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India | Equity Research | Company Update

## Inox Wind

Capital Goods

### A disappointing execution, however, sharp rise in order book

INOX received an order inflow of 2.3GW in FY24. As a result, it's order book improved to 2.7GW or ~9x book to bill ratio. The execution for Q4FY24 and FY24 was tad disappointing at 129MW and 372W (vs our est. of 450MW) in FY24, ~4x yoy. Revenue came in at INR 5.2bn and EBITDA of INR 1bn (vs loss YoY). As a result, adj. PAT stood at INR 500m in Q4. Note that INOX has reduced the external debt by 75% in the fiscal. We estimate execution growth at 750MW and 1,100MW for FY25E and FY26E, respectively based on strong order inflow and industry prospects. We maintain **BUY** rating on the stock with a revised target price of INR 720/share, valuing the stock at 30x FY26E.

### Order book at 7x book to bill ratio

Inox Wind has delivered strong order inflow in FY24 at 2.3GW (incl. 210MW in Apr'24), and thus, improved its order book to 2.7GW as of Mar'24 (vs 1.5GW in FY23) with revenue visibility for the next two years.

### Low execution

Execution improved to 129MW in Q4FY24 (vs 100MW in Q3FY24). In FY24, execution grew 4x to 372MW (vs 104MW YoY). Revenue in Q4 stood at INR 5.3bn, EBITDA came in at INR 1bn with EBITDA margin of 19.5% (as compared to EBITDA loss YoY). As a result, Adj. PAT came in at INR 514m and reported PAT came in at INR 377m (owing to one-off provision of INR 137m)

### A sharp reduction in external debt

Through a series of fund infusion from promoters through NCRPS, net interest bearing debt as of Mar'24 stood at INR 6.5bn (vs INR 24.5bn as of Sept'23). This is likely to reduce annual interest cost to INR 1.2bn (vs 2.5bn in FY24).

### Maintain **BUY** with a revised TP of INR 720/share

INOX has guided for execution of 800MW and 1200MW for FY25 and FY26, respectively. However, we estimate execution growth at 750MW and 1.1GW over FY25-26E. We maintain **BUY** rating on the stock with a revised target price of INR 720/share (vs INR 675 earlier), valuing the stock at 30x FY26E.

### Financial Summary

Y/E Mar-31 (INR mn)	FY23A	FY24A	FY25E	FY26E
Net Revenue	7,370	17,432	45,810	69,087
EBITDA	(2,638)	2,686	6,827	10,736
EBITDA Margin (%)	(35.8)	15.4	14.9	15.5
Net Profit	(6,707)	(703)	4,855	8,562
EPS (INR)	(20.6)	(2.2)	14.4	25.3
EPS % Chg YoY	(5.4)	(94.5)	(1,424.0)	74.6
P/E (x)	(29.9)	(540.5)	40.8	23.4
EV/EBITDA (x)	(82.2)	83.5	33.2	21.1
RoCE (%)	(8.8)	5.3	12.8	19.8
RoE (%)	(37.6)	(2.2)	26.3	34.1

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#### Market Data

Market Cap (INR)	201bn
Market Cap (USD)	2,405mn
Bloomberg Code	INXW IN Equity
Reuters Code	
52-week Range (INR)	663 /105
Free Float (%)	44.0
ADTV-3M (mn) (USD)	11.2

Price Performance (%)	3m	6m	12m
Absolute	21.0	186.8	470.3
Relative to Sensex	18.5	172.0	449.6

#### Previous Reports

19-02-2024: [Company Update](#)

09-12-2023: [Initiating Coverage](#)

## Outlook and valuation

Inox Wind (INOX) is benefitting from the improvement in industry prospects. Due to industry slowdown and low execution, INOX saw a substantial spike in debt from FY17-FY23. The company has been deleveraging and its net debt had reduced to ~INR 6.5bn by end-FY24. In addition, the industry is looking up and a revival led by a slew of policy actions is in the offing along with strong bidding activity for RE projects with wind component of 10-12GW in FY24.

