



Unlocking New Revenue Streams

Value-unlocking initiatives: We interacted with the company's management to get further insights into the company's outlook. As per the press release dated 2nd Sep'24, Inox Wind's EPC projects arm, Resco Global (a 100% subsidiary), has approved a Rs 350 Cr equity raise from marquee investors. This fund will be utilised to scale up business offerings at Resco to capitalize on the strong tailwinds in the wind sector in India. We estimate Resco's valuation at Rs 5,000 Cr, and the Rs 350 Cr fund raise implies ~7-8% stake dilution. Subsequently, the substation assets (non-core) housed at Inox Green Energy Ltd's balance sheet will be demerged out of Inox Green Energy and will be merged into Resco Global thereby aligning synergies for both businesses. Post the regulatory approvals of the demerger of these power evacuation assets (substations), it will lead to the automatic listing of Resco Global. This will lead to an asset-light structure of the listed Inox Green Energy Ltd, unlocking its value, and Resco will be using these substation assets to generate additional revenue streams. Resco will utilize these substation assets to evacuate even solar power now (in addition to wind) leading to higher utilisation of these assets. The latest RE policies of multiple states allow the hybridization of existing as well as future transmission assets, providing incremental revenues to asset owners including Resco Global. Furthermore, Resco to increase its offerings under EPC, is venturing into Crane services.

Incremental contribution margins and PAT: Management expects that the impact of the hybridisation of the substation assets will augment the PAT of Inox Wind by Rs 75-100 Cr per annum and Rs 50-60 Cr per annum from the Crane services. Overall, these new revenue streams will effectively increase the total EBITDA for Inox Wind Ltd. by ~Rs 150-175 Cr and PAT by ~Rs 140-150 Cr from FY26 onwards.

Company Outlook & Guidance: The company expects higher order execution from FY25 onwards, with a guidance of 800 MW and 1,200 MW for FY25 and FY26, respectively. We now increase our FY27 execution estimate of 1,560 MW to 1,750 MW as the tailwinds in the sector provide more visibility, which is still slightly conservative against the company's target of 2 GW. The company has the capability and supply chain readiness to execute higher MWs. The annual capex guidance for FY25/26 remains unchanged at Rs 50-75 Cr, and the full-year working capital is at 90 days. With a robust order book, strong execution capability, technological readiness, and net interest-free debt, along with the government's renewed focus on wind energy, Inox Wind is well-positioned to build on its growth momentum. The recent (26th Jun '24) fundraising by Inox Green Energy Services of Rs 1,050 Cr will be utilised by the company for multiple projects targeting higher IRRs. Inox Green Energy Services Ltd., is the only listed wind O&M services company in India, having a strong portfolio of ~ 3.35 GW.

Earnings Revision: We factor in the benefits from these unlocking initiatives and increase our Revenue/EBITDA/PAT for FY26 by 4%/9%/10% and 13%/17%/22% for FY27 (on higher execution at 1,750 MW vs 1,560 MW).

Valuation & Recommendation: We assign a target P/E multiple of 35x vs. 30x previously to our FY26 EPS estimate, given the tailwinds in the wind sector. After adjusting for the minority stake in Inox Green Energy Services Ltd. and Resco Global (~7%), we arrive at a TP of Rs 270/share (from Rs 205/share). We maintain a **BUY** rating on the stock, with a potential upside of 20% from the CMP.

Key Financials (Consolidated)

(Rs crores)	FY24A	FY25E	FY26E	FY27E
Net Sales	1,743	4,800	7,500	10,600
EBITDA	269	783	1,316	1,844
Net Profit	(51)	640	1,211	1,399
EPS (Rs)	(1.6)	4.9	9.3	10.7
PER (x)	NA	35.5	18.8	16.2
P/BV (x)	10.0	9.7	6.4	4.6
EV/EBITDA (x)	76.1	32.6	18.8	13.1
ROE (%)	-2.4%	31.7%	41.2%	32.9%

Source: Company, Axis Securities Research

(CMP as of 6th September 2024)

CMP (Rs)	225
Upside/Downside (%)	20%
High/Low (Rs)	237/47
Market cap (Cr)	29,320
Avg. daily vol. (6m) Shrs.	1,01,33,859
No. of shares (Cr)	130

Shareholding (%)

