IPO Note: Inox Wind Ltd.

Industry: Power Equipments **Recommendation: Subscribe** **Date: March 12, 2015**

Issue Snapshot	
Company Name	Inox Wind Ltd.
Issue Size	Rs. 1,025 Crore (At upper price band)
The Offer	Public issue of *** Equity Shares. (Comprising of fresh issue of *** Equity Shares and Offer for Sale of 1,00,00,000 Equity Shares Gujarat Fluorochemicals Limited)
Issue Opens	March 18, 2015 to March 20, 2015
IPO Process	100% Book Building
Face Value	Rs. 10.00
Price Band	Rs. 315 to Rs. 325
Retail Discount	Rs. 15 to Retail Bidders and Eligible Employees
Bid Lot	45 Equity Shares and in multiples of 45 Equity Shares thereafter.
IPO Grading	NA
Exchanges	NSE & BSE
BRLM	Axis Capital Ltd, DSP Merrill Lynch Ltd, Edelweiss Financial Services Ltd and YES Bank Ltd.
Registrar	Link Intime India Private Limited

Equity Shares offered through this Offer	Amt* (Rs. Cr.)	As a % of total	Nos. of Share	
			Lower Band	Upper Band
Equity Shares offered through this Offer	**1025.0**	**100.0%**	**3,31,08,452**	**3,20,87,581**
- Fresh Issue	*700.0*	*68.3%*	*2,31,08,452*	*2,20,87,581*
- Offer for sale	*325.0*	*31.7%*	*1,00,00,000*	*1,00,00,000*
I. Employee Reservation Portion	**15.5**	**1.5%**	5,00,000	5,00,000
II. QIB Portion (Not more than)	**504.8**	**50.0%**	**1,60,23,810**	**1,55,30,769**
- Anchor Investor Portion (upto 60% of the QIB Portion)				
- Mutual Funds only (5% of the QIB Portion)				
III. Non-Institutional Portion (Not less than)	**151.4**	**15.0%**	**48,07,143**	**46,59,231**
IV. Retail Portion (Not less than)	**353.3**	**35.0%**	**1,17,77,500**	**1,13,97,581**

*Note: Amount calculated on the basis of upper price band

Pre and post Issue Equity Shares	Nos. of Share		
Equity Shares outstanding prior to the Issue	2,00,00,00,000		
Equity Shares outstanding after the Issue		22,31,08,452	22,20,87,581

Objects of the Offer

The Issue comprises of the Fresh Issue by the Company and an Offer for Sale by the Selling Shareholder.

Offer for Sale

The Company will not receive any proceeds from the Offer for Sale by the Selling Shareholder and the proceeds received from the Offer for Sale will not form part of the Net Proceeds.

The Fresh Issue

The Company proposes to utilise the funds which are being raised through the Fresh Issue, after deducting the Issue related expenses to the extent payable by the Company ("Net Proceeds"), estimated to be approximately Rs. [•] crores, towards funding the following objects:

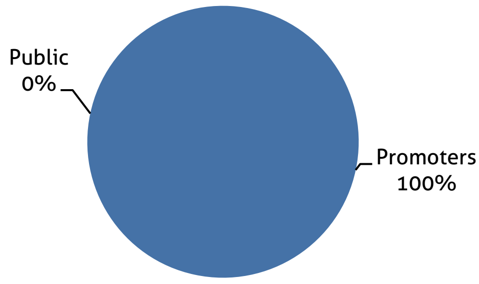
- Expansion and upgradation of existing manufacturing facilities;
- Long term working capital requirements;
- Investment in our Subsidiary, IWISL, for the purpose of development of power evacuation infrastructure and other infrastructure development; and
- General Corporate Purposes.

In addition, the Company expects to receive the benefits of listing of the Equity Shares on the Stock Exchanges.