INOX has witnessed a sharp improvement in order inflow (at 2.3GW in FY24). This inflow is largely driven by 1,500MW order from CESC, which may be executed over the next 3-4 years. This has improved execution growth visibility over the next 3-4 years and has substantially improved execution growth over the next 1-2 years.

### Exhibit 1: SOTP-based target price of INR 720/share (INR)

	Methodology	Stake	Value	Per Share
Value of Wind Business	30xFY26E EPS	100%	233,804	717
Less: NCRPS			18,700	57
Add: Tax Shield			-	-
<b>Sub-total</b>			<b>215,104</b>	<b>660</b>
Inox Green	Mktcap adjusted @15% for holdco	56%	19,418	60
<b>Total</b>			<b>234,522</b>	<b>720</b>

Source: I-Sec research

We **maintain BUY rating** on the stock with a revised target price of INR 720/share, valuing the wind business at **30x FY26E EPS**.

**Key Risks – 1) Slowdown in order inflows, 2) slowdown in RE project bidding**

### Exhibit 1: Shareholding pattern

%	Sep'23	Dec'23	Mar'24
Promoters	64.6	52.9	52.9
Institutional investors	10.1	19.2	19.2
MFs and others	6.0	8.9	8.9
FIs/Banks	0.4	0.5	0.5
Insurance	0.1	0.3	0.3
FII	3.6	9.5	9.5
Others	25.3	27.9	27.9

Source: Bloomberg

### Exhibit 2: Price chart



Source: Bloomberg

## Financial Summary

### Exhibit 3: Profit & Loss

(INR mn, year ending Mar-31)

	FY23A	FY24A	FY25E	FY26E
<b>Net Sales</b>	<b>7,370</b>	<b>17,432</b>	<b>45,810</b>	<b>69,087</b>
Operating Expenses	5,446	2,571	3,110	3,912
<b>EBITDA</b>	<b>(2,638)</b>	<b>2,686</b>	<b>6,827</b>	<b>10,736</b>
EBITDA Margin (%)	(35.8)	15.4	14.9	15.5
Depreciation & Amortization	1,062	1,100	1,062	1,062
<b>EBIT</b>	<b>(3,699)</b>	<b>1,587</b>	<b>5,766</b>	<b>9,674</b>
Interest expenditure	3,407	2,483	916	1,036
Other Non-operating Income	214	561	248	260
<b>Recurring PBT</b>	<b>(6,892)</b>	<b>(703)</b>	<b>4,855</b>	<b>8,898</b>
<b>Profit / (Loss) from Associates</b>	-	-	-	-
Less: Taxes	(185)	36	-	-
<b>PAT</b>	<b>(6,707)</b>	<b>(371)</b>	<b>5,097</b>	<b>8,898</b>
Less: Minority Interest	-	(58)	(242)	(336)
Extraordinaries (Net)	-	(137)	-	-
<b>Net Income (Reported)</b>	<b>(6,707)</b>	<b>(703)</b>	<b>4,855</b>	<b>8,562</b>
<b>Net Income (Adjusted)</b>	<b>(6,707)</b>	<b>(371)</b>	<b>5,097</b>	<b>8,898</b>

Source Company data, I-Sec research

### Exhibit 4: Balance sheet

(INR mn, year ending Mar-31)

	FY23A	FY24A	FY25E	FY26E
Total Current Assets	30,875	30,590	77,089	1,16,934
of which cash & cash eqv.	2,702	539	802	3,147
Total Current Liabilities & Provisions	13,210	11,113	59,426	89,948
<b>Net Current Assets</b>	<b>17,665</b>	<b>19,477</b>	<b>17,663</b>	<b>26,987</b>
Investments	5,070	6,871	6,871	6,871
Net Fixed Assets	15,795	15,507	15,146	14,584
ROU Assets	-	-	-	-
Capital Work-in-Progress	1,232	2,662	2,462	2,262
Total Intangible Assets	-	-	-	-
Other assets	7,853	9,517	9,517	9,517
Deferred Tax Assets	-	-	-	-
<b>Total Assets</b>	<b>47,614</b>	<b>54,035</b>	<b>51,659</b>	<b>60,221</b>
<b>Liabilities</b>				
Borrowings	24,063	31,383	24,049	24,049
Deferred Tax Liability provisions	-	-	-	-
other Liabilities	6,188	5,782	5,782	5,782
Equity Share Capital	3,259	3,259	3,259	3,259
Reserves & Surplus	14,104	13,714	18,569	27,131
<b>Total Net Worth</b>	<b>17,363</b>	<b>16,974</b>	<b>21,829</b>	<b>30,391</b>
Minority Interest	-	-	-	-
<b>Total Liabilities</b>	<b>47,614</b>	<b>54,035</b>	<b>51,659</b>	<b>60,221</b>

