NSSPL RESEARCH

Inox Winds Ltd

Offer for Sale	10,000,000
Offer Sale (funds raised Rs mn)	3150-3250
Issue Size (funds raised Rs mn)	7000
Price band	315-325
Issue opens	18-Mar-15
Issue Closes	20-Mar-15
Minimum Application	45
Multiple Application	45
Listing	BSE / NSE

Overview: Inox Winds ltd is a subsidiary company of Gujarat Fluorochemical ltd engaged in manufacturing wind turbine generators and key components like nacelles, hubs and rotor blade sets together with solution in procurement, erection, maintenance and commissioning services for wind generation projects. Inox Winds ltd provides turnkey solution for wind farm projects through its wholly owned subsidiary. The order book as on 31st Dec 2014 includes 1258 mw wind turbine manufacturing and solutions, inclusive of 50mw from the group company Inox renewable ltd (IRL). From the total order book 122mw have been commissioned and erected.

Growth: As the barriers to entry are high with regulatory hurdles along with acquiring land towards development of wind projects, we believe that among the existing players like Suzlon energy. Given the order book presently is relatively decent we believe they would be able to show some growth over the next financial year. Further if order flow remains robust growth could continue over a longer term. However the growth is very dependent on new order flow which could see a downtick in a bad economic cycle.

Objective of the issue: The total debt position of the company as on 31st Dec 2014 is ₹7287mn, while the proceeds of the IPO will be utilized towards the expansion and development of the existing manufacturing units in Una district and Rohika coupled with working capital requirements and investment in subsidiary Inoxwind infra service ltd (IWISL).

Financial: Inox Winds ltd operational income for 9mths FY15 was ₹17,795mn with net profit of ₹1793.1mn. 91% revenues were generated from sale of products and remaining from services. The company has shown profitability in the previous 2 years. FY13 operational revenues came in at ₹ 10,589mn with a net profit of ₹1504.2mn, While in FY14 revenues stood at ₹15,672 with a net profit of ₹1,314. The road map ahead lies in the order book which currently stands at 1058mw out of which 122mw has been commissioned and revenues have been partially recorded. However the completion of these projects does not signify upfront payment for the services delivered, which may have a bearing on the revenues and overall profitability.

Recommendation: The business model comprises of manufacturing equipments and providing turnkey solutions for setting up wind power projects along with operating and maintenance fees for the already commissioned projects. From the valuation perspective on an EV/EBIDTA it would trade at 19.4x at the lower end of the price band for its current annualized EBIDTA. Although the order book seems strong, it does not indicate immediate cash flows which would boost profitability. Although the entry barriers to the business might exist we believe there are other better opportunities in the market and we don't see much upside from the stock over the next couple years and hence we would recommend to **"AVOID"** the issue.

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