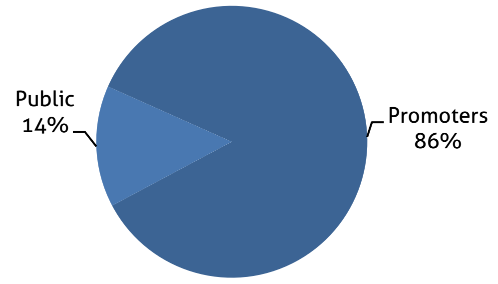
Schedule of Utilization of Net Proceeds

Particulars	Estimated Cost	Amt to be financed from Net Proceeds	Proposed schedule	
			FY16	FY17
Expansion and up-gradation of existing manufacturing facilities	1,961.41	1,474.80	719.25	755.55
Long term working capital requirements	2,900.00	2,900.00	2,900.00	-
Investment in our Subsidiary, IWISL for the purpose of development of power evacuation infrastructure and other infrastructure development	2,013.25	1,315.37	960.56	354.81
General corporate purposes	[•]	[•]	[•]	[•]
Total	[•]	[•]	[•]	[•]

Pre-Issue



Post-Issue (Calculated)



Manufacturing facilities to cover the major components of a wind turbine

Component(s)	Plant Location	Installed Capacity	Operation Started	Other Information	Capacity Utilization (%)			
					9MFY15	FY14	FY13	FY12
Nacelles and Hubs	Basal, Una, Himachal Pradesh	550 nacelles and hubs	Mar-10	Benefits from tax incentives provided by the State of Himachal Pradesh	63.33	42.00	24.75	14.50
Rotor blade sets	Rohika, Ahmedabad, Gujarat	256 rotor blade sets	Sep-10	Located on the highway, close to key markets	78.13	54.69	39.06	25.00
Towers	Rohika, Ahmedabad, Gujarat	150 towers	Mar-11	Located on the highway, close to key markets	56.00	34.00	66.00	43.33

About the company

Inox Wind Ltd. is one of the leading wind power solutions providers in India. The comapny manufacture wind turbine generators, or WTGs, and provide turnkey solutions by supplying WTGs and offering services including wind resource assessment, site acquisition, infrastructure development, erection and commissioning, and also long term operations and maintenance of wind power projects.

The Company was incorporated in April 2009, commenced operations in March 2010. The company manufactures the key components of WTGs in-house with a view to ensuring high quality, advanced technology and reliability and maintaining cost competitiveness. The company has facilities dedicated to manufacturing nacelles, hubs, rotor blade sets and towers. The company manufactures nacelles and hubs at Una Unit, located in the Una district of Himachal Pradesh. Rotor blade manufacturing facility and tower manufacturing facility are housed in Rohika Unit, located in the Ahmedabad district of Gujarat. The company has also commenced construction of a new integrated manufacturing facility at Barwani, Madhya Pradesh to produce nacelles and hubs, rotor blade sets and towers. The company has established relationships with leading suppliers for raw materials, such as steel and epoxy, and those components that the company does not manufacture in-house, such as gearboxes, electric control systems (ECS) and generators.

The company's 2 MW WTGs have been designed and developed after due assessment of wind site qualities and conditions across low wind resource locations such as those in India. The company has a perpetual license from AMSC Austria GmbH (formerly Windtec GmbH), or AMSC, a leading wind energy technology company based in Austria, to manufacture 2 MW WTGs in India based on AMSC's proprietary technology. The company's license in India is exclusive, subject to three existing licenses that AMSC had previously granted for the production and sale of 2 MW WTGs worldwide, including in India. In addition to the license in India, the company also has a non-exclusive license to manufacture 2 MW WTGs outside India based on AMSC's proprietary technology. The company also has non-exclusive licenses from WINDnovation Engineering Solutions GmbH (based in Germany), or WINDnovation, for custom-made rotor blade sets.

The company product is the WT 2000 DF WTG, which currently produce with a 93.3 meter rotor diameter (when the blades are attached to the hub) and tower height and hub height of 78 meters and 80 meters. The design is certified by DEWI OCC and Germanischer Lloyd Wind Energy GmbH (GL), both of which are Germany-based certifiers of wind turbines, in accordance with the GL Guidelines. The company recently commenced production of the WT 2000 DF WTG with a 100 meter rotor diameter and hub heights of 80 meters and 92 meters, depending on the needs of the customers.

