

INITIATING COVERAGE

Inox Wind Ltd



Well-Positioned to Benefit from Tailwinds in the Wind Sector

We initiate coverage of Inox Wind Limited (IWL) with a **BUY** recommendation and a target price of **Rs 185/Share**, implying an upside potential of **33% from the CMP**. Inox Wind is a fully integrated wind energy solutions provider. The company is engaged in the business of manufacturing and selling wind turbine generators (WTGs). It also provides erection, procurement, and commissioning (EPC), operations and maintenance (O&M), and common infrastructure facilities services for WTGs and wind farm development services.

Post the promoter infusion, IWL has reduced its interest-bearing debt to nil. The company is well-positioned to capture the market share of the growing wind sector in India thanks to its strengthened balance sheet, robust order book of 2.7 GW across a well-diversified customer base, and a leaner O&M arm (Inox Green Energy Services Ltd. with robust margins of 45%+). India plans to add around 75 GW of wind power capacity by FY32 over the current base of 46 GW. With the transition from 2 MW to 3-3.3 MW and the development of the 4.X MW WTG platform, it is also technologically ready for the next decade.

Investment Thesis

- Strong Order Book** – As of 31st Mar'24, the company has a strong order book at 2.7 GW, which will be sold for the next 2.5 years. The 2.7 GW order book is a mix of all customers, PSUs, IPPs, C&I market and retail market with a healthy mix of turnkey and equipment supplies. The company also has multiple IPP & C&I orders in the pipeline which are at advanced stages of closure.
- Ramp-up in Execution** – In FY24, the company's execution stood at 376 MW as compared to 104 MW in FY23, indicating a 262% YoY jump in execution. With the large order book, the company expects higher order execution from FY25 onwards (guidance of 800/1,200 MW for FY25/26E) with a target of 2 GW of annual execution in the medium term. The company has the capability and supply chain readiness to execute higher MWs. In FY16, it had commissioned 786 MW when the wind sector was at its peak.
- Technological Advancement** – The company has ramped up the manufacturing of 3 MW wind turbines and successfully transitioned to 3 MW wind turbine from 2 MW. It has also secured the license of a 4.X MW wind turbine platform. The 4.X MW wind turbine with a large rotor diameter for low wind sites will be a revolutionary product in India.
- Financial Performance** – The company incurred losses during FY19-24, primarily due to reduced execution linked to lower wind capacity additions. This was caused by the abrupt transition to a reverse bidding auction regime starting from FY18 and the additional impact of COVID-19 in FY21-22. We expect the company to return to profitability from FY25 onwards, driven by higher execution, which will be supported by its robust order book. We project a Revenue/EBITDA CAGR of 75% over FY24-27E and project the PAT to jump to Rs 1,081 Cr in FY27E from a loss of Rs 51 Cr in FY24. We also project an EBITDA margin of 15%, in line with the company guidance range of 14-15%.
- Nil Interest-bearing debt on the books** – The series of promoter's fund infusions (cumulative of Rs 2,940 Cr over FY23-25) through stake sales has resulted in zero interest-bearing debt for Inox Wind.

Valuation & Recommendation

With the interest-bearing debt coming down to zero, robust order book, technological readiness, and execution capability along with the government's renewed focus on wind capacity additions, we assign a target P/E multiple of 30x on our FY26 EPS estimate. We further adjust it for the promoter's fund infusion and minority stake in the Inox Green Energy Services Ltd. to arrive at our TP of Rs 185/share and initiate the coverage with a **BUY** rating. Our TP implies a potential upside of 33% from the CMP.

Key Financials (Consolidated)

(Rs Cr)	FY-24A	FY-25E	FY-26E	FY-27E
Net Sales	1,743	4,800	7,200	9,360
EBITDA	269	735	1,102	1,433
Net Profit	(51)	592	997	1,081
EPS (Rs.)	(1.6)	4.5	7.7	8.3
PER (x)	NA	30.7	18.2	16.8
P/BV (x)	10.0	7.9	5.5	4.2
EV/EBITDA (x)	76.1	28.6	18.5	13.8
ROE (%)	-2.4%	29.7%	35.8%	28.2%

Source: Company, Axis Securities

(CMP as of June 27, 2024)

CMP (Rs)	140
Upside /Downside (%)	33%
High/Low (Rs)	177/38
Market cap (Rs Cr)	18,311
Avg. daily vol. (6m) Shrs (Cr).	3,83,409
No. of shares (Cr).	130.4

Shareholding (%)

	Sep-23	Dec-23	Mar-24
Promoter	64.64	52.87	52.87
FIIs	3.48	9.49	9.47
MFs / UTI	6.04	8.94	8.32
Banks / FIs	0.00	0.00	0.00
Others	25.84	28.70	29.34

Financial & Valuations

Y/E Mar (Rs Cr)	FY25E	FY26E	FY27E
Net Sales	4,800	7,200	9,360
EBITDA	735	1,102	1,433
Net Profit	592	997	1,081
EPS (Rs.)	4.5	7.7	8.3
PER (x)	30.7	18.2	16.8
P/BV (x)	7.9	5.5	4.2
EV/EBITDA (x)	28.6	18.5	13.8
ROE (%)	29.7%	35.8%	28.2%

Key Drivers (%) (Growth in %)

Y/E Mar	FY25E	FY26E	FY27E
Net Sales	175	50	30
EBITDA	174	50	30
Net Profit	NA	69	8

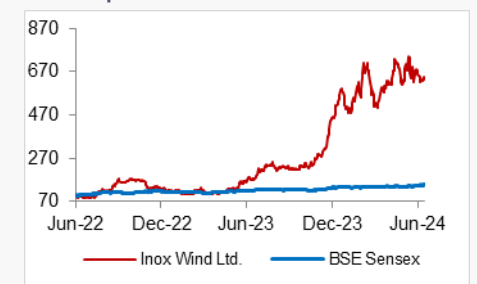
ESG disclosure Score**

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

Relative performance



Source: Ace Equity, Axis Securities

Aditya Welekar

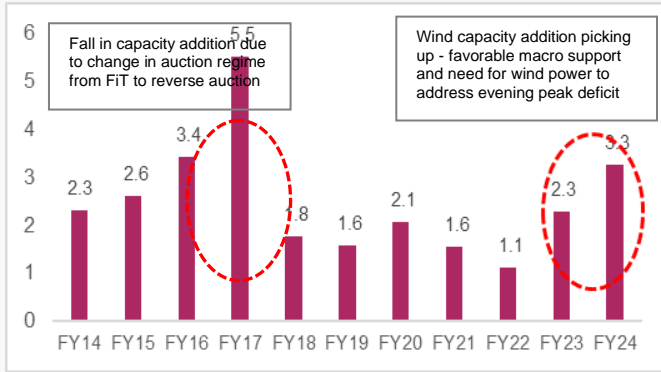
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Story in Charts

Exhibit 1: India's wind capacity addition (GW) picking up – led by favourable macro and need for wind power in the mix



Source: Company, CEA, Axis Securities

Exhibit 2: IWL WTG execution (MW) – Execution to pick up, led by Wind Macro tailwinds

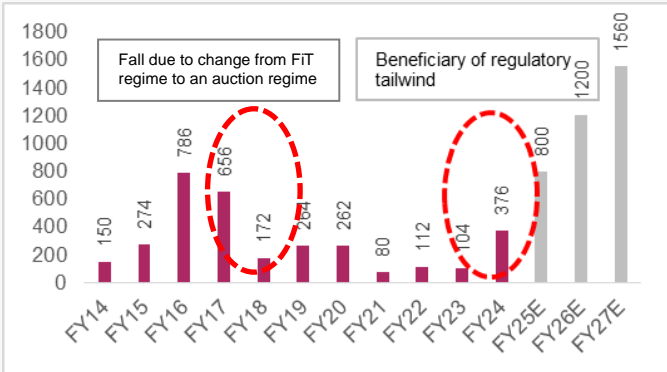
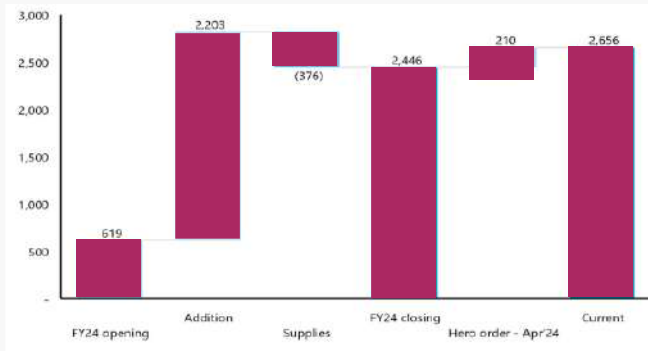


Exhibit 3: Healthy order book of ~2.7 GW provides execution visibility for the next 2.5 years



Source: Company, Axis Securities

Exhibit 4: IWL's revenue to pick up led by higher order execution. We model a Revenue CAGR of 75% over FY24-27E

