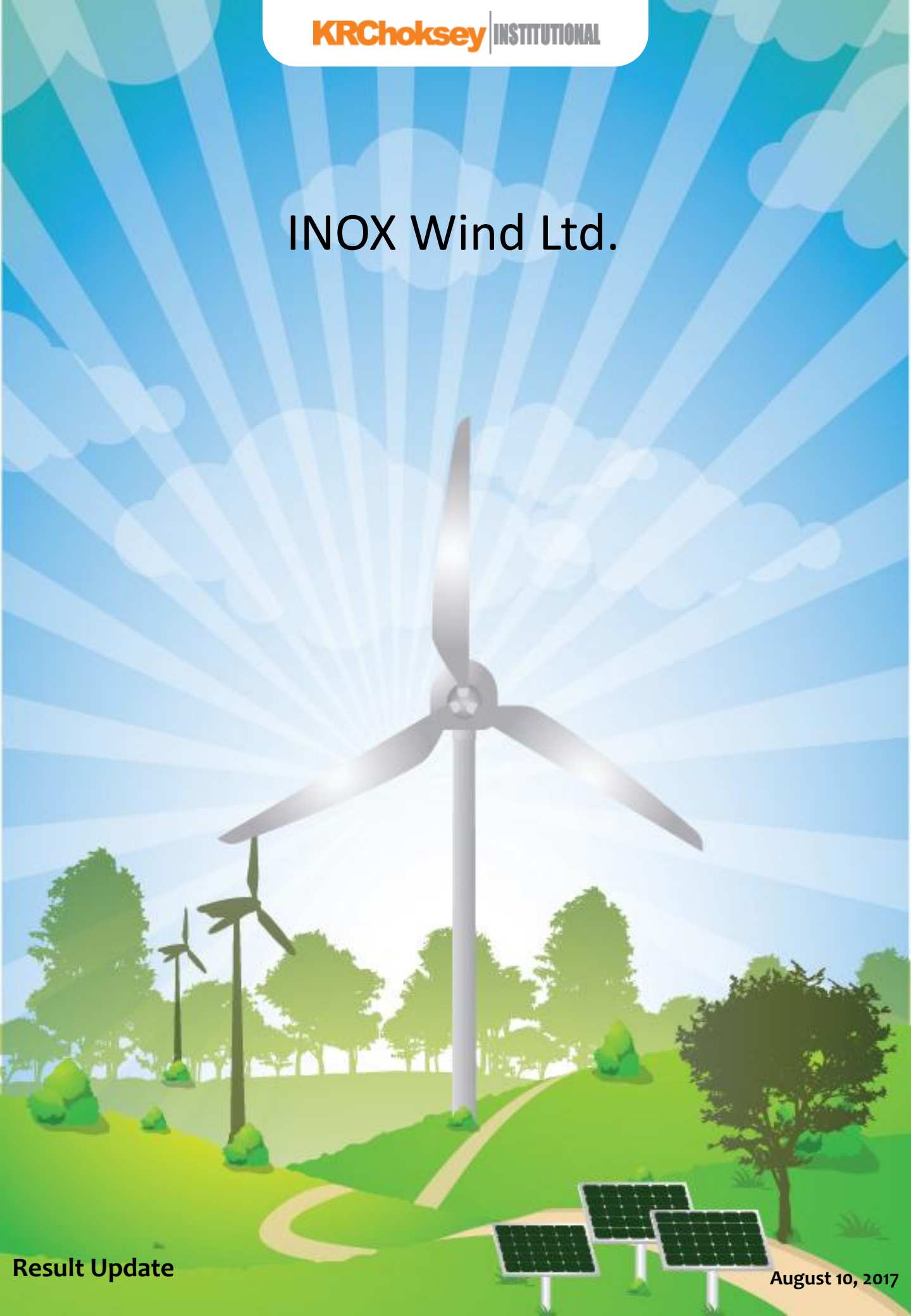


INOX Wind Ltd.



INOX Wind Ltd.