Through wholly owned subsidiaries, Inox Wind Infrastructure Services Limited ("IWISL") and Marut-Shakti India Limited ("MSEIL") the company provide turnkey solutions for wind farm projects. These services include wind resource assessment, site acquisition, project development, erection and commissioning, and also long term operations and maintenance of wind power projects. The company has acquired or expects to acquire access to certain Project Sites in Rajasthan, Gujarat, Andhra Pradesh and Madhya Pradesh.

For the nine months ended December 31, 2014 and the years ended March 31, 2014, 2013 and 2012, respectively, the company produced and sold 190, 165, 99 and 60 WTGs of 2 MW each; total revenue was Rs. 1795.0 crore, Rs. 1576.3 crore, Rs. 1063.7 crore and Rs. 622.0 crore; and profit after tax was Rs. 179.3 crore, Rs. 131.5 crore, Rs. 150.4 crore and Rs. 99.8 crore. For the nine months ended December 31, 2014 and the years ended March 31, 2014 and 2013, respectively, the company has erected and commissioned 90, 75 and 77 WTGs. The company did not provide installation services prior to the year ended March 31, 2012.

As of December 31, 2014, the order book of the company including orders for WTGs with aggregate capacity of 1,258 MW, comprising orders for supply and erection of WTGs with aggregate capacity of 694 MW, including 50 MW ordered by IRL, a Group Company, in addition to orders for only the supply of WTGs with aggregate capacity of 564 MW. Order book includes executed binding contracts for WTGs with aggregate capacity of 826 MW and signed term sheets or letters of intent, which are subject to the execution of binding contracts, for WTGs with aggregate capacity of 432 MW. Out of the above order book, WTGs of aggregate capacity of 122MW have already been erected and commissioned as of December 31, 2014, and hence, a significant part of revenues in respect these WTGs has been recognized and payment thereof realized by December 31, 2014.

Key Points

Ability to provide turnkey solutions for wind farm projects in India

Based on the experience of the company of working with customers in India, many customers prefer not to engage in Wind Site acquisition and other processes associated with the development of wind farm projects. The Company, together with wholly-owned subsidiaries, IWISL and MSEIL, provides turnkey solutions for wind farm projects. These services include wind resource assessment, site acquisition, infrastructure development, erection and commissioning and long term operations and maintenance of wind power projects.

High quality WTGs based on sophisticated technology and design

The company manufactures the major components of WTGs, including nacelles, hubs, rotor blade sets and towers, at in-house facilities. The company has a perpetual license from AMSC, a leading wind energy technology company based in Austria, to manufacture 2 MW WTGs in India based on AMSC's proprietary technology. According to the December 2014 performance data from AMSC, more than 9,300 WTG units worldwide, with more than 15,000 MW of aggregate production capacity, are installed based on AMSC technology. The company also has a non-exclusive license from WINDnovation for custom-made rotor blade sets. The company's WTGs are designed and developed with a view to achieving efficient power curves, improved up-times and reducing operations and maintenance costs.