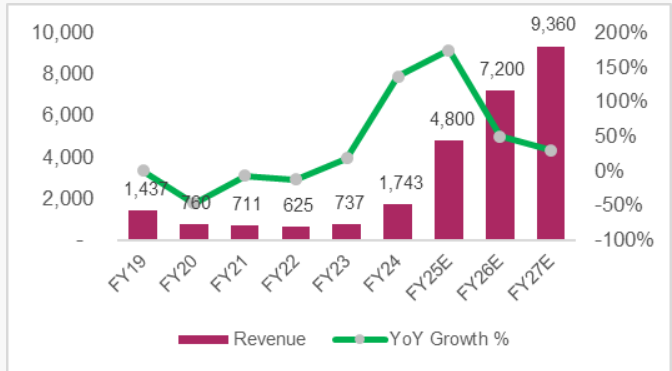
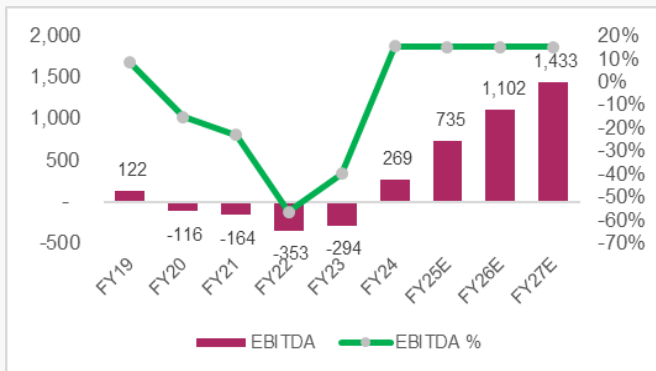
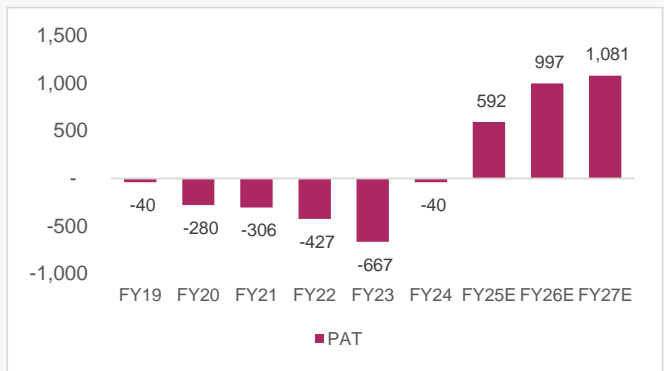


Exhibit 5: IWL's EBITDA to pick up, led by higher topline. We model a EBITDA CAGR of 75% over FY24-27E and an EBITDA margin of 15% over FY25-27E (Company guidance of 14-15%)



Source: Company, Axis Securities

Exhibit 6: IWL to turn profitable from FY25 onwards, led by higher Revenue and EBITDA on account of higher execution



Company Background

Inox Wind Limited (IWL) is a part of the InoxGFL Group. InoxGFL group has its presence in the Indian Chemicals and Renewables domain. Inox Wind Limited is a part of the Renewables domain of the InoxGFL Group.

Inox Wind Ltd, incorporated in 2009, is an integrated wind energy solutions provider. It is engaged in the business of manufacturing and sale of wind turbine generators (WTGs). The company and its subsidiaries also provide erection, procurement and commissioning (EPC), operations and maintenance (O&M) and common infrastructure facilities services for WTGs and wind farm development services.

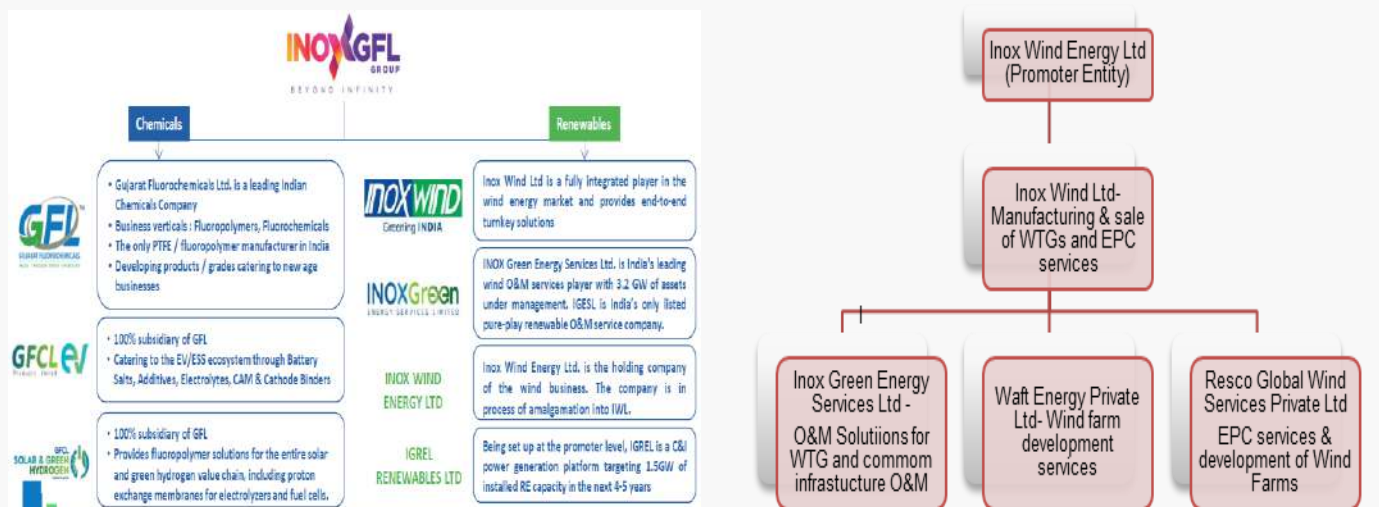
The Holding company of Inox Wind Limited is **Inox Wind Energy Limited (IWEL)** which is in the process of amalgamation into Inox Wind Limited.

The subsidiary companies of Inox Wind Limited are:

- Inox Green Energy Services Limited** (*50.18% stake on a fully diluted basis post fund raising of Rs 1,050 Cr through equity share issue on a preferential basis to non-promoter of Rs 400 Cr and issue of convertible warrants of Rs 650 Cr to promoter/Non-promoter on 26th Jun'24): IGESL, along with its subsidiaries, specializes in providing comprehensive Operations & Maintenance (O&M) Solutions for Wind Turbine Generators (WTG) and common infrastructure under long-term contracts ranging from 5 to 20 years. Currently, IGESL manages an O&M assets portfolio of approximately 3.2 GW across 8 states, with a target to expand this portfolio to 6 GW by FY26. IGESL operates as a high-margin business segment. In FY24, it achieved a revenue of Rs 261 Cr and an EBITDA of Rs 129 Cr, resulting in an impressive EBITDA margin of 49%.
- Waft Energy Private Limited** (100% subsidiary): It is engaged in the development of wind farm development services.
- Resco Global Wind Services Private Limited (100% subsidiary)**: Resco Global is engaged in the business of providing EPC services for WTGs and development of wind farms.

Inox Wind Ltd is engaged in the business of manufacturing and sale of wind turbine generators (WTGs), and also provides complete wind installation solutions such as EPC, O&M and common infrastructure facilities services for WTGs and wind farm development services.

Exhibit 7: Inox Wind Ltd Group Structure



Source: Company

Exhibit 8: Inox Wind Ltd: A Complete Wind Solutions Provider

Manufacturing – IWL	EPC – IWL	O&M - IGESL
<ul style="list-style-type: none"> • Among the largest WTG manufacturers in India • Exclusive licenses and agreements in place across multiple turbine technologies • 4 plants to manufacture nacelles & hubs, blades and towers • Sufficient land bank to install ~5,000 MW capacity 	<ul style="list-style-type: none"> • End-to-end services leading up to turbine installation • Constructing sub-stations for power evacuation, high grid availability and minimum power losses 	<ul style="list-style-type: none"> • Retains O&M contracts for almost all project sites • Contracts with third-party suppliers for spares • In-house manufactured maintained at sites/warehouses inventory • Skilled O&M team with regular trainings

Source: Company

Inox Wind's Products – The company specializes in manufacturing and selling Wind Turbine Generators (WTGs), focusing on components such as Nacelles & Hubs, Blades, and Towers. Its product line-up includes renowned wind turbines like the INOX DF 93, INOX DF 100, and INOX DF 113, boasting rotor diameters of 93 meters, 100 meters, and 113 meters respectively, all with a rated power of 2 MW. Starting FY24, the company has begun transitioning from 2 MW turbines to 3.3 MW turbines, which now form the majority of its current order book. These advanced turbines feature significant improvements, including a taller hub height of 120 meters and a larger rotor diameter of 145 meters.