Glimpse of better performance post FY18

CMP INR 118	Target INR 128	Potential Upside 8%	Market Cap (INR mn) 29,349	Recommendation ACCUMULATE	Sector Renewables
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Result highlights

- Inox wind reported subdued revenue performance, which was down by 75.6% YoY to INR 1059.9 mn against our estimates of ~INR 2875 mn. The growth was hampered due to no execution. The top line growth was supported by 46MW of commissioning.
- The operational performance was remained subdued primarily owing to lower than anticipated top-line performance. There is operational loss of INR 133.2mn against our estimates of INR 199mn.
- Subdued operational performance coupled with higher interest cost (+9.6% YoY) impacted bottom-line performance, which was in loss of INR 390.2mn against out estimates of INR 171mn loss.

MARKET DATA

Shares outs (mn)	222
EquityCap (INR mn)	2219
Mkt Cap (INR mn)	29349
52 Wk H/L (INR)	231/114
Volume Avg (3m K)	654.3
Face Value (INR)	10
Bloomberg Code	INXW IN

KEY FINANCIALS

Particulars (INR mn)	FY15	FY16	FY17	FY18E	FY19E
Net Revenues	27,027.0	44,506.7	34,150.0	11,610.5	33,315.4
EBITDA	4,249.1	7,133.7	5,603.5	1,471.4	5,518.8
APAT	2,964.3	4,611.7	3,032.9	2.2	2,839.6
AEPS	13.4	20.8	13.7	0.0	12.8

Source: Company data, KRChoksey Research

Slack quarter owing to snag in execution:

Inox reported decline in revenues by 75.6% YoY to INR 1059.9mn. The growth was hampered owing to zero execution during the qtr, while part of order commissioning from NTPC/SJVN has supported top-line growth for the period. In terms of the order backlog, it has end book of 300MW, which are from SECI auction. The execution for those orders have not been commenced yet primarily on account of delay in the transmission line set up. Management highlighted that execution for those orders could progress post H1FY18 and hence provides limited revenue visibility for Q2FY18.

The company manufactured 1 tower and 10 blade sets during the qtr.

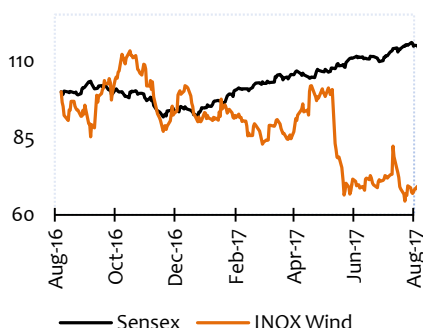
Higher unabsorbed overheads impacted operational and bottom-line performance:

Subdued top-line growth resulted unabsorption of more fixed overheads, which led company to report operational loss of INR 133.2mn. PAT was down by 430.1% YoY to loss of INR 390.2mn.

Valuation & Outlook:

Management highlighted change in tariff mechanism could result in FY18 to be a transition year and hence, one should expect pick up in order activity and thereby execution post FY18. The country had witnessed capacity addition of around 5.4GW in FY17, which we believe could not be sustainable during this fiscal. However the same could likely to revive from FY19 onwards largely supported by decent order activity from SECI as well as by different windy States. We expect Inox's revenue for FY18 to remain subdued given the low order backlog, however the same could likely to improve from next year. Apart from this, expectation of improvement in receivables largely on account of recoveries of dues for around 100MW from AP along with part payment from NTPC/SJVN order could improve cash conversion cycle. Management expects net working capital to remain at 90 days against 258 days at the end of Q1FY18. We have valued the company on FY19 basis by providing p/e multiple of 10x, we have arrived a target price of INR 128, an upside potential of 8%. **We have 'ACCUMULATE' rating on the stock.**

SHARE PRICE PERFORMANCE

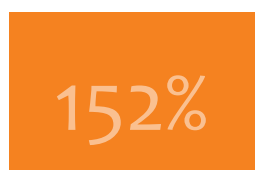


MARKET INFO

SENSEX	31531
NIFTY	9820

SHARE HOLDING PATTERN (%)

Particulars	Jun 17	Mar 17	Dec 16
Promoters	85.62	85.62	85.62
FIIIs	1.24	1.13	1.13
DIIIs	2.43	2.56	4.58
Others	10.72	10.68	8.67
Total	100	100	100



O&M Revenue CAGR
expected between FY17 and
FY19

ANALYST

Dhavan Shah, dhavan.shah@krchoksey.com, 91-22-6696 5574
 Bhavik Shah, bhavik.shah@krchoksey.com, 91-22-6696 5568

