Inox Wind Limited

September 26, 2024

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long Term / Short Term Bank Facilities	200.00	CARE A; Stable / CARE A1	Assigned
Long Term / Short Term Bank Facilities	600.00	CARE A; Stable / CARE A1	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The rating reaffirmation on the bank facilities of Inox Wind Limited (IWL), which is engaged in the business of manufacturing of wind turbine generators (WTG), providing engineering, procurement and construction (EPC) and operations & management (O&M) solutions in the wind energy segment, factors in satisfactory financial performance of the company in Q1-FY25 with profitability margins remaining in line with envisaged levels. Further, during Q1-FY25, the promoter group has raised Rs. 900 crore by diluting ~4.6% stake and re-invested the amount raised from such dilution in the form of quasi equity instruments of the company. The company has utilised the money infused by the promoter to reduce the external debt level upto an extent of Rs 300 crore and became net debt zero company. This apart, the group has successfully raised Rs. 1050 crore through issue of preferential shares under its O&M arm, i.e. Inox Green Energy Services Limited (IGESL). The money raised from preferential issue are to be utilised to repay external debt, investment in subsidiaries and for general corporate purposes.

The ratings continue to factor in the strong group linkages by virtue of IWL being a part of the INOXGFL group. INOXGFL group has an established presence in the speciality chemicals through its flagship company Gujarat Fluorochemicals Limited (GFL) along with its presence in the renewable energy segment. Further, the wind segment continues to experience growth primarily driven by (i) Government replacing reverse bidding with closed bidding for the wind segment, (ii) Better visibility of tenders pertaining to wind capacities (iii) Increase in demand for open access renewable power from corporates and (iv) increased reliance on wind segment to provide round-the clock solutions from renewable power. The ratings take comfort on account of the healthy and growing order book position of IWL as reflected by order book of ~2.7 GW accumulating to ~Rs. 20,000 crore as on March 2024 end. Previously turnkey contracts comprised for majority of the order book, whereas the group is now increasing the proportion of pure equipment supply orders which is expected to reduce execution related challenges.

The aforementioned rating strengths of IWL are, however, partially offset by the high competitive intensity in the WTG manufacturing segment and susceptibility of profitability margins to volatility in the prices of inputs. Further, the business operations are working capital intensive in nature as the company has to extend LCs/BGs to both suppliers and customers. Going forward, the ability of the company to execute underlying orders without any material cost or time overrun would be critical from a credit perspective.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Improvement in financial risk profile as reflected by significant improvement in scale and profitability margins on a sustained basis
- Higher than expected equity infusion resulting in improvement in capital structure of IWL

Negative factors

- Deterioration in financial risk profile as reflected by the operating income significantly lower than expectations, operating margins remaining lower than 9% on a sustained basis and/or weakening of liquidity position
- Weakening of the credit profile of the INOXGFL group or any change in linkages/support philosophy of INOXGFL group towards IWL

[1]Complete definition of ratings assigned are available at www.careedge.in and other CARE Ratings Limited's publications.

Analytical approach: Consolidated plus factoring in support from the INOXGFL group.

CARE Ratings has considered the consolidated financials of IWL. The list of subsidiaries getting consolidated at IWL as on March 31, 2024 is attached as annexure-6. Moreover, CARE Ratings has applied its group notch-up framework to factor in the strong strategic and financial support from INOXGFL group towards IWL.

Outlook: Stable

The stable outlook on the CARE A rating of IWL reflects CARE Ratings' opinion that the company would benefit from its healthy order book position. The expectation of successful execution of orderbook and sustained improvement in operational and financial performance supports the outlook.

Detailed description of key rating drivers:

Key strengths

Strong group linkages by virtue of IWL being a part of INOXGFL group

IWL is a part of INOXGFL group. The group has an established presence in the speciality chemicals through its flagship company GFL along with its presence in the renewable energy segment. The group is promoted by the Mr. Vivek Jain's family who hold significant stake in IWL and other group companies of INOXGFL group through its investment holding company Inox Leasing and Finance Limited (ILFL), Inox Wind Energy Limited (IWEL) and two partnership firms viz. Devansh Trademart LLP and Aryavardhan Trading LLP.