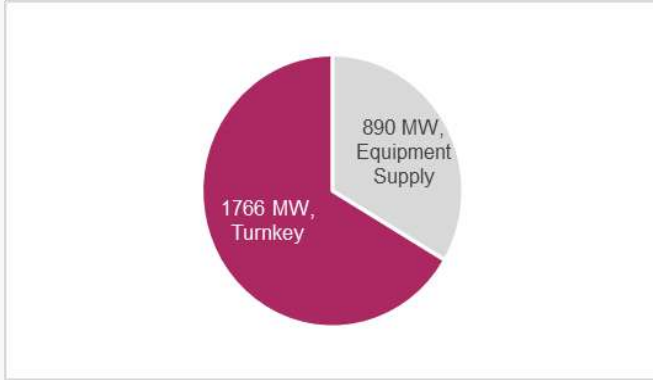
Capacity – The company has a manufacturing capacity of more than 2.5 GWs of WTGs located across 4 facilities. 2 are in Gujarat, 1 is in Madhya Pradesh and 1 is in Himachal Pradesh. The company manufactures Nacelles & Hubs, Rotor Blades & Towers in its facilities. It has 1.3 GW turnkey EPC capability and a current O&M assets portfolio of ~3.2 GW. In turbines, the company manufactures blades and towers (towers only to the extent when the wind farm is near to its facilities). For Nacelles, which has several components in it such as generator, braking system, bearings, Electronic control systems, castings; the company procure these components directly from vendors and assemble at its facility and is not involved in its manufacturing (as third party sourcing is more economical). The Revenue/MW for 3 MW WTG product on turnkey basis is Rs 8 Cr/MW and for equipment supply the realisation is Rs 6 Cr/MW on gross basis including GST.

Exhibit 9: Inox Wind Ltd manufacturing capacity

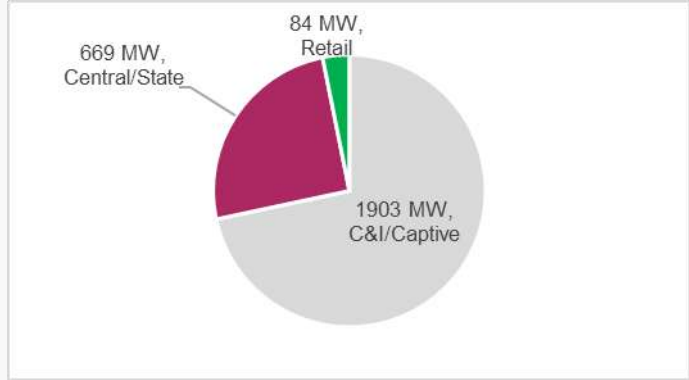
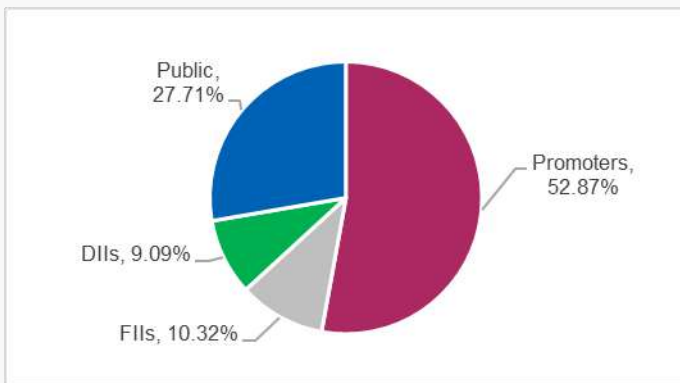
Plant Location	Rohika, Gujarat	Bhuj, Gujarat	Una, Himachal Pradesh	Barwani, Madhya Pradesh	Total
Nacelles and Hubs	-	800 MW	1,100 MW	-	1,900 MW
Blades	800 MW	-	-	800 MW	1,600 MW
Towers	300 MW	-	-	300 MW	600 MW

Source: Company

Diversified customer base/order book – The company has a robust order book of 2.7 GW which is diversified across customer segments such as PSUs, IPPs, C&I, and retail. There is a strong demand from all customer segments and multiple order inflows are expected across PSUs, IPPs, and C&I customers. The company has a healthy mix of turnkey and equipment supply orders (1.8 GW of Turnkey orders and 0.9 GW of Equipment supply orders). The company also has a repeat order from a large marquee C&I player. Amongst the existing order book of 2.7 GW; 1.9 GW pertain to C&I/Captive orders, 0.7 GW pertain to Central/ State orders and 84 MW pertain to retail orders.

Exhibit 10: Order Book breakup by segment


Source: Company

Exhibit 11: Order Book breakup by customers

Exhibit 12: Shareholding Pattern of the Company


Source: Company, BSE, Note: Promoter/promoter group shareholding will come down to 48.3% from 52.87% and Inox Wind energy Ltd shareholding will come down to 33.83% from 38.43% post the Rs 900 Cr fund infusion via block deal on 28th May'24.

Exhibit 13: List of top institutional shareholders

Sr.No	Institutional Investors	Percentage Holding
1	Small Cap World Fund Inc	3.40%
2	ICICI Prudential Mutual Fund	2.85%
3	Samena Green Ltd	2.79%
4	Nippon Life India Mutual Fund	2.51%
5	Motilal Oswal AMC	1.30%

Key Business Strategies

From highly leveraged to zero interest-bearing debt company

Disruptions in the wind power industry during FY17-18, marked by the transition from the Feed-in-Tariff (FiT) regime to the reverse e-auction regime (see the industry section), resulted in lower wind capacity additions. The subsequent impact of Covid further exacerbated challenges, leading to debt accumulation at Inox Wind.

To strengthen its financial position, management pursued a strategic initiative to reduce interest-bearing debt through a series of stake sales and equity infusions. This proactive approach has effectively rendered Inox Wind a net debt-free entity (excluding promoter debt).

Inox Wind Energy, the holding company of Inox Wind, has reduced its stake from 55% at the end of Q1FY24 to a current stake of 38.4% as of May'24 and further down to 33.83% as of 28th May'24 post the Rs 900 Cr block deal.

The cash generated from the stake sale by the promoter entity was directed into Inox Wind's Non-Convertible, Non-Cumulative, Participating Redeemable Preference Shares (NCPRPS). This infusion enabled the company to significantly reduce its interest-bearing debt. Consequently, as of May'24, Inox Wind achieved a net debt-free status, excluding the promoter infusion.

The reduction in interest-bearing net debt would result in reduced interest costs and increased profitability. The interest cost has reduced to Rs 248 Cr in FY24 from Rs 341 Cr in FY23. Further, in FY24, the interest cost in Q4 was reduced to Rs 57 Cr from Rs 70 Cr in Q1. The annual interest cost is expected to be in the range of Rs 70 to 100 Cr in FY25.

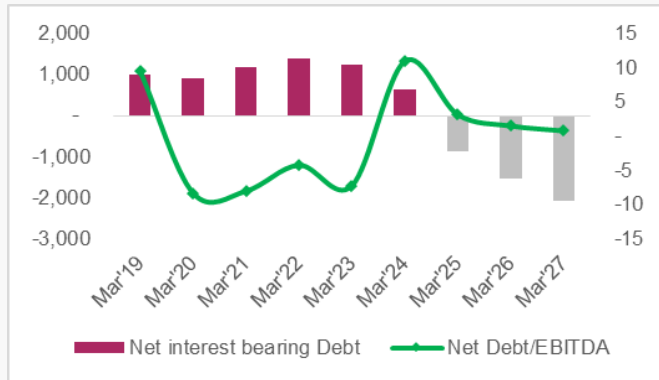
The chronology of the equity infusion from the promoter company to reduce interest-bearing external debt is as below:

Exhibit 14: Promoter Infusion Chronology

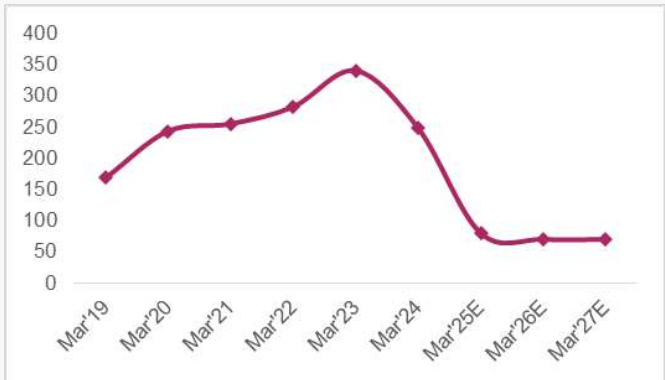
Date	Fund Raise Rs Cr	Description	Use of Funds
8 Dec'22	740	Inox Group raised Rs 740 Cr through the IPO of Inox Green Energy Services Ltd. ('IGESL')	Funds raised have been majorly utilized towards debt repayment at IWL
17 Aug'23	500	The funds were raised by way of equity share sale of IWL by its promoter and promoter group entities through block deals on the stock exchanges.	The funds will be utilized for the repayment of IWL's existing debt
31 Oct'23	800	Inox Wind Energy Limited (IWEL), the promoter of Inox Wind (IWL), successfully raised ~ Rs 800 Cr through the sale of equity shares of Inox Wind via block deals on the stock exchanges	Funds will be used for repayment of IWL's external debt
28 May'24	900	The proceeds from the sale of IWL shares by IWL's promoter Inox Wind Energy Limited (IWEL) via block deals on the stock exchanges will be infused in IWL by way of issuance of 0.01% Non-Convertible Non-Cumulative Participating Redeemable Preference Shares ('NCPRPS') to IWEL.	The funds will be utilized by IWL to completely pare down its external debt and augment the working capital needs, strengthening its balance sheet further
SPV sale (Non-Core)			
9 Oct'23	300	Inox Green signs term sheet to divest its 100% stake in Nani Virani Wind Energy Private Limited	Enabling IGESL to become an asset-light annuity O&M business

Source: Company

To strengthen its financial position, management pursued a strategic initiative to reduce interest-bearing debt through a series of stake sales and equity infusions.