Source Company data, I-Sec research

### Exhibit 5: Cashflow statement

(INR mn, year ending Mar-31)

	FY23A	FY24A	FY25E	FY26E
<b>Operating Cashflow</b>	<b>722</b>	<b>(2,835)</b>	<b>6,954</b>	<b>1,658</b>
Working Capital Changes	(3,729)	(6,046)	(121)	(9,338)
Capital Commitments	(4,234)	(2,242)	(500)	(300)
<b>Free Cashflow</b>	<b>4,956</b>	<b>(593)</b>	<b>7,454</b>	<b>1,958</b>
<b>Other investing cashflow</b>	-	-	-	-
Cashflow from Investing Activities	(4,234)	(2,242)	(500)	(300)
Issue of Share Capital	-	-	-	-
Interest Cost	(3,407)	(2,483)	(916)	(1,036)
Inc (Dec) in Borrowings	6,881	7,319	(7,334)	-
Dividend paid	-	-	-	-
Others	511	(1,801)	-	-
Cash flow from Financing Activities	3,985	2,910	(8,495)	(1,377)
<b>Chg. in Cash &amp; Bank balance</b>	<b>474</b>	<b>(2,167)</b>	<b>263</b>	<b>2,345</b>
Closing cash & balance	2,702	535	801.7	3,147.0

Source Company data, I-Sec research

### Exhibit 6: Key ratios

(Year ending Mar-31)

	FY23A	FY24A	FY25E	FY26E
<b>Per Share Data (INR)</b>				
Reported EPS	(20.6)	(1.1)	15.1	26.3
Adjusted EPS (Diluted)	(20.6)	(2.2)	14.4	25.3
Cash EPS	(17.3)	1.2	17.5	28.5
Dividend per share (DPS)	-	-	-	-
Book Value per share (BV)	53.3	52.1	64.6	89.9
Dividend Payout (%)	-	-	-	-
<b>Growth (%)</b>				
Net Sales	18.0	136.5	162.8	50.8
EBITDA	(15.0)	(201.8)	154.1	57.2
EPS (INR)	(5.4)	(94.5)	(1,424.0)	74.6
<b>Valuation Ratios (x)</b>				
P/E	(29.9)	(540.5)	40.8	23.4
P/CEPS	(35.5)	506.1	35.2	21.6
P/BV	11.6	11.8	9.5	6.8
EV / EBITDA	(82.2)	83.5	33.2	21.1
P / Sales	27.2	11.5	4.5	3.0
Dividend Yield (%)	-	-	-	-
<b>Operating Ratios</b>				
Gross Profit Margins (%)	38.1	30.2	21.7	21.2
EBITDA Margins (%)	(35.8)	15.4	14.9	15.5
Effective Tax Rate (%)	2.7	(10.8)	-	-
Net Profit Margins (%)	(91.0)	(2.1)	11.1	12.9
NWC / Total Assets (%)	31.4	35.0	36.9	47.2
Net Debt / Equity (x)	0.9	1.4	0.9	0.6
Net Debt / EBITDA (x)	(6.2)	8.9	2.7	1.7
<b>Profitability Ratios</b>				
RoCE (%)	(8.8)	5.3	12.8	19.8
RoE (%)	(37.6)	(2.2)	26.3	34.1
RoIC (%)	(8.8)	5.3	12.8	19.8
Fixed Asset Turnover (x)	0.5	1.1	3.0	4.6
Inventory Turnover Days	606	366	290	241
Receivables Days	443	335	290	241
Payables Days	331	178	396	331

Source Company data, I-Sec research

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