Strong order book and ready pipeline of Project Sites

As of December 31, 2014, the order book of the company including orders for WTGs with aggregate capacity of 1,258 MW, comprising orders for supply and erection of WTGs with aggregate capacity of 694 MW, including 50 MW ordered by IRL, a Group Company, in addition to orders for only the supply of WTGs with aggregate capacity of 564 MW. Order book includes executed binding contracts for WTGs with aggregate capacity of 826 MW and signed term sheets or letters of intent, which are subject to the execution of binding contracts, for WTGs with aggregate capacity of 432 MW. Out of the above order book, WTGs of aggregate capacity of 122MW have already been erected and commissioned as of December 31, 2014, and hence, a significant part of revenues in respect these WTGs has been recognized and payment thereof realized by December 31, 2014. The company has acquire access to certain Project Sites in Rajasthan, Gujarat, Andhra Pradesh and Madhya Pradesh and expect to have an access to Wind Sites Under Acquisition in the states of Rajasthan, Gujarat, Andhra Pradesh, and Madhya Pradesh, which the company estimates are suitable for the installation of an aggregate of 4,052 MW of capacity. In September 2013 the company has acquired Marut-Shakti Energy India Limited, or MSEIL, a company that is engaged in the development of wind power projects and has been allotted Project Sites with aggregate capacity of 85 MW in Madhya Pradesh, and has also applied for the registration of Wind Sites Under Acquisition with aggregate capacity of 80 MW in Madhya Pradesh.

Efficient cost structure

The company manufactures the key components of WTGs in-house. So this helps the company to ensure cost competitiveness, cost-effective logistics and attractive margins. The company license to use AMSC technology reduces research and development expenses and operates with a strong focus on controlling operating and financing costs. The company has split up existing manufacturing activities with a view to ensure cost-efficiency. The existing rotor blade and tower manufacturing facilities are located at Rohika Unit in

Gujarat, which is located adjacent to a highway to facilitate easier handling during transportation, and in relatively close proximity to the states that offer good potential in terms of wind energy production, such as Rajasthan, Gujarat, Maharashtra and Madhya Pradesh. Manufacturing facilities for nacelles and hubs is setup at Una Unit in Himachal Pradesh, in order to benefit from certain tax incentives. The company has also commenced construction of a new integrated manufacturing facility at Barwani, Madhya Pradesh to produce nacelles and hubs, rotor blade sets and towers in close proximity to projects in Madhya Pradesh and Rajasthan.

Strong management team

The senior management has extensive experience in the quality, engineering, supply chain management, manufacturing, marketing, project development and maintenance of WTGs. Each of the senior managers in charge of these functions has an average of more than ten years of experience in their respective fields and considerable experience in the wind energy industry.

Recognized and trusted corporate group

The company is a member of the Inox Group, which commenced operations in 1923 and currently operates in the industrial gases, engineering plastics, refrigerants, chemicals, cryogenic engineering, renewable energy and entertainment sectors. The Inox Group, which includes two publicly-listed companies, namely Gujarat Fluorochemicals Limited, or GFL, and Inox Leisure Limited, is a market leader in various industries in India. The promoter, GFL, has been a pioneer of carbon credits in India and has been among the largest generators of carbon credits globally. Inox is a recognized and trusted brand in India. Inox Group's long history, business relationships and financial stability along with established suppliers is a perquisite for long-term projects such as wind farms.

Strategy

- Expanding and improving existing manufacturing facilities
- Constructing a new integrated manufacturing facility at Barwani, Madhya Pradesh
- Increasing inventory of Project Sites
- Improving the cost-efficiency of generating power from wind energy while maintaining high quality standards and project execution capabilities
- Continuing to consolidate position in the Indian market and grow outside of India

Key Concern

- Projects included in order book may not ultimately be confirmed, may be modified or cancelled, or there may be delays in execution, which could have a material adverse effect on cash flow position, financial conditions, cash flows and results of operations.
- The acquisition of Project Sites and/ or Wind Sites Under Acquisition, as the case may be, and ability to fulfill contractual obligations in respect of facilitating the transfer of rights over Project Sites and/ or Wind Sites Under Acquisition, may be subject to legal uncertainties and defects.
- Demand for products and services depends on the activity and new capital expenditure levels in the wind power sector.
- Operations are dependent on the timely supply of quality raw materials and components at commercially acceptable prices and are dependent on a limited number of suppliers for key raw materials and components.