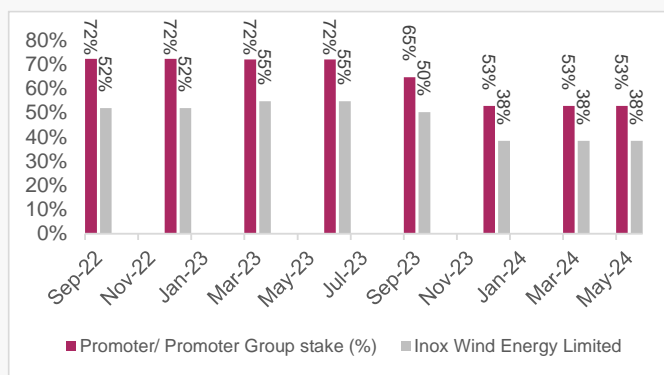
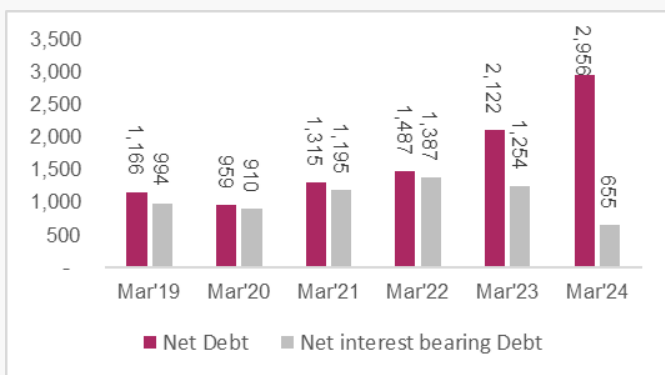
Exhibit 15: The Company has become Zero net interest-bearing debt


Source: Company

Exhibit 16: Interest expenses to come down

Exhibit 17: Inox Wind Ltd: A Complete Wind Solutions Provider

Inox Wind's Debt Profile	Rs Cr
Gross Debt as of Mar'24	3,237
Less: Cash & bank balances as of Mar'24 (including non-current FDs)	281
Net Debt as of Mar'24	2,956
Less: Promoter Debt	2,030
Less: Suppliers Credit	271
Net interest-bearing debt as of Mar'24	655

Source: Company, Note: With the equity infusion on 28th May of Rs 900 Cr, the net interest-bearing debt has come down to Nil currently.

Exhibit 18: Promoter and promoter group stake coming down

Exhibit 19: Net Debt and Net interest-bearing debt post equity infusion


Source: Company. Note: Promoter/promoter group shareholding will come down to 48.3% from 52.87% and Inox Wind energy Ltd shareholding will come down to 33.83% from 38.43% post the Rs 900 Cr fund infusion via block deal on 28th May'24.

Asset Monetisation – sale of Non-core Assets

IWL had set up 5 SPVs to install wind farm projects awarded by Solar Energy Corporation of India (SECI), with a capacity of 50 MW each. The company's strategy was to focus on asset-light O&M business and hence it sold all the 5 SPVs, with 1 SPV to Torrent Power and 3 to Adani Power, while the last remaining Nani Virani SPV (which was commissioned in 4QFY23) was sold in Oct'23 for Rs 300 Cr. **The SPV sales enabled IGESL to become an asset-light annuity O&M business.**

The company has successfully transitioned to 3 MW turbines from 2 MW by ramping up the manufacturing of 3 MW wind turbines.

Merger of IWEL into IWL

On 12th Jun'23, the board of Inox Wind Ltd (IWL) approved the merger of Inox Wind Energy Limited (the holding parent company) into Inox Wind Limited to simplify the renewables business structure, drive operational efficiencies, reduce costs, enhance synergies, and streamline processes for greater productivity.

New Product Offering - 4.X MW WTG in India

The company has successfully transitioned to 3 MW turbines from 2 MW by ramping up the manufacturing of 3 MW wind turbines. It has signed an exclusive agreement with Wind to Energy (W2E), a global provider of technology and design for wind turbines, to launch the 4.X MW wind turbine generator (WTG) in India. The 4.X MW series wind turbine with a large rotor diameter will be a revolutionary product in India – improving energy yield, reducing the levelized cost of energy, and offering superior performance to harness low wind sites optimally.

IGESL (Inox Green Energy Services Limited) – O&M Business Poised For Growth

IGESL garners impressive EBITDA margins of ~45% with its asset-light model through its long-term O&M services that ensure optimal performance and longevity of WTGs. With an annuity business model, good cash flow and sticky business with high ROE, the company has plans to increase the portfolio of IGESL to 6 GW by FY26 from the current portfolio of 3.2 GW. It has both inorganic and organic growth options to enhance its portfolio size.

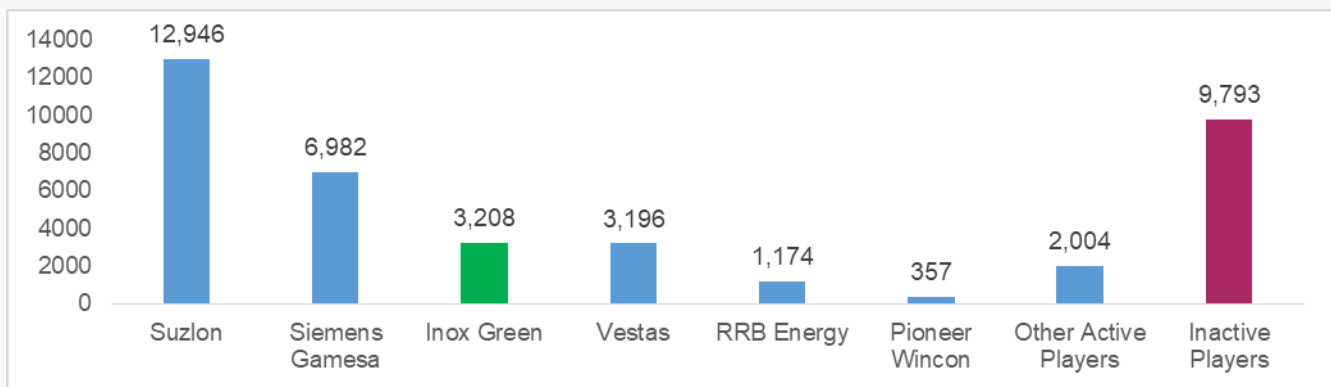
IGESL (Inox Green Energy Services Limited) garners impressive EBITDA margins of ~45% with its asset-light model through its long-term O&M services that ensure optimal performance and longevity of WTGs.

Inorganic growth options

- Currently, the O&M business of inactive/stressed players has ~10 GW of capacity which provides a significant opportunity for IGESL's inorganic growth strategy.
- Leveraging both the company's own and the group's existing customer base and relationships

Organic growth prospects

- Growing portfolio through new long-term O&M contracts with customers who purchase IWL's WTGs (Revenue from 3rd year)
- Revision/Reset of Shared Services O&M contracts
- Value-added services

Exhibit 20: IGESL - Inorganic growth prospects (MW capacity)


Source: Company

Execution capability and constraints

IWL and Suzlon are the two primary players in India with comprehensive turnkey capabilities. Inox Wind's order book has been gradually shifting from almost 95%-100% turnkey projects to a mix of 60% turnkey and 40% Equipment supply as of FY24, notably influenced by the Hero order. Looking forward, the company anticipates a further transition to 55% turnkey and 45% equipment supply by FY26, with the ultimate goal of achieving a balanced 50-50% ratio between turnkey and equipment supply. As long as partners can effectively execute projects, Inox Wind is keen to supply turbines to support their initiatives.

Longest lead time the company gets for turnkey projects is 18 to 24 months mainly for PSUs from the PPA date. For the equipment supply projects which usually are given by the IPPs takes 12-15 months for execution.

The company has identified Project/land site infra of 5,000 MW along with necessary database of the last 4-5 years for identifying PLF sites. Company has developed 1.8-2 GW of transmission evacuation capacities (which usually takes 18-24 months) on its books which are connected to the central and state grids. Because of these 'ready to go' capabilities, the company can operate on a plug and play basis. **Plug & play common infrastructure is a strong moat for IWL.**

The company has identified Project/land site infra of 5,000 MW along with necessary database of the last 4-5 years for identifying PLF sites. Company has developed 1.8-2 GW of transmission evacuation capacities. Plug & play common infrastructure is a strong moat for IWL.

Key Financial Metrics

Execution: From FY18 to FY22, Inox Wind Limited (IWL) executed projects below 300 MW, reflecting subdued wind capacity additions during that period. The industry-wide shift from Feed-in-Tariff (FiT) to reverse e-auction mechanisms significantly dampened capacity expansions.

