

INOX Wind Ltd.

Quarterly (₹ cr)	Q4FY19	Q4FY18	% yoy	Q3FY19	% qoq
Net sales	180	203	-12%	391	-54%
EBITDA	-28	-30	-5%	61	-146%
EBITDA margin (%)	-15.8%	-14.6%	-114	15.65%	-3142%
Adjusted PAT	-53.56	-55.62	-3.7%	1.67	-3307%

During the quarter under review (Q4FY2019), Inox Wind Ltd. (IWL) has reported de-growth in revenue by 12% on yoy basis at ₹180cr from ₹203cr in the corresponding quarter previous year. The de-growth in revenue was primarily on account of slow order execution and delay of SECI-I & II orders commissioning. Further, an increase in raw material prices and fixed cost expenses dragged profitability at operating level resulting in loss of ₹28cr at EBITDA level. Thus, net loss widened to ₹53.56cr compared to profit of ₹1.67cr on sequential basis. For full year ended March 31, 2019, loss has narrowed down to ₹40cr vs. loss of ₹180cr in the previous year.

Currently, IWL has been left with net order book of 726 MW excluding LOI of 501 MW and 23 MW from leading IPP.

Key things to watch out for FY2020 would be the ramp-up in execution of SECI-I & II order, which has already been delayed by many months now. However, in the beginning of FY2020, IWL has received grid connectivity ready for SECI-I commissioning, which will also help to commission SECI-II order as well. Management has guided that SECI-I would be commissioned in Q1FY2020 itself, and expects to execute around 600 MW order during FY2020.

During the year, IWL has supplied 264 MW and is left with net order book of 726 MW and also signed agreement for its newly launched 3.3 MW turbine with leading IPP.

Outlook and Valuation: Considering the changing dynamics of renewable energy consumption and government's thrust to auction 10 GW wind capacity by year 2028, we are bullish on the sector, and hence, have a positive outlook on IWL. At the CMP of ₹60, the stock is available at PE multiple of 5.5x its FY2021E EPS of ₹11. We recommend a BUY on stock and assign a multiple of 9x to arrive at a target price of ₹100, implying a potential upside of 66%.

Key Financials

Y/E March (₹ cr)	FY17	FY18	FY19	FY20E	FY21E
Net Sales	3,415	480	1,437	3,416	3,306
% chg	(23)	(86)	200	138	(3)
Net Profit	303	(188)	(40)	295	244
% chg	(34)	(162)	(79)	(837)	(17)
EBITDA (%)	16.4%	-17.0%	10.9%	15.0%	14.3%
EPS (Rs)	14	(8)	(2)	13	11
P/E (x)	4	(7)	(33)	4.5	5.5
P/BV (x)	0.6	0.7	0.7	0.6	0.5
RoE (%)	13.9	(9.4)	(2.0)	13.0	9.8
RoCE (%)	13.9	(4.7)	2.9	13.5	11.4
EV/EBITDA	3.8	(20.5)	12.0	2.0	1.4

BUY

CMP ₹60

Target Price ₹100

Investment Period 12 Months

Stock Info

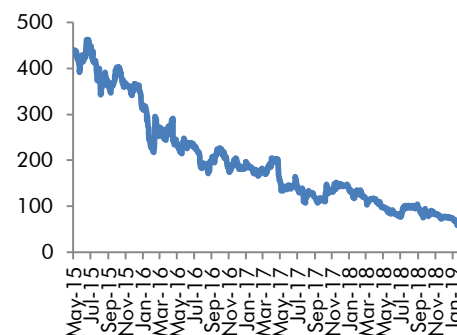
Sector	Capital Goods-Wind
Market Cap (₹ cr)	1,332
Beta	1.0
52 Week High / Low	153/55
Avg. Daily Volume	10,566
Face Value (₹)	10
BSE Sensex	39,353
Nifty	11,828
Reuters Code	INWN.BO
Bloomberg Code	INXW IN

Shareholding Pattern (%)