	Dec-23	Mar-24	Jun-24
Promoter	52.87	52.87	48.27
FII	9.49	9.47	13.37
Mutual Funds / UTI	8.94	8.32	7.75
Financial Institutions	0.00	0.00	0.00
Others	28.70	29.34	30.61

Financial & Valuations

Y/E Mar (Rs Cr)	FY25E	FY26E	FY27E
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Change in Estimates (%)

Y/E Mar	FY25E	FY26E	FY27E
Sales	0%	4%	13%
EBITDA	0%	9%	17%
PAT (Attrib)	0%	10%	22%

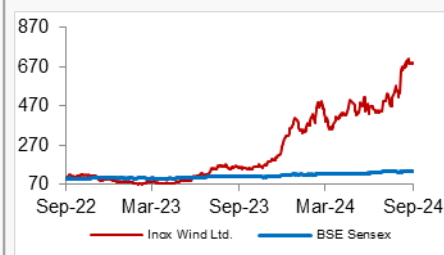
ESG disclosure Score**

Environmental Disclosure	NA
Social Disclosure Score	NA
Governance Disclosure	NA
Total ESG Disclosure	NA

Source: Bloomberg, Scale: 0.1-100

**Note: This score measures the amount of ESG data a company reports publicly and does not measure the company's performance on any data point. All scores are based on 2022 disclosures; The Sector average is for NSE500 companies

Relative performance



Source: Ace Equity, Axis Securities

Aditya Welekar

Sr. Research Analyst

Email: aditya.welekar@axissecurities.in

Darsh Solanki

Research Associate

Email: darsh.solanki@axissecurities.in

Key Risks to Our Estimates and TP

- Delay in ramp-up of execution
- Delay or under-subscription of the auctions could result in a slowdown of wind turbine markets.

Change in Estimates

	New			Old			% Change		
	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
Sales	4,800	7,500	10,600	4,800	7,200	9,360	0%	4%	13%
EBITDA	783	1,316	1,844	783	1,210	1,574	0%	9%	17%
PAT reported (Attrib)	640	1,211	1,399	640	1,105	1,147	0%	10%	22%

Source: Company, Axis Securities Research

Financials (Consolidated)

Profit & Loss

(Rs Cr)

Y/E March	FY24A	FY25E	FY26E	FY27E
Total Operating income	1,743	4,800	7,500	10,600
Cost of Material consumed	1,038	3,072	4,763	6,731
Changes in inventory	(7)	-	-	-
Employees Cost	109	288	450	636
EPC Cost	186	513	746	1,071
Other Expenses	148	144	225	318
Total Expenditure	1,475	4,017	6,184	8,756
EBITDA	269	783	1,316	1,844
Depreciation and Amortization	110	122	125	121
EBIT	159	661	1,191	1,724
Other Income	56	59	90	95
Less: Interest & Fin Chg.	248	80	70	70
Less: Exceptional Items	14	-	-	-
Profit before tax	(47)	640	1,211	1,748
Provision for Tax	4	-	-	350
Reported PAT	(51)	640	1,211	1,399
EPS (Rs/sh)	(1.6)	4.9	9.3	10.7

Source: Company, Axis Securities Research

Balance Sheet

(Rs Cr)

Y/E March	FY24A	FY25E	FY26E	FY27E
Net Block	1,494	1,437	1,382	1,336
CWIP	266	266	266	266
Goodwill	10	10	10	10
Intangible assets	262	262	262	262
ROU Assets	46	46	46	46
Investments	-	-	-	-
Inventories	1,245	1,578	2,055	2,904
Trade Receivables	1,137	1,184	1,849	2,614
Cash / Bank balance	54	950	1,739	2,334
Misc. Assets	2,280	2,280	2,280	2,280
Total assets	6,795	8,013	9,890	12,053
Equity capital	326	326	326	326
Reserves	1,371	2,011	3,222	4,621
NCI	494	494	494	494
Borrowings	3,237	3,237	3,237	3,237
Other Liabilities	748	748	748	748
Provisions	13	13	13	13
Trade Payables	605	1,184	1,849	2,614
Capital employed	6,795	8,013	9,890	12,053

Source: Company, Axis Securities Research

Cash Flow

(Rs Cr)