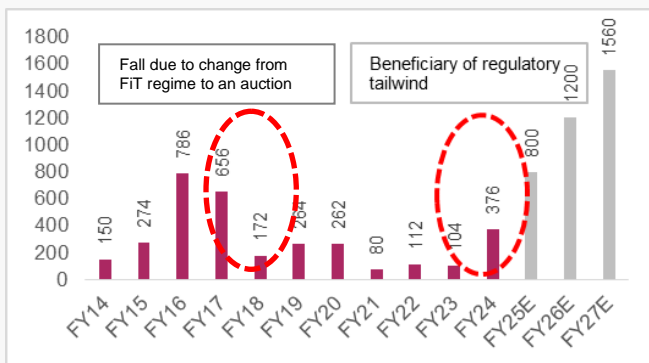
However, IWL demonstrated its capability to execute higher capacities in previous years, notably achieving 786 MW and 656 MW in FY16 and FY17 respectively. These achievements were supported by favourable policies such as Accelerated Depreciation, Generation-based Incentives, and the FiT regime, which incentivized higher execution of orders during that period.

In FY24, the executed capacity surged by 262% YoY to reach 376 MW, driven by robust demand for wind power. With a rising trend in wind capacity installations and increasing demand for wind energy, Inox Wind has provided guidance for executing 800 MW in FY25 and 1,200 MW in FY26. Looking ahead, the company aims to achieve an annual execution rate of 2 GW in the medium term, reflecting its strategic expansion plans in the wind energy sector.

Revenue: In line with the lower execution during FY20-23, the company's revenue has ranged between Rs 600 - 750 Cr. In FY24, revenue surged by 137% YoY to Rs 1,743 Cr, driven by enhanced execution and a larger order book. We anticipate revenue reaching Rs 9,360 Cr by FY27 at a CAGR of ~75% over FY24-27E. This growth is supported by a robust order book, improved execution efficiency, and anticipated increases in wind installations across the industry.

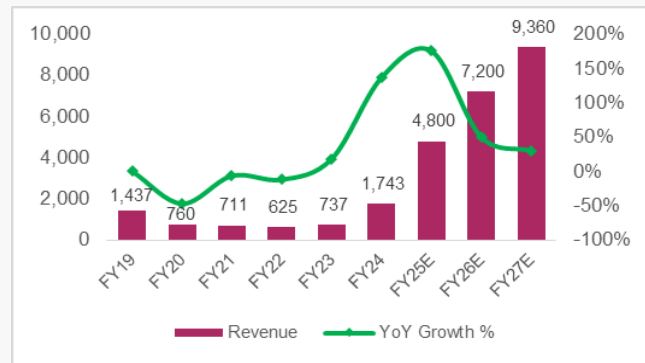
Blended realisation to improve: The blended revenue realisation per MW guidance is at Rs 6 Cr/MW. The realisation is a mix of turnkey, equipment supply, and equipment supply with some value-added services.

Exhibit 21: IWL WTG execution (MW) – Execution to pick up, led by Wind Macro tailwinds



Source: Company, Axis Securities

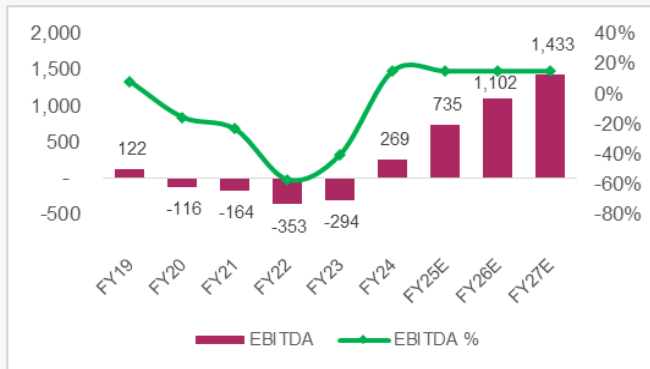
Exhibit 22: IWL's revenue to pick up led by higher order execution. We model a Revenue CAGR of 75% over FY24-27E



EBITDA: The Company became EBITDA positive with an EBITDA of Rs 269 Cr and EBITDA margin of 15.4% in FY24. We model EBITDA of Rs 1,433 Cr in FY27E with a 75% CAGR over FY24-27E. We project an EBITDA margin of 15%, in line with the guidance range of 14-15% given by the company.

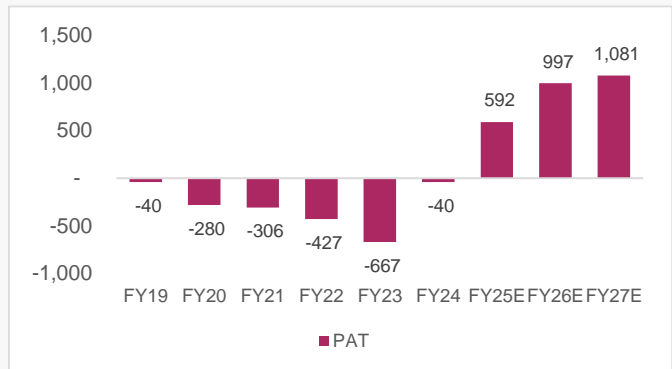
PAT: The Company became PAT positive in Q4FY24. With an increase in sales and improved EBITDA margins, the company is expected to become profitable in FY25. Furthermore, with the decrease in interest-bearing net debt, the finance cost of the company is expected to reduce significantly which will further increase the profit margins. We project PAT of Rs 592 Cr in FY25 vs. a loss of Rs 51 Cr in FY24. We model a profit margin in the range of 12-14% over FY25-27E.

Exhibit 23: IWL's EBITDA to pick up led by higher topline. We model a EBITDA CAGR of 75% over FY24-27E and an EBITDA margin of 15% over FY25-27E



Source: Company, Axis Securities

Exhibit 24: IWL to turn net profit from loss in FY24 led by higher execution led Revenue and EBITDA



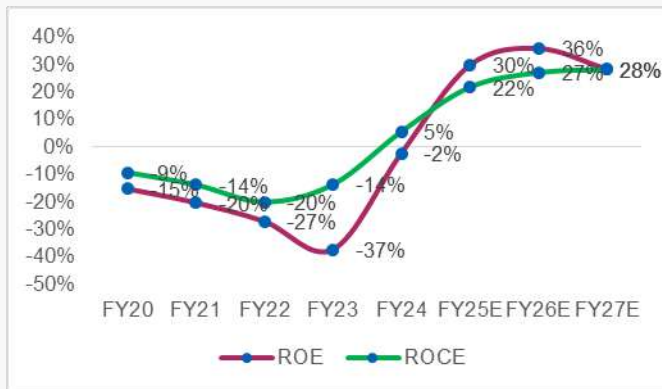
Return Ratios: With the company turning to profitability, the ROE and ROCE ratios are expected to improve and stay in the range of 20-36% over FY25-27E.

Tax Shield: The Company has a tax shield of ~Rs 1,900 Cr which is adjusted against the profits of the company resulting in no tax outflow till FY26. In FY27, tax outflow is expected to arise after utilising the balance tax shield.

Working capital cycle: The Company has guided that the net working capital cycle will be at 90 days.

Capex: Capex requirement will be limited and will be in the range of Rs 50 Cr to Rs 75 Cr over the future years.

Exhibit 25: Improving ROE/ROCE profile

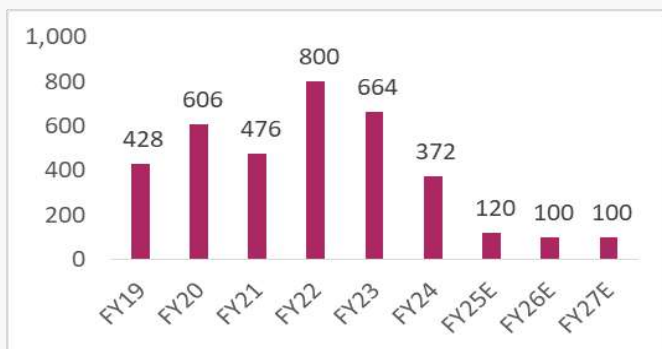


Source: Company, Axis Securities

Exhibit 26: Tax Shield Impact

	FY25E	FY26E	FY27E
Opening credit	1,900	1,308	311
PBT	592	997	1,337
Closing credit	1,308	311	-1,026

Exhibit 27: Net Working capital cycle to improve



Source: Company, Axis Securities

Exhibit 28: We assume a Blended realization of Rs 6/MW



Valuation & Outlook

We initiate coverage of Inox Wind Limited (IWL) with a BUY recommendation and a target price of Rs 185/Share, which implies an upside of 33% from the CMP.

We value the company by applying a P/E multiple of 30x on our FY26 EPS estimate and adjust it for the promoter's fund infusion. We further adjust it for the minority stake in the Inox Green Energy Services Ltd.

The Indian capital goods companies trade at a substantial premium to the domestic duopoly of wind EPC - Suzlon and Inox wind. With the interest-bearing debt coming down to zero, order book visibility and with the government's renewed focus on wind capacity additions, we assign a 30x P/E target multiple.

With the interest-bearing debt coming down to zero, order book visibility and with the government's renewed focus on wind capacity additions, we assign a 30x P/E target multiple.