Outlook & Valuation

Inox Wind is a subsidiary of Gujarat Fluorochemicals, which owns 75% in the company. The object of the issue is to issue will be part unlock the value by the selling shareholders as well to raise new funds for working capital requirements and expansion of manufacturing facilities. Inox Wind is a fully integrated player in the wind energy market. It is one of the fastest growing wind turbine manufacturers in India. The company offers complete end to end solutions from concept to commissioning which includes wind resource assessment, land acquisition and development of power evacuation, infrastructure development with all statutory approvals, supply of wind turbine generator (WTG), erection and commissioning and providing long term operation and maintenance of wind farms. Key components including blades, towers, hubs and nacelles are manufactured at the company's state- of-the-art manufacturing plants which ensure high quality, advanced technology, reliability and cost competitiveness. Inox wind has an exclusive and perpetual license from AMSC for producing and worldwide selling of 2MW Wind Turbine in India.

Inox Wind has been able to depict strong financials in a short span of time with consolidated revenue growth of 48% YoY in FY14 and for FY15 (annualized) it is slated at 51% YoY. The consolidated net profit has however declined slightly in FY14 at Rs 131.46 crore from Rs 150.42 crore in FY13, largely led by higher operating costs, depreciation and finance costs, as expected in early years. Despite being into capital intensive industry, the consolidated debt equity ratio stands at ~1.22x as of FY14. The biggest drivers for the companies in this sector have been the government policies and healthy order book. The restoration of benefits such as accelerated depreciation (AD) and generation-based incentive (GBI) by the new government is expected to revitalize the domestic wind power sector. The AD & GBI schemes were withdrawn in 2012 which resulted in dwindling investments in India's renewable energy sector. Besides, the Central Government also provides a ten-year tax holiday (under Section 80IA), funding through the Indian Renewable Energy Development Agency (IREDA) at favourable interest rates (~100 basis points lower than bank finance), concessional custom duty and excise duty exemption on wind turbine components. The Union budget's target to put up projects worth 60000 megawatts under wind power also shows the strong focus of the government in the sector. The company already has a strong order book with aggregate capacity of 1258 MW as of 31st December, 2014. Out of this 122 MW has already been erected and commissioned. Nevertheless, it provides strong revenue guidance for the future years. In the initial years, orders from group companies (Inox Renewables Ltd) comprised a large portion of order book. However, that trend is changing now and the company has added clients like Green infra, Tata Power, Bhilwara energy and plans to expand to international borders. Post issue on the higher price band, the company is valued at P/E of 30x and P/BV of 5.6x with annualized FY15E EPS and post issue BV respectively. Considering the business and growth, Inox Wind is attractive bet to take on and we rate it as SUBSCRIBE.

Financial Statement

Income Statement

	Standalone			Consolidated		
(In Rs. Cr)	Mar-10	Mar-11	Mar-12	Mar-13	Mar-14	9MFY15
Revenue	7.8	71.9	621.6	1,058.9	1,567.2	1,779.5
Total expense	8.8	60.2	479.8	862.4	1,391.7	1,496.7
EBITDA	-0.1	1.2	14.2	19.6	17.6	28.3
Other income	0.0	1.0	0.4	4.8	9.1	15.5
Depreciation	0.2	3.9	7.6	8.9	11.6	14.7
Interest	0.2	4.4	15.2	38.7	46.0	46.4
PBT	-1.4	4.4	119.4	153.7	127.0	237.1
Tax	0.0	-2.0	19.6	3.3	-4.4	57.8
PAT	-1.4	6.4	99.8	150.4	131.5	179.3