CARE Ratings takes cognisance of the fact that INOXGFL group has been at the forefront in providing support to IWL in the past which has resulted in revival of the company. INOXGFL group has infused more than Rs. 2000 crore over the last two years apart from raising funds through an IPO of IGSEL. Going forward, the company is targeting to become net debt free in near future.

CARE Ratings takes note of the ongoing amalgamation process of IWEL into IWL which is primarily being done in order to simply the group structure. Currently, IWL is placed under IWEL, however post amalgamation, IWEL will get merged into IWL.

Established track record with long term technology sharing agreements with AMSC Windtec

IWL is one of the leading wind turbine manufacturers in the country with an operational track of more than 15 years. As on March 31, 2024, the company has an annual manufacturing capacity of ~2 GW of WTGs. Furthermore, IWL has long term technology sharing agreements with AMSC Windtec for the manufacturing of 3.3 MW WTGs.

Improvement in financial risk profile of the company

There has been an uptick in the financial performance of the company as reflected by TOI of Rs. 651 crore in Q1-FY25 as against TOI of Rs. 563 crore in Q4-FY24. This improvement in topline is primarily on account of increasing orders on the back of revival of the wind segment. Moreover, the profitability margins of the company remains in line with envisaged levels as reflected by EBITDA margin of ~23% and PAT margin of 7% during Q1-FY25. The wind sector had been witnessing a downturn since FY18 which resultingly impacted IWL's business risk profile as reflected by sharp decline in the scale of operations and operating losses. However, in CARE Ratings' opinion there has been a revival of the wind segment primarily driven by (i) Government replacing reverse bidding with closed bidding for the wind segment, (ii) Better visibility of tenders pertaining to wind capacities (iii) Increase in demand for open access renewable power from corporates and (iv) increased reliance on wind segment to provide round-the clock solutions from renewable power.

Healthy order book providing revenue visibility for near to medium term

The company has a healthy order book position as reflected by order book of ~2.7 GW accumulating to ~Rs. 20,000 crore as on March 2024 end. The order book is well diversified across central PSUs and C&I customers having marquee names mitigating order concentration risk to a large extent. Previously turnkey contracts comprised for majority of the order book, whereas the group is now increasing the proportion of pure equipment supply orders which is expected to reduce execution related challenges. Going forward, the order book is expected to grow at current pace given strong turnaround in the overall wind segment.

O&M contracts for ~3.5 GW of wind assets provides stable revenue visibility

IWL provides O&M solutions through its majority owned subsidiary IGSEL. The company has O&M contracts for ~3.5 GW of wind assets as on March 31, 2024. These contracts are spread across different IPPs with residual contract life ranging between 5-10 years. As a result, the company is expected to earn stable cashflows from the O&M business. Going forward, the company expects to increase the O&M contracts upto 6 GW by FY26 end through a mixture of organic and inorganic expansion routes.

Key weaknesses

Susceptibility of profitability to volatility in the prices of key inputs along with regulatory risks

IWL is primarily engaged in the business of manufacturing different components of WTGs including nacelles, hubs, rotor blades and towers. CARE Ratings notes that challenges with respect to increase in the prices of various inputs, viz aluminium, fiber composite, steel, etc may impact the TOI and the profitability of the company.

While the overall wind segment is in the turnaround phase, any adverse regulatory news may hinder the revival of wind segment and thereby impact the business of wind OEMs. Going forward, traction in the wind segment will remain critical from credit standpoint.

Dependence on working capital limits to sustain business operations

Given the nature of business operations, the company requires working capital limits in order to extend LCs/BGs to its suppliers and customers. As on March 2024 end, out of the total sanctioned limits, working capital utilisation stood at more than 60%. Moreover, the working capital cycle of the company is inversely related to the pace of order execution as any delay in order execution leads to build of inventory and other receivables. Therefore, timely execution of orders would be critical from a credit perspective.