Exhibit 29: Valuation

Valuation	Rs Cr
FY26E Consolidated PAT	997
Target P/E Multiple (x)	30
Equity Value	29,924
Less: Promoters Funds	(2,030)
Less: NCI (IGESL stake)*	(3,597)
Equity Value	24,297
Number of shares (Cr)	130
Target Price (Rs/sh)	185
CMP (Rs/sh)	140
Upside %	33%

Source: Company, Axis Securities, Note: *NCI – Non controlling interest calculated for 50.18% stake of IWL in IGESL on a fully diluted basis at the CMP of Rs 177.

Exhibit 30: Peer Comparison

Company		Price Local	Mkt Cap Local	EV Rs Cr	ROE (%)				P/B (x)				P/E (x)				EV/EBITDA (x)			
					2024	2025	2026	2027	2024	2025	2026	2027	2024	2025	2026	2027	2024	2025	2026	2027
Domestic																				
Inox Wind Ltd	FY-YE	140	18,242	21,857	(1.05)	27.70	34.00	27.00	10.70	8.78	6.60	#N/A	#N/A	35.47	22.81	17.96	71.69	30.94	20.32	14.97
Suzlon Energy Ltd	FY-YE	53	72,539	72,225	36.30	38.75	37.74	31.30	44.40	13.51	9.96	7.94	99.90	46.25	31.12	26.05	67.42	39.42	27.05	20.84
International																				
Vestas Wind Systems A/S	CY-YE	167	16,781	2,10,706	13.51	13.04	11.22	24.08	4.25	1.59	1.33	3.08	42.84	14.42	12.53	13.51	14.16	7.90	7.19	7.14
Goldwind Science & Technology Co Ltd	CY-YE	3	2,723	60,148	5.73	6.97	7.38	#N/A	0.31	0.30	0.28	#N/A	5.69	4.34	4.07	#N/A	7.51	6.40	6.26	#N/A
Nordex SE	CY-YE	12	283	18,827	2.80	14.17	16.15	14.90	2.79	2.42	2.05	1.96	281.48	15.21	12.28	13.16	7.75	4.31	3.66	3.58
Oersted A/S	CY-YE	377	15,808	2,52,869	14.53	14.41	12.17	10.50	1.97	1.67	1.43	1.55	24.32	13.81	13.75	12.38	7.85	6.82	6.41	5.52
Capital Goods Companies																				
Siemens Ltd	FY-YE	7,832	2,78,513	2,71,259	18.07	18.52	19.70	22.73	18.63	16.42	14.24	12.82	107.52	92.46	75.47	58.49	86.20	72.61	59.24	44.76
ABB India Ltd	FY-YE	8,643	1,82,886	1,78,388	25.44	25.55	25.81	19.00	25.10	20.55	16.85	#N/A	107.41	89.13	73.34	80.55	85.52	70.83	59.11	66.55
Thermax Limited	FY-YE	5,355	60,145	58,632	14.30	16.04	17.26	18.52	14.37	12.45	10.85	9.03	104.13	82.23	66.76	52.64	76.53	57.83	46.88	35.93
Ge T&D India Ltd	FY-YE	1,516	38,336	38,285	13.68	25.70	30.65	34.30	32.54	24.58	18.49	12.53	230.93	107.55	70.53	42.84	130.96	71.01	48.38	29.16

Source: LSEG Workspace, Priced as of 27th Jun'24

Robust Corporate Governance and Experienced Management Team

Management Team	Details
Devansh Jain <i>Whole Time Director</i>	<p>Mr. Devansh Jain holds a dual major degree in Economics and Business Administration from Carnegie Mellon University. He has been associated with the group for a long time driving the growth of the company in the renewable sector.</p>
Manoj Shambhu Dixit <i>Whole-time Director</i>	<p>Mr. Dixit holds a Master's Degree in Mechanical Engineering from Indian Institute of Management Research and Technology, Ahmedabad, Gujarat. He has been associated with the group for more than 15 years. He has vast experience of over 24 years in Power Management, Project Development, Power scheduling, land acquisition, and regulatory approvals & government policy matters related to power. His previous affiliations include Perfect Refractories Limited and Gujarat Fluorochemicals Limited.</p>
Mukesh Manglik <i>Non-Executive Director</i>	<p>Mr. Manglik holds a Bachelor's Degree in Electrical Engineering from Veermata Jijabai Technological Institute, Mumbai. He has been associated with the InoxGFL group for more than 15 years and leads the company's Engineering and Product Development Department. With over four decades of expertise in the design and development of power electronics and process controls, he brings more than 20 years of experience specifically in the wind sector.</p>
Sanjeev Jain <i>Independent Director</i>	<p>Mr. Jain is a law graduate from Delhi University and a Fellow Member of the Institute of Chartered Accountants of India. With two decades of experience as a Chartered Accountant, he specializes in taxation laws, accounts, auditing, finance, corporate governance, etc. He serves as a senior partner at M/s. Shanti Prashad & Co., Chartered Accountants in New Delhi.</p>
Bindu Saxena <i>Independent Director</i>	<p>Ms. Saxena has completed her Bachelor's in Commerce and in Law from Lucknow University. She is an Advocate and a partner at the Law firm M/s. Swarup & Company, New Delhi. With over three decades of experience as a corporate attorney, she specializes in commercial transactions and projects both in India and overseas.</p>
V. Sankaranarayanan <i>Independent Director</i>	<p>Mr. Sankaranarayanan holds a Bachelor's degree in Commerce from Madurai University.</p> <p>He has an experience of more than three decades in Finance and Taxation.</p>
Brij Mohan Bansal <i>Independent Director</i>	<p>Mr. Brij Mohan Bansal has a B. Tech in Chemical Engineering and a PG Diploma in Process Plant Engineering, both from the prestigious Indian Institute of Technology, Delhi. He has been a former Chairman of Indian Oil Corporation Limited and possesses more than four decades of experience in the Oil & Gas sector.</p>

Source: company, Axis Securities

Key Risks & Mitigation

Key Risks	Mitigation
<p>Execution Risk: Execution risk is inherently associated with the wind sector turnkey projects. Non-availability of good wind sites, land clearing certificates, construction permits, weather and environmental approvals, lack of grid capacity for evacuation, and failure on the part of subcontractors are the key challenges. Delay in executions leads to additional costs.</p>	<p>The company has a proven track record of execution in the past. The company executed 786 MW of WTG back in FY16 when the wind sector was enjoying macro and regulatory tailwinds.</p>
<p>Technology Risk: With technological evolution, the company needs to be updated with the latest trends in technology. The competitors of the company are also constantly updating their technology and the company might lose its market share if it is not updated with the latest trends.</p>	<p>The company partnered with American Superconductor Corporation (AMSC) to access technology for manufacturing 2 MW and 3.3 MW wind turbines and also has a non-exclusive license from the German company WIND Innovation Engineering Solutions GmbH to manufacture rotor blade sets in various sizes. The company successfully transitioned to a 3.3 MW wind turbine from 2 MW. It has also secured the license of a 4.X MW wind turbine platform.</p>
<p>Competition Risk: Threat of new entrants (Chinese company Envision has built a 4 GW order book); the company has to stay innovative to survive the competition risk.</p>	<p>In FY24, the company achieved a market share of 11.6%. With the transition to 3.3 MW turbines, the company expects to capture market share of 15 to 20% in the coming years.</p>
<p>Regulatory Change: The company is always affected by significant regulatory changes. One such example is the reintroduction of reverse bidding which can reduce wind tariffs.</p>	<p>A major impact from reverse bidding is not expected. The majority of the FDRE and Hybrid tenders already operate on reverse bidding. Furthermore, the company has an order book that provides revenue visibility for the next 2.5 years.</p>
<p>Need for transmission infrastructure: One of the important steps in wind farm development is setting up effective power evacuation infrastructure i.e. transmission grid.</p>	<p>There is a significant improvement in the transmission infrastructure in India. Furthermore, there are hybrid policies that enable wind companies to use 50% of common transmission infrastructure.</p>
<p>Delay in auction of Renewables: The government has set up an auction target of 10 GW wind capacity annually (50 GW RE annually). Delay or under-subscription of the auctions could result in a slowdown of wind turbine markets.</p>	<p>In FY24, the mandated 50 GW per annum RE auction was exceeded with ~70 GW auction completed.</p>

Source: company, Axis Securities

Industry Outlook

Rising Peak Power Demand in India

The ability of wind power to complement solar power and meet evening peak demand has refocused policymakers on expanding wind power capacity.

India's power demand has been rising, with peak demand reaching 250 GW in May'24, marking a 12% increase YoY/MoM. The Central Electricity Authority (CEA) forecasts a peak demand requirement of 366 GW by FY32, necessitating capacity enhancements across thermal and renewable energy sources (RES).

In alignment with its commitment to achieve net zero emissions by 2070, India aims to increase its renewable energy (RE) capacity to 500 GW by 2030. According to the CEA, achieving a wind capacity target of 122 GW by FY32 (including 100 GW by 2030) requires an additional 75 GW of wind capacity, up from the current 46 GW as of May'24. This translates to an annual addition of approximately 9 GW of wind capacity.

