.2	13.7
<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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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