Liquidity: Adequate

The liquidity position of the company is adequate as the company has cash and bank balance of aggregating to ~Rs. 840 crore on consolidated basis. Going forward, CARE Ratings expects the liquidity position to remain around the current levels.

This apart, the company has a strong financial flexibility on account of being a part of INOXGFL group. The same is evident by several instances of the promoter group infusing funds in the company.

Environment, social, and governance (ESG) risks

IWL is dedicated to fostering sustainable living by championing environmental preservation, promoting health and safety through adoption of green energy practices, empowering children through educational initiatives, and actively engaging communities in environmental stewardship programs. Notably, 50% of IWL's board consists of independent directors, ensuring robust governance and diverse perspectives.

Applicable criteria

Consolidation
Definition of Default
Factoring Linkages Parent Sub JV Group
Liquidity Analysis of Non-financial sector entities
Rating Outlook and Rating Watch
Manufacturing Companies
Financial Ratios – Non financial Sector
Short Term Instruments

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Industrials	Capital Goods	Electrical Equipment	Other Electrical Equipment

IWL, incorporated in April 2009, is a group company of INOXGFL group and is India's leading wind energy solutions provider catering to independent power producers, PSUs and C&I customers. IWL has three line of business viz. manufacturing of WTGs and its components, providing EPC and O&M solutions. As on March 2024 end, IWL has an annual manufacturing capacity of ~2 GW spread across Gujarat, Madhya Pradesh and Himachal Pradesh.

Brief Financials of IWL (Consolidated)

Brief Financials (₹ crore)	March 31, 2022 (A)	March 31, 2023 (A)	March 31, 2024 (A)	June 30, 2024 (UA)
Total operating income	625	737	1,743	639
PBILDT	-353*	-297*	269	136
PAT	-483	-671	-53	47
Overall gearing (times)	0.9	0.6	0.4	NM
Interest coverage (times)	NM	NM	1.1	2.3

A: Audited; UA: Unaudited; NM: Not Meaningful, *excludes income from expense capitalised of Rs. 43 crore in FY22 and Rs. 33 crore in FY23
Note: 'the above results are latest financial results available'

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT/ ST-Working Capital Limits		-	-	-	50.00	CARE A; Stable / CARE A1
Fund-based/Non-fund-based-LT/ST		-	-	-	200.00	CARE A; Stable / CARE A1
Non-fund-based - LT/ ST-BG/LC		-	-	-	550.00	CARE A; Stable / CARE A1

Annexure-2: Rating history for last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Fund-based - LT/ ST-Working Capital Limits	LT/ST	50.00	CARE A; Stable / CARE A1	1)CARE A; Stable / CARE A1 (24-May-24)	-	-	-
2	Non-fund-based - LT/ ST-BG/LC	LT/ST	550.00	CARE A; Stable / CARE A1	1)CARE A; Stable / CARE A1 (24-May-24)	-	-	-
3	Fund-based/Non-fund-based-LT/ST	LT/ST	200.00	CARE A; Stable / CARE A1				

LT/ST: Long term/Short term

Annexure-3: Detailed explanation of covenants of rated instruments/facilities: Not applicable

Annexure-4: Complexity level of instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT/ ST-Working Capital Limits	Simple
2	Fund-based/Non-fund-based-LT/ST	Simple
3	Non-fund-based - LT/ ST-BG/LC	Simple

Annexure-5: Lender details

To view the lender wise details of bank facilities please click here

Annexure-6: List of entities consolidated

Sr No	Name of the entity	Extent of consolidation	Rationale for consolidation
1	Inox Green Energy Services Limited	Proportionate	Subsidiary
2	Resco Global Wind Services Private Limited	Full	Subsidiary
3	Waft Energy Private Limited	Full	Subsidiary

Note on complexity levels of rated instruments: CARE Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for clarifications.

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About us:

Established in 1993, CARE Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the RBI. With an equitable position in the Indian capital market, CARE Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CARE Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CARE Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit.

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