Y/E March	FY24A	FY25E	FY26E	FY27E
Profit after tax	(53)	640	1,211	1,399
Depreciation	110	122	125	121
Interest Expenses	248	80	70	70
Non-operating / EO item	164	-	-	-
Change in W/C	(616)	199	(477)	(849)
Operating Cash Flow	(147)	1,041	930	740
Capital Expenditure	(726)	(65)	(70)	(75)
Free cash Flow	(873)	976	860	665
Other Investments	(14)	-	-	-
Investing Cash Flow	(740)	(65)	(70)	(75)
Proceeds / (Repayment) of Borrowings	187	-	-	-
Proceeds from preference shares	1,010	-	-	-
Finance cost paid	(319)	(80)	(70)	(70)
Financing Cash Flow	878	(80)	(70)	(70)
Change in Cash	(9)	896	790	595
Opening Cash	21	54	950	1,739
Closing Cash	12	950	1,739	2,334

Source: Company, Axis Securities Research

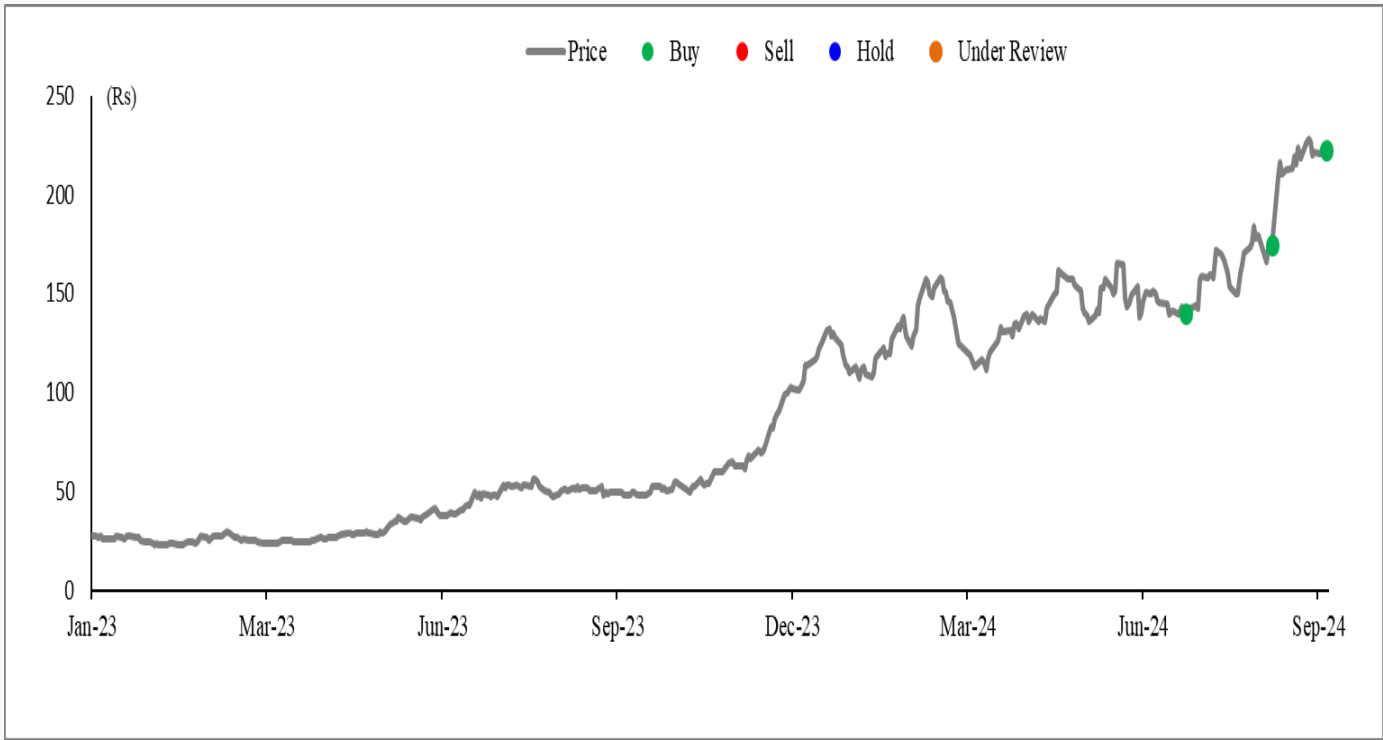
Ratio Analysis

(%)