As of April 30, 2024, the CEA reports that about 89 GW of RE capacity is under construction, including approximately 17 GW of standalone wind projects (excluding hybrid wind projects). Additionally, an aggregate capacity of 67.5 GW, which includes 12.8 GW of standalone wind projects, is in the under-development stage and is expected to transition into active under-construction status in the near future.

As per CEA, achieving a wind capacity target of 122 GW by FY32 requires an additional 75 GW of wind capacity, up from the current 46 GW as of May'24. This translates to an annual addition of ~9 GW of wind capacity

Exhibit 31: India's peak demand reached 250 GW in May'24



Source: CEA, Axis Securities

Exhibit 32: India's wind capacity addition

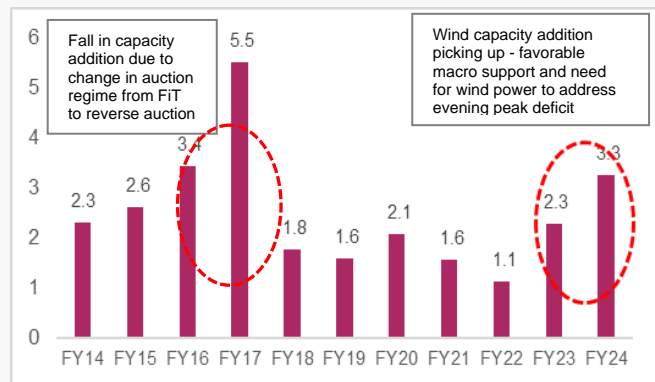


Exhibit 33: Installed Capacity Additions Projections

Installed Capacity (GW)	FY22	FY23	May'24	FY27E	FY32E	CAGR FY23-27	CAGR FY23-32	Capacity Required
Coal + Lignite	211	212	218	235	260	2.6%	2.3%	41
Gas	25	25	25	25	25	0.0%	0.0%	0
Nuclear	7	7	8	13	20	17.9%	12.6%	12
Hydro	42	42	42	52	62	5.6%	4.4%	20
PSP	5	5	5	7	27	11.7%	21.2%	22
Small Hydro	5	5	5	5	5	1.3%	1.1%	0
Solar PV	54	67	84	186	365	29.1%	20.8%	280
Wind	40	43	46	73	122	14.4%	12.4%	75
Biomass	11	11	11	13	16	4.7%	4.1%	5
Total	399	416	445	610	900	10.0%	9.0%	456
BESS (GW)				9	47			
BESS (GWh)				35	236			
RES as % of total Capacity	39%	41%	44%	55%	66%			

Source: CEA. Note: Capacity required from May'24 to FY32

MNRE plans to add 10 GW per Annum Wind tenders

MNRE already has plans to add 50 GW of RE capacity annually for the next 5 years over FY24-28. These annual bids of ISTS (Inter-State Transmission) connected RE capacity will also include setting up of wind power capacity of at least 10 GW per annum. This is much higher than the historical wind capacity addition run rate of 2.5 GW per annum over the last 10 years (see exhibit 32).

The Ministry of New and Renewable Energy (MNRE) has selected four renewable energy implementing agencies (REIAs) to execute its tender issuance goals. It has selected SECI, the National Thermal Power Corporation (NTPC), the National Hydroelectric Power Company (NHPC) and Satluj Jal Vidyut Nigam (SJVN) with mandated FY24 RE issuance targets of 15 GW, 15 GW, 10 GW, and 10 GW respectively to implement its annual 50 GW trajectory

In FY24, India surpassed the overall national target of 50 GW with ~70 GW tendering with the help of the State-level tendering authorities (Discoms) playing an important role in addition to the 4 REIAs.

In FY24, India surpassed the overall national target of 50 GW with ~70 GW tendering with the help of the State-level tendering authorities (Discoms) playing an important role in addition to the 4 REIAs

Exhibit 34: Renewable Energy Implementing Agency-wise Bidding Calendar for FY23-FY24

Bidding Agency	Type	Bidding trajectory (MW)	
SECI	Solar, Hybrid, RTC	12.5	15
	Wind	2.5	
NTPC	Solar, Hybrid, RTC	12.5	15
	Wind	2.5	
NHPC	Solar, Hybrid, RTC	7.5	10
	Wind	2.5	
SJVN	Solar, Hybrid, RTC	7.5	10
	Wind	2.5	
Total		50	50

Source: MNRE

Against the targets of 10 GW wind and 40 GW non-wind for FY24, REIA achieved 97% of its target for non-wind projects but only 48% for wind tenders. The under-subscription of standard plain vanilla wind tenders was attributed to higher wind tariffs following the removal of reverse auctions for wind tenders in Jan '23.

Exhibit 35: REIA bidding targets and status (FY24)

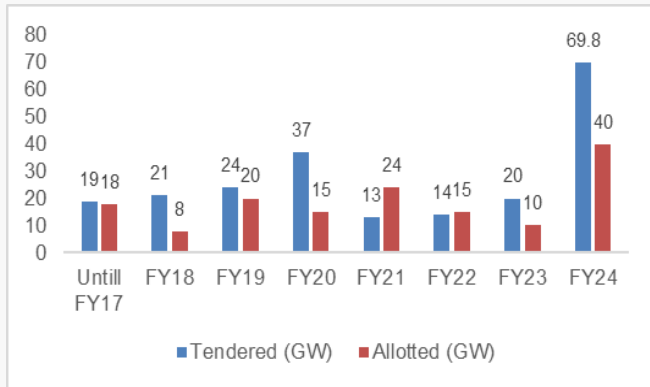
REIA Agency	Target (Non-wind)	Actual (Non-wind)	Target (Wind)	Actual (Wind)
SECI	12.5	13.46	2.50	1.35
NTPC	12.5	12.742	2.50	2.50
NHPC	7.5	6	2.50	-
SJVN	7.5	6.72	2.50	0.90
Total	40.00	38.92	10.00	4.75
% Achieved		97%		48%

Source: IEEFA

Hybrid renewable energy tenders – The growth driver for the Wind Sector in India

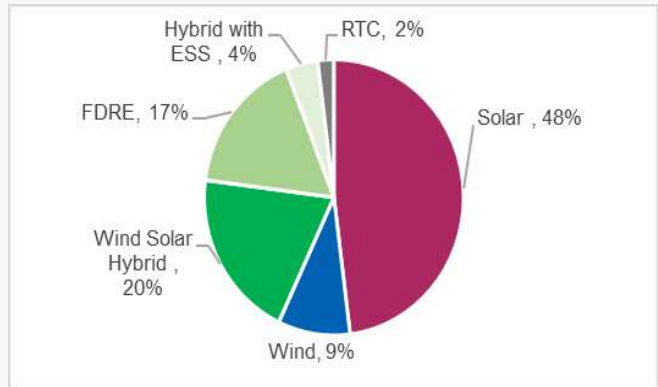
Standard plain Vanilla solar and wind tenders account for 48% and 9% of the total tender issuances in FY24, respectively (see exhibit 37). The remaining 43% of tender issuances are attributed to the emergence of new renewable energy tenders such as wind-solar hybrid projects and renewable energy combined with energy storage systems (ESS). These renewable energy + ESS projects encompass various tender types based on their end-use applications, including round-the-clock (RTC), peak power supply, and firm and dispatchable renewable energy (FDRE). In FY24, FDRE, Hybrid with ESS, and RTC projects collectively account for 23% of the total tenders. FDRE tenders typically involve approximately 67% wind installations, whereas RTC and other hybrid tenders include a wind mix ranging from 40% to 50%. The increasing share of these hybrid tenders is driving demand for wind turbine generators (WTG) and turnkey wind projects.

Exhibit 36: India's RE Tender exceeded the mandated 50 GW/annum in FY24



Source: IEEFA

Exhibit 37: FY24 RE tender issuance by tender type (% of the total 69 GW in FY24)



Other Growth Drivers for the Wind Sector in India

Apart from utility-scale wind power project tenders, the wind sector in India has other growth avenues as well. These are:

- Rising C&I (commercial & industrial) and captive contracts:** High grid tariffs for the C&I segment, cost competitiveness of RE (Solar-Wind hybrid) tariffs, and increased focus of C&I on sourcing clean energy for meeting their ESG targets are the key drivers for adoption of RE for C&I customers. ICRA estimates the RE capacity requirement from the C&I segment to be as high as ~78 GW, assuming 20% of the demand is met through RE by 2030. This will translate into higher Wind power demand.
- Green Hydrogen policy:** To achieve its target of 5 MMT of Green Hydrogen production, India will need 125 GW of RE capacity by 2030.
- Repowering wind turbines:** The National Institute of Wind Energy (NIWE) has estimated the repowering potential of 25.4 GW in the country for old wind turbines (<2 MW capacity). To replace the old wind turbines.

Exhibit 38: Statewise repowering potential as per NIWE

States	Total Capacity <2 MW
Tamil Nadu	7,387
Maharashtra	3,431
Karnataka	3,023
Gujarat	4,665
Rajasthan	2,934
Madhya Pradesh	1,562
Kerala	28
Andhra Pradesh	2,366
Total	25,397

Source: NIWE

- Offshore wind opportunity:** With 7,600 km coastline, India has good potential for harnessing offshore wind energy. Initial assessment by NIWE within the identified zones suggests 36 GW of offshore wind energy potential exists off the coast of Gujarat and nearly 35 GW off the Tamil Nadu coast.