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91-22-6696 5555 / 91-22-6691 9569
www.krchoksey.com

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Q1FY18 Result Snapshot

Particulars	Q1 FY18	Q4 FY17	Q1 FY17	Q-o-Q change %	Y-o-Y change %
Net Sales & Other Operating Income	1059.9	10192.2	4349.9	-89.6%	-75.6%
Total Expenditure	1193.1	7897.0	3893.3	-84.9%	-69.4%
Cost of Raw Materials	158.0	3667.7	2968.8	-95.7%	-94.7%
Purchase of Finished Goods	715.7	2666.0	357.0	-73.2%	100.5%
(Increase) / Decrease In Stocks	-180.4	236.2	-305.8	-176.4%	-41.0%
Employee Cost	268.6	289.5	289.5	-7.2%	-7.2%
Other Expenses	287.4	1141.9	607.5	-74.8%	-52.7%
EBIDTA	-133.2	2295.2	456.6	-105.8%	-129.2%
EBITDA Margins (%)	-12.6%	22.5%	10.5%	-3,509bps	-2,306bps
Depreciation	131.0	113.4	97.8	15.5%	33.9%
EBIT	-264.2	2181.8	358.8	-112.1%	-173.6%
Other Income	106.9	143.3	206.6	-25.4%	-48.3%
Interest	424.1	441.7	386.8	-4.0%	9.6%
PBT	-581.4	1883.4	178.6	-130.9%	-425.5%
Tax	-191.2	608.0	60.4	-131.4%	-416.6%
PAT before Exceptional	-390.2	1275.4	118.2	-130.6%	-430.1%
PAT Margin (%)	-36.8%	12.5%	2.7%	-4,933bps	-3,953bps
EPS	-1.76	5.75	0.53	-130.6%	-430.4%

Source: Company, KRChoksey Research

Units Sold (in sets)

Particulars	Q1FY18	Q4FY17	Q1FY17	Q-o-Q	Y-o-Y
Nacelles & Hubs	0	47	20	-100.0%	-100.0%
Tower	1	85	74	-98.8%	-98.6%
Blades	10	72	99	-86.1%	-89.9%

Source: Company, KRChoksey Research

Order Details (in MW)

Particulars	Q1FY18	Q4FY17	Q1FY17	Q-o-Q	Y-o-Y
Order inflows	0	300	184	-100.0%	-100.0%
Execution	0	94	48	-100.0%	-100.0%
Commissioning	46	422	48	-89.1%	-4.2%
Order backlog	300	300	1,240	0.0%	-75.8%

Source: Company, KRChoksey Research

ANALYST

Dhavan Shah, dhavan.shah@krchoksey.com, 91-22-6696 5574
 Bhavik Shah, bhavik.shah@krchoksey.com, 91-22-6696-5568

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91-22-6696 5555 / 91-22-6691 9569
www.krchoksey.com

INOX Wind Ltd.

Key takeaways from Conference call:

- There is a temporary downturn in the Indian wind power market due to transition from FIT based market regime to Auction based market regime. We expect this to continue till the next quarter which will get normalized thereafter.
- The management expect working capital to ease significantly going forward as the auction regime will ensure better coordinated production and inventory planning with prepay upfront leading to secured financial closure at the IPP end. Once the Auction based regime market gets normalized, the management expects net working capital may come down to 90 days.
- On the auction front, the management is expecting 2GW of wind power to conclude in next couple of weeks. This include 1GW of SEC-1 auction with technical bids have been submitted and reverse auction to happen in august. Additional, Gujarat and TN has announced 500MW each where the auction process is currently underway.
- The management expects FY19 as the beginning of robust growth phase for wind industry.
- In terms of project sites, the company continues to be among the largest project site holders in states like Rajasthan, MP and Gujarat. The company has also expanded in southern states of AP, Karnataka and Kerela.
- INOX Wind has sufficient project inventory for installation with an aggregate capacity of more than 5000 MW. In terms of manufacturing capacity, the company has doubled blade capacity to 1600 MW. The company has also enhanced tower manufacturing capacity as well as Nacelles, Hub, Blade and Tower capacity are now largely aligned. With minor capex, the company can debottleneck nacelles and hub capacity from current 1100 MW. Towers can also be expanded with minimum capex if there is huge market demand going ahead.
- With respect to PSUs orders, NTPC has already taken out a tender of 250MW in July, SJVN of 50MW, THDCS of 125MW, REMCL of 150MW and NVVN of 20MW.
- Once the transition phase settles down, the management expects to maintain historical PAT margins after H1FY18.
- The market is believed to expand significantly under the new regime. The central govt itself has communicated to bring around 4GW (Qtr each) of tenders. Additionally, 7 or 8 key windy states will come with their respective tenders apart from central tenders. Therefore, the management is positive and expects around 6 or 7 GW per annum market from next year.
- The management is not looking forward for expanding to any other country beyond India. Only small projects will be executed in neighboring countries.
- Receivables of INR 1900 crores is with respect to turbines supplied in March. Receivables comprises from AP & Karnataka (100 odd MW) amounting to INR 900 crores, NTPC & SJVN worth 350 crores, Gujarat (34MW) for INR 200 crores and routine collection worth INR 400-450 crores. 50MW is commissioned this quarter and 150MW is yet to be commissioned.