Y/E March	FY24A	FY25E	FY26E	FY27E
Operational Ratios				
Sales growth (% YoY)	137%	175%	56%	41%
EBITDA Margin %	15%	16%	18%	17%
Net profit Margin %	-3%	13%	16%	13%
Tax Rate %	NA	0%	0%	20%
Efficiency Ratios				
Total Asset Turnover (x)	0.3	0.6	0.8	1.0
Sales/Gross block (x)	0.8	2.2	3.4	4.6
Sales/Net block(x)	1.2	3.3	5.4	7.9
Working capital/Sales (x)	1.0	0.3	0.3	0.3
Valuation Ratios				
PER (x)	NA	35.5	18.8	16.2
P/BV (x)	10.0	9.7	6.4	4.6
EV/Ebitda (x)	76.1	32.6	18.8	13.1
EV/Sales (x)	11.7	5.3	3.3	2.3
Dividend Yield (%)	NA	NA	NA	NA
Return Ratios				
ROE	-2%	32%	41%	33%
ROCE	5%	23%	32%	34%
ROIC	NA	13%	22%	22%
Leverage Ratios				
Debt /equity (x)	1.48	1.14	0.80	0.59
Net debt/ Equity (x)	1.35	0.81	0.37	0.17
Net debt/Ebitda (x)	11.00	2.92	1.14	0.49

Source: Company, Axis Securities Research

Inox Wind Price Chart and Recommendation History



Date	Reco	TP	Research
30-Jun-24	BUY	185	Initiating Coverage
12-Aug-24	BUY	205	Result Update
06-Sep-24	BUY	270	Result Update

Source: Axis Securities Research

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Compliance Officer Details: Name – Mr. Jatin Sanghani, Tel No. – 022-68555574, Email id – compliance.officer@axisdirect.in;

Registered Office Address – Axis Securities Limited, Unit No.002, Building- A, Agastya Corporate Park, Piramal Realty, Kamani Junction, Kurla (W), Mumbai – 400070.

Administrative office address: Axis Securities Limited, Aurum Q Parc, Q2 Building, Unit No. 1001, 10th Floor, Level – 6, Plot No. 4/1 TTC, Thane – Belapur Road, Ghansoli, Navi Mumbai, Pin Code – 400710.

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HOLD	Between 10% and -10%
SELL	Less than -10%
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List of Research Analyst (Fundamental):

Sr. No	Name	Designation	Sector	E-mail
1	Neeraj Chadawar	Head of Research	All Sectors	neeraj.chadawar@axissecurities.in
2	Preeyam Tolia	Research Analyst	FMCG and Retail, Real Estate	preeyam.tolia@axissecurities.in
3	Omkar Tanksale	Research Analyst	IT, Telecom, Internet	omkar.tanksale@axissecurities.in
4	Uttamkumar Srimal	Research Analyst	Cement, Infra, Railway	uttamkumar.srimal@axissecurities.in
5	Ankush Mahajan	Research Analyst	Pharmaceutical, Hospital, Hotel	ankush.mahajan@axissecurities.in
6	Dnyanada Vaidya	Research Analyst	BFSI	dnyanada.vaidya@axissecurities.in
7	Aditya Welekar	Research Analyst	Metal and Mining, Power Utilities	aditya.welekar@axissecurities.in
8	Sani Vishe	Research Analyst	Chemicals Capital Goods, Mid-cap	sani.vishe@axissecurities.in
9	Eesha Shah	Research Analyst	Real Estate, Special Situation	eesha.shah@axissecurities.in
10	Shridhar Kallani	Research Associate	Auto and Auto ancillaries	shridhar.kallani@axissecurities.in
11	Shikha Doshi	Research Associate	Cement, Infra, Railway	shikha.doshi@axissecurities.in
12	Suhanee Shome	Research Associate	FMCG and Retail	suhanee.shome@axissecurities.in
13	Shivani More	Research Associate	Chemicals Capital Goods, Mid-cap	shivani.more@axissecurities.in
14	Pranav Nawale	Research Associate	BFSI	pranav.nawale@axissecurities.in
15	Darsh Solanki	Research Associate	Metal and Mining, Power Utilities	darsh.Solanki@axissecurities.in
16	Aman Goyal	Research Associate	Pharmaceutical, Hospital, Hotel	aman.goyal@axissecurities.in
17	Arundhati Bagchi	Research Associate	Database Analyst, Economy	arundhati.bagchi@axissecurities.in