Volatile Past of Wind Capacity Additions – Renewed focus led by power demand, Hybrid tenders, and supportive regulatory environment

Regulatory flip-flops have led to disruptions in wind capacity installation in the past. However, Accelerated depreciation (AD), Generation based incentive (GBI), and Feed in Tariff regime (FiT) have led to an increase in the wind capacity additions during FY10-FY12. In FY13, capacity additions fell due to the withdrawal of the AD and GBI; however, the additions picked up again post-reintroduction of the AD and GBI from FY14 to FY17 and peaked at 5.5 GW in FY17. The impact of the abrupt transition to the Auction Regime from the FiT Regime was seen in wind installations from FY18 to FY22. COVID-led disruptions also impacted capacity additions in FY21-22.

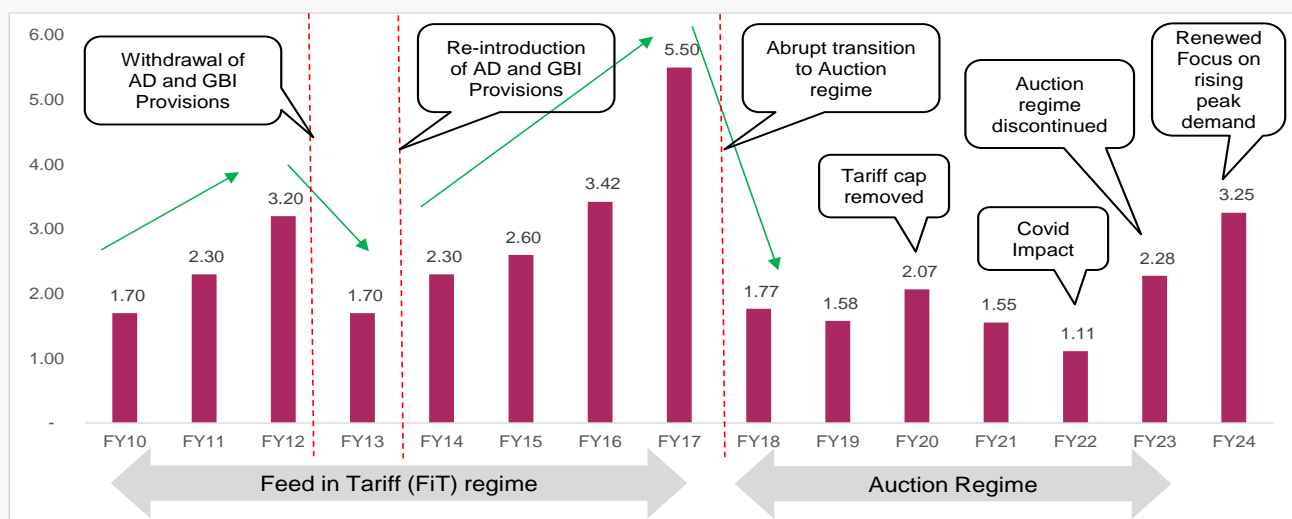
In Jan'23, the government ended competitive reverse bidding for wind projects. However, in Mar'24, policymakers reintroduced reverse bidding which could lead to lower tariffs which could exert pressure on the IRRs of the wind developers. However, with the advent of Hybrid renewable energy tenders such as RTC, peak power and FDRE, which are already under the reverse bidding route (which currently forms ~90% of the market), the impact of the reverse bidding will be immaterial.

With the advent of Hybrid renewable energy tenders such as RTC, peak power and FDRE, which are already under the reverse bidding route (which now forms ~90% of the market), the impact of the re-introduction of the reverse bidding will be immaterial

Furthermore, the supportive regulatory environment for the wind sector is in place currently such as:

- **ISTS charges waiver:** RE projects with the date of commissioning (CoD) until 30th Jun'25 will have no interstate transmission charges (ISTS) for 25 years.
- **Wind solar hybrid policy:** To optimise the efficiency of wind and solar resources, the government issued a national wind-solar hybrid policy in 2018. A wind-solar plant will be recognized as a hybrid plant if the rated power capacity of one resource is at least 33% of the rated power capacity of other resources.
- **Renewable purchase obligations (RPO):** Wind RPO will be met only by energy produced from Wind Power Projects commissioned after 31st Mar'22, RPO trajectory will rise from 1.6% in FY24 to 6.94% in FY30.
- **Renewable generation obligations (RGO):** The Ministry of Power has mandated coal or lignite-based generation stations an RGO of 6-10% for power projects commissioned on CoD on or before 31st Mar'23. For projects post 1st Apr'23 minimum RGO is 10%.
- **Green energy open access rules:** To enable small consumers to purchase RE through open access, the limit of Open Access transactions has been reduced from 1 MW to 100 kW for green energy with no limit for captive consumers.

Exhibit 39: Wind Power – capacity addition (GW)



Source: Company, CEA

Financials (Consolidated)

Profit & Loss					(Rs Cr)
Y/E March	FY24A	FY25E	FY26E	FY27E	
Total Operating income	1,743	4,800	7,200	9,360	
Cost of Material consumed	1,038	3,120	4,680	6,084	
Changes in inventory	(7)	-	-	-	
Employees Cost	109	288	432	562	
EPC Cost	186	513	770	1,000	
Other Expenses	148	144	216	281	
Total Expenditure	1,475	4,065	6,098	7,927	
EBITDA	269	735	1,102	1,433	
Depreciation and Amortization	110	122	125	121	
EBIT	159	613	977	1,313	
Other Income	56	59	90	95	
Less: Interest & Fin Chg.	248	80	70	70	
Less: Exceptional Items	14	-	-	-	
Profit before tax	(47)	592	997	1,337	
Provision for Tax	4	-	-	257	
Reported PAT	(51)	592	997	1,081	
EPS (Rs/sh)	(1.6)	4.5	7.7	8.3	

Source: company, Axis Securities

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	1,973	2,564	
Trade Receivables	1,137	1,184	1,775	2,308	
Cash / Bank balance	54	902	1,560	2,094	
Misc. Assets	2,280	2,280	2,280	2,280	
Total assets	6,795	7,965	9,554	11,168	
Equity capital	326	326	326	326	
Reserves	1,371	1,963	2,961	4,041	
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	1,775	2,308	
Capital employed	6,795	7,965	9,554	11,168	

Source: company, Axis Securities

Cash Flow
(Rs Cr)

Y/E March	FY-24A	FY-25E	FY-26E	FY-27E
Profit after tax	(53)	592	997	1,081
Depreciation	110	122	125	121
Interest Expenses	248	80	70	70
Non-operating / EO item	164	-	-	-
Change in W/C	(616)	199	(395)	(592)
Operating Cash Flow	(147)	993	798	679
Capital Expenditure	(726)	(65)	(70)	(75)
Free cash Flow	(873)	928	728	604
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)	848	658	534
Opening Cash	21	54	902	1,560
Closing Cash	12	902	1,560	2,094

Source: company, Axis Securities

Ratio Analysis
(%)

Y/E March	FY24A	FY25E	FY26E	FY27E
Operational Ratios				
Sales growth (% YoY)	137%	175%	50%	30%
EBITDA Margin %	15%	15%	15%	15%
Net profit Margin %	-3%	12%	14%	12%
Tax Rate %	NA	0%	0%	19%
Efficiency Ratios				
Total Asset Turnover (x)	0.3	0.7	0.8	0.9
Sales/Gross block (x)	0.8	2.2	3.2	4.1
Sales/Net block(x)	1.2	3.3	5.2	7.0
Working capital/Sales (x)	1.0	0.3	0.3	0.3
Valuation Ratios				
PER (x)	NA	30.7	18.2	16.8
P/BV (x)	10.0	7.9	5.5	4.2
EV/Ebitda (x)	76.1	28.6	18.5	13.8
EV/Sales (x)	11.7	4.4	2.8	2.1
Dividend Yield (%)	NA	NA	NA	NA
Return Ratios				
ROE	-2%	30%	36%	28%
ROCE	5%	22%	27%	28%
ROIC	NA	12%	18%	18%
Leverage Ratios				
Debt /equity (x)	1.48	1.16	0.86	0.67
Net debt/ Equity (x)	1.35	0.84	0.44	0.24
Net debt/Ebitda (x)	11.00	3.18	1.52	0.80

Source: company, Axis Securities

Inox Wind Limited Price Chart and Recommendation History



Date	Reco	TP	Research
28-Jun-24	BUY	185	Initiating Coverage

Source: Axis Securities

About the analyst**Analyst:** Aditya Welekar**Contact Details:** aditya.welekar@axissecurities.in**Sector:** Power & Utilities**Analyst Bio:** Aditya Welekar is a PGDBM in Finance with over 12 years of experience in Equity Market / Research**About the analyst****Analyst:** Darsh Solanki**Contact Details:** darsh.solanki@axissecurities.in**Sector:** Power & Utilities**Analyst Bio:** Darsh Solanki is a Chartered Accountant and is a part of the Axis Securities Research Team.**Disclosures:**

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