ANALYST

Dhavan Shah, dhavan.shah@krchoksey.com, 91-22-6696 5574
Bhavik Shah, bhavik.shah@krchoksey.com, 91-22-6696-5568

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91-22-6696 5555 / 91-22-6691 9569

www.krchoksey.com

INOX Wind Ltd.

Key Financials

Consolidated Profit & Loss (INR mn)	FY15	FY16	FY17	FY18E	FY19E
Net Revenues	27090	44507	34150	11611	33315
Cost Of Revenues (incl Stock Adj)	20347	32842	23771	8005	23460
Gross Profit	6743	11664	10379	3605	9856
Employee Cost	549	919	1174	1081	1135
Other Operating Expenses	1945	3534	3790	1053	3202
EBITDA	4249	7134	5604	1471	5519
Other Income	468	698	653	550	705
EBITDA, including OI	4717	7832	6257	2022	6223
Depreciation	204	360	437	504	568
Net Interest Exp.	622	978	1551	1515	1656
EBT	3891	6494	4268	3	4000
Taxes	927	1882	1235	1	1160
Tax Rate	23.8%	29.0%	28.9%	29.0%	29.0%
Net Income	2964	4612	3033	2	2840
NI Excl Extra Items	2964	4612	3033	2	2840
NI Incl Extra Items	2964	4612	3033	2	2840
Adjusted Basic EPS (INR)	13.4	20.8	13.7	0.0	12.8
Shares Outstanding	221.9	221.9	221.9	221.9	221.9

Source: Company data, KRChoksey Research

Consolidated Balance Sheet (INR mn)	FY15	FY16	FY17	FY18E	FY19E
Share Capital	2219	2219	2219	2219	2219
Reserves	11700	16649	19677	19679	22519
Total Shareholders Funds	13919	18868	21896	21898	24738
Long Term Borrowings	789	549	1862	1733	1641
Net Deferred Tax liability	209	0	124	124	124
Other long term liabilities	24	448	930	930	930
Long term provisions	25	50	78	78	78
Current Liabilities and Provisions					
Short term borrowings	7671	13825	13416	13416	14916
Trade Payables	7112	11863	9687	3245	9127
Other Current Liabilities	1900	2161	3524	891	2556
Short Term Provisions	523	18	29	32	91
Total Liabilities	32172	47781	51546	42346	54201
Net Block	2011	5268	7649	8458	9202
Capital Work in Progress	491	427	1125	562	0
Goodwill on consolidation	16	0	0	0	0
Non-current investments	0	0	533	533	533
Deferred tax assets	224	227	51	51	51
Long term loans and advances	1081	118	159	159	159
Other Non Current Assets	46	2454	2651	2651	2651
Current Assets, Loans & Advances					
Current Investments	0	629	2001	2001	2001
Inventories	4238	5597	6904	2163	5476
Sundry Debtors	14322	24090	23824	7634	20080
Cash and Bank	7096	4938	4374	17466	12131
Loans and Advances	2355	3040	868	286	821
Other Current assets	290	995	1408	382	1095
Total Assets	32172	47781	51546	42346	54201