Source: RHP

Asset Liability Statement

	Standalone			Consolidated		
(In Rs. Cr)	Mar-10	Mar-11	Mar-12	Mar-13	Mar-14	9MFY15
Equity & Liabilities						
(a) Share capital	30.0	30.0	30.0	40.0	200.0	200.0
(b) Reserves and surplus	-1.4	5.0	104.8	255.6	219.8	397.6
Net worth	**28.6**	**35.0**	**134.8**	**295.6**	**419.8**	**597.6**
Non-current liabilities	**11.7**	**12.6**	**20.3**	**154.0**	**80.0**	**80.9**
(a) Long-term borrowings	10.0	10.0	-	131.3	55.0	57.5
(b) Deferred tax liabilities (Net)	-	-	17.6	19.5	21.2	18.7
(c) Other Long term liabilities	1.6	2.4	2.4	2.4	2.4	2.4
(d) Long-term provisions	0.1	0.2	0.3	0.8	1.4	2.3
Current liabilities	**67.1**	**153.5**	**253.8**	**500.6**	**979.1**	**1511.4**
(a) Short-term borrowings	47.0	86.6	120.3	205.5	425.4	671.3
(b) Trade payables	5.7	30.7	108.9	227.8	422.8	574.2
(c) Other current liabilities	14.3	36.0	24.4	64.6	127.3	253.4
(d) Short-term provisions	0.0	0.1	0.1	2.6	3.5	12.5
Total Equity & Liabilities	**107.4**	**201.0**	**409.0**	**950.2**	**1478.8**	**2190.0**
Assets						
Non - Current Assets	**79.0**	**122.2**	**170.3**	**223.2**	**299.8**	**340.5**
(a) Goodwill on consolidation	0.0	0.0	0.0	0.0	1.6	1.6
(b) Net Fixed Assets	73.4	112.6	142.4	160.7	197.7	211.2
(c) Non-Current Investments	-	-	-	0.0	0.0	0.0
(d) Deferred tax assets (Net)	0.0	2.0	-	0.0	6.1	14.8
(e) Long-term loans and advances	5.6	7.6	27.9	62.5	91.2	100.5
(f) Other non-current assets	-	-	-	-	3.3	12.3
Current assets	**28.5**	**78.9**	**238.7**	**727.0**	**1179.0**	**1849.5**
(a) Current Investments	-	-	-	-	45.0	-
(b) Inventories	11.6	63.6	99.7	79.5	270.7	311.9
(c) Trade receivables	8.6	-	73.8	500.2	710.0	1251.4
(d) Cash and bank balances	4.8	1.4	39.0	1.5	4.0	18.9
(e) Short-term loans and advances	3.5	13.8	26.0	133.9	111.6	240.1
(f) Other Current assets	-	-	0.1	11.9	37.7	27.3
Total assets	**107.4**	**201.0**	**409.0**	**950.2**	**1478.8**	**2190.0**

Cash Flow Statement

	Standalone			Consolidated		
(In Rs. Cr)	Mar-10	Mar-11	Mar-12	Mar-13	Mar-14	9MFY15
Cash flow from Operations Activities	(16.1)	5.1	82.9	(121.0)	(88.0)	(44.8)
Cash flow from Investing Activities	(66.2)	(43.4)	(31.7)	(135.5)	(44.1)	(71.2)
Cash flow from Financing Activities	87.0	35.9	11.5	218.7	132.4	119.9
Net increase/(decrease) in cash and cash equivalents	4.8	(3.3)	37.5	(37.5)	0.3	3.9
Cash and cash equivalents at the beginning of the year/ period	-	4.8	1.4	39.0	1.5	1.9
Cash and cash equivalents at the end of the year/ period	4.8	1.4	39.0	1.5	1.9	5.8

Source: RHP

Ratios

	Standalone			Consolidated		
(In Rs. Cr)	Mar-10	Mar-11	Mar-12	Mar-13	Mar-14	9MFY15
Earning per share (EPS) (Rs.)	-0.1	0.3	5.0	7.5	6.6	9.0
Net Asset Value per share (Rs.)	9.55	11.67	44.95	73.89	20.99	29.88
Return on Net Worth (RONW) (%)	-4.8%	18.2%	74.0%	50.9%	31.3%	30.0%

Source: RHP, Ashika Research

Ashika Stock Broking Limited

Comparison with listed industry peers

There is only one listed company in India that is engaged in a business that is similar to that of the Company. However, that listed company has incurred losses for more than three financial years and is hence not comparable to the Company based on its financial condition. Accordingly, it is not possible to provide an industry comparison in relation to the Company.