Promoters	75.0
MF / Banks / Indian Fls	0.8
FII / NRIs / OCBs	7.3
Indian Public / Others	16.9

Abs.(%)	3m	1yr	3yr
Sensex	10.1	13.7	41.4
INOX Wind	(2.8)	(39.5)	(86.0)

3 Years Performance charts



Source: Capitaline Angel Research

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Exhibit 1: Q4FY19 Performance

In INR Cr	Q4FY19	Q4FY18	Q3FY19	YOY %	QOQ%
Net Sales	180	203	391	-12%	-54%
Total Income	180	203	391	-12%	-54%
Total Expenditure	208	233	330	-11%	-37%
Raw Material Consumed	91	15	250	514%	-64%
Stock Adjustment	-19	50	-24	NA	NA
Purchase of Finished Goods	0	0	0	NA	NA
COGS	72	65	225	10%	-68%
(Profit)/ Loss on Forex Transaction	0.3	4	-10		
Employee Expenses	25	23	22	11%	12%
EPC,O&M, and common Infra Facility expenses	74	69	41	NA	82%
Other Expenses	37	72	51	-49%	-28%
As a % of sales					
Raw Material Consumed	51%	7%	64%		
Stock Adjustment	-11%	25%	-6%		
Purchase of Finished Goods	0%	0%	0%		
COGS	40%	32%	90%		
Gross Margin %	60%	68%	42%		
(Profit)/ Loss on Forex Transaction	0%	2%	-3%		
Employee Expenses	14%	11%	9%		
Other Expenses	21%	35%	20%		
EBITDA	-28	-30	61	-5%	-146%
Other Income	4.59	2.2	3.7	106%	25%
Interest	44.69	43.7	45.4	2%	-2%
PBDT	-68.41	-71.21	19.39	NA	-453%
Depreciation	16.98	12	16	39%	5%
Share of Profit/(Loss) Associates	-0.02	0.02	0		
PBT	-85.41	-83.44	2.72	NA	-3240%
Tax	-31.85	-28	1.05	NA	NA
PAT	-53.56	-55.62	1.67	NA	NA
Ratios				BPS	BPS
EBITDA margin (%)	-16%	-15%	16%	-114	NA
PAT margin %	-30%	-27%	0%	-249	-3026
Tax rate %	NA	NA	39%	NA	-NA

Source: Company, Angel Research

Valuation

Outlook and Valuation: Considering the changing dynamics of renewable energy consumption and government's thrust to auction 10 GW wind capacity by year 2028, we are bullish on the sector, and hence, have a positive outlook on IWL. At the CMP of ₹60, the stock is available at PE multiple of 5.5x its FY2021E EPS of ₹11. We recommend a BUY on stock and assign a multiple of 9x to arrive at a target price of ₹100, implying a potential upside of 66%.

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)	FY17	FY18	FY19	FY20E	FY21E
Total operating income	3,415	480	1,437	3,416	3,306
% chg	(23)	(86)	200	138	(3)
Total Expenditure	2,855	561	1,281	2,903	2,833
Raw Material	1,920	47	883	2,118	2,050
Personnel	117	100	94	68	66
Loss on Forex Transaction	-19	-1	-7	-	1
Others Expenses	836	416	311	717	716
EBITDA	560	-81	156	512	473
% chg	(21)	(115)	(292)	228	(8)
(% of Net Sales)	16.4%	-17.0%	10.9%	15.0%	14.3%
Depreciation & Amortisation	44	52	66	59	63
EBIT	517	-134	90	453	409
% chg	(24)	(126)	(167)	404	(10)
(% of Net Sales)	15	-28	6	13	12
Interest & other Charges	155	171	169	73	99
Other Income	65	24	17	18	20
Extraordinary Items	-	-	-	-	-
Recurring PBT	427	-280	-62	398	330
% chg	(34)	(166)	(78)	(741)	(17)
Tax	124	-93	-22	103	86
PAT (reported)	303	-188	-40	295	244
% chg	(34)	(162)	(79)	(837)	(17)
(% of Net Sales)	8.9	-39.1	-2.8	8.6	7.4
Basic & Fully Diluted EPS (Rs)	14	-8	-2	13	11
% chg	(34)	(162)	(79)	(837)	(17)