Source: Company data, KRChoksey Research

ANALYST

Dhavan Shah, dhavan.shah@krchoksey.com, 91-22-6696 5574
Bhavik Shah, bhavik.shah@krchoksey.com, 91-22-6696-5568

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91-22-6696 5555 / 91-22-6691 9569

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Consolidated Cash Flow (INR mn)	FY15	FY16	FY17	FY18E	FY19E
PBT & Extraordinary	3891	6494	4268	3	4000
Depreciation	204	360	437	504	568
(Inc) / Dec in Working Capital	(4607)	(7239)	(350)	13465	(9401)
Taxes	(800)	(1362)	(1235)	(1)	(1160)
Others	252	118	1012	1515	1656
Cash from Ops.	(1060)	(1629)	4132	15486	(4337)
Purchase of Fixed Assets	(1039)	(4038)	(3517)	(750)	(750)
Others	(444)	(5658)	(532)	0	0
Cash from Investing	(1483)	(9696)	(4049)	(750)	(750)
Proceeds from issue of shares	6923	0	0	0	0
Borrowings (Net)	3255	5981	905	(129)	1408
Others	(593)	(966)	(1551)	(1515)	(1656)
Cash from Financing	9585	5014	(646)	(1644)	(247)
Net Change in Cash	7042	(6311)	(563)	13092	(5335)
BF Cash	40	7061	4938	4374	17466
END Cash	7096	4938	4374	17466	12131

Source: Company data, KRChoksey Research

Ratio Analysis	FY15	FY16	FY17	FY18E	FY19E
Profitability					
Return on Assets (%)	9.2	9.7	5.9	0.0	5.2
Return on Capital (%)	30.2	37.5	23.4	6.1	20.6
Return on Equity (%)	21.3	24.4	13.9	0.0	11.5
Margin Trend					
Gross Margin (%)	24.9	26.2	30.4	31.1	29.6
EBITDA Margin (%)	15.7	16.0	16.4	12.7	16.6
Net Margin (%)	10.9	10.4	8.9	0.0	8.5
Liquidity					
Current Ratio	1.6	1.4	1.5	1.7	1.6
Quick Ratio	1.4	1.2	1.2	1.6	1.4
Debtor Days	193	198	255	240	220
Inventory Days	57	46	74	68	60
Creditor Days	96	97	104	102	100
Working Capital Days	158	161	211	198	172
Solvency					
Total Debt / Equity	0.6	0.8	0.7	0.7	0.7
Interest Coverage	7.3	7.6	3.8	1.0	3.4
Valuation Ratios					
EV/EBITDA	6.5	5.0	6.6	16.2	2.4
P/E	8.8	5.7	8.6	NM	9.2
P/B	1.9	1.4	1.2	1.2	1.1

Source: Company data, KRChoksey Research

ANALYST

Dhavan Shah, dhavan.shah@krchoksey.com, 91-22-6696 5574
Bhavik Shah, bhavik.shah@krchoksey.com, 91-22-6696-5568

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91-22-6696 5555 / 91-22-6691 9569

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INOX Wind Ltd.

INOX Wind Ltd.				Rating Legend	
Date	CMP (INR)	TP (INR)	Recommendation	Our Rating	Upside
10-Aug-17	118	128	ACCUMULATE	Buy	More than 15%
16-May-17	167	171	HOLD	Accumulate	5% – 15%
o8-Mar-17	169	246	BUY	Hold	0 – 5%
				Reduce	-5% – 0
				Sell	Less than – 5%

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Kisan Ratilal Choksey Shares and Securities Pvt. Ltd

Registered Office:

1102, Stock Exchange Tower, Dalal Street, Fort, Mumbai – 400 001.

Phone: 91-22-6633 5000; Fax: 91-22-6633 8060.

Corporate Office:

ABHISHEK, 5th Floor, Link Road, Andheri (W), Mumbai – 400 053.

Phone: 91-22-6696 5555; Fax: 91-22-6691 9576.

ANALYST

Dhavan Shah, dhavan.shah@krchoksey.com, 91-22-6696 5574
Bhavik Shah, bhavik.shah@krchoksey.com, 91-22-6696-5568

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www.krchoksey.com