Source: Company, Angel Research

Balance Sheet

Y/E March (₹cr)	FY17	FY18	FY19	FY20E	FY21E
SOURCES OF FUNDS					
Equity Share Capital	221.9	221.9	221.9	221.9	221.9
Reserves & Surplus	1,968	1,782	1,743	2,038	2,282
Shareholders Funds	2,190	2,004	1,965	2,259	2,504
Total Loans	1,528	831	1,092	1,092	1,092
Other Liabilities	113	33	69	69	69
Total Liabilities	3831	2868	3125	3420	3664
APPLICATION OF FUNDS					
Net Block	765	985	973	1,098	1,130
Capital Work-in-Progress	112	20	66	66	66
Investments	53	0	69	-	-
Long Term Loans & Advances	16	15	13	13	13
Current Assets	3,938	2,708	3,076	3,124	3,310
Inventories	690	929	944	655	634
Sundry Debtors	2,382	1,339	1,630	1,029	906
Cash	437	127	135	964	1,316
Loans & Advances	87	0	1	1	1
Investments & Others	341	313	366	475	453
Current liabilities	1,324	1,230	1,616	1,448	1,421
Net Current Assets	2,614	1,478	1,460	1,677	1,889
Other Non Current Asset	270	371	544	566	566
Total Assets	3831	2868	3125	3420	3664

Source: Company, Angel Research

Cash flow

Y/E March (₹cr)	FY17	FY18	FY19E	FY20E	FY21E
Profit before tax	427	(280)	(62)	398	330
Depreciation	44	52	66	59	63
Change in Working Capital	(436)	(669)	231	(422)	339
Interest / Dividend (Net)	155	171	169	73	99
Direct taxes paid	124	(93)	(22)	103	86
Others	(200)	1,088	(79)	870	(212)
Cash Flow from Operations	114	269	302	1,082	706
(Inc.) / Dec. in Fixed Assets	(290)	(186)	(272)	(99)	(106)
(Inc.) / Dec. in Investments	(111)	302	(69)	69	-
Cash Flow from Investing	(5)	332	(341)	(30)	(106)
Issue of Equity	-	-	-	-	-
Inc. / (Dec.) in loans	90	-697	261	-	-
Others	(71)	(63)	(37)	(223)	(247)
Cash Flow from Financing	19	(760)	224	(223)	(247)
Inc. / (Dec.) in Cash	128	(159)	185	829	352
Opening Cash balances	76	204	46	135	964
Closing Cash balances	204	46	135	964	1,316

Source: Company, Angel Research

Key Ratio

Y/E March	FY17	FY18	FY19E	FY20E	FY21E
P/E (on FDEPS)	4	-7	-33	5	5
P/CEPS	4	-10	51	4	4
P/BV	1	1	1	1	1
Dividend yield (%)	0	0	0	0	0
EV/EBITDA	4	-20	12	2	1
EV / Total Assets	4	3	3	2	0
Per Share Data (Rs)					
EPS (Basic)	14	-8	-2	13	11
EPS (fully diluted)	14	-8	-2	13	11
Cash EPS	16	-6	1	16	14
DPS	0	0	0	0	0
Book Value	99	90	89	102	113
Returns (%)					
ROCE	14	-5	3	14	11
Angel ROIC (Pre-tax)	16	-5	3	19	18
ROE	14	-9	-2	13	10
Turnover ratios (x)					
Inventory / Sales (days)	74	707	150	70	70
Receivables (days)	255	1018	414	110	100
Payables (days)	104	408	226	50	50
Working capital cycle (ex-cash) (days)	225	1317	338	130	120

Source: Company, Angel Research

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3. Served as an officer, director or employee of the company covered under Research	No
4. Broking relationship with company covered under Research	No