

Inox Green Energy Services

Energy | India

IPO | 10 November 2022

Loss making Wind O&M Service Provider

About the Company

Inox Green Energy Services (IGESL) is one of the major wind power operation and maintenance (O&M) service providers in India. The company is a subsidiary of Inox Wind, a listed entity and part of the Inox GFL group of companies. The company provides exclusive O&M services for all wind turbine generators (WTGs) sold by Inox Wind. The company is coming out with an IPO comprising fresh issue of ~56.9mn shares and OFS of ~56.9mn shares, aggregating a total of Rs7.4bn.

Unique Business Aided by Advanced Systems

The Company is engaged in the business of providing long-term O&M services for wind farm projects, specifically the provision of O&M services for WTGs and the common infrastructure facilities on the wind farm which support the evacuation of power from such WTGs. IGESL monitors and controls the WTGs in real time through the use of SCADA, which is a system of software and hardware elements. This enables them to send each customer a daily generation report with a snapshot description of daily, monthly and year-to-date performance. The long-term O&M contracts between the WTG purchaser and IGESL typically ranges between 5-20 years. The company has a presence in Gujarat, Rajasthan, Maharashtra, Madhya Pradesh, Karnataka, Andhra Pradesh, Kerala and Tamil Nadu.

Synergistic Benefits Bode Well

IGESL enjoys synergistic benefits as a subsidiary of Inox Wind, which is engaged in the business of manufacturing and supplying WTGs, providing turnkey solutions and offering a variety of services including wind resource assessment, site acquisition, infrastructure development, EPC of WTGs, and providing long-term O&M services for wind power projects through Inox Green. As of Jun '22, the O&M services portfolio consisted of an aggregate 2,792 MW of wind farm capacity and 1,396 WTGs. Of the 2,792 MW capacity, 1,964 MW was attributable to the contracts for comprehensive O&M services while 828 MW was attributable to the common infrastructure O&M contracts.

Diversified Customer Base

The company has a diversified customer base comprising of private companies, independent wind power producers, power utilities and government organizations in India, to whom IGESL provides wind farm O&M services. The company has a business relationships of 5-9 years with some of the customers. Some of the key customers include Gujarat Fluorochemicals, Shree Cement, Integrum Energy and Roha Dyechem Pvt. Ltd.

Financials

During FY20-22, its revenue clocked only 4% CAGR to Rs1.72bn, while EBITDA declined from Rs883mn in FY20 to Rs822mn in FY22, and margin fell from 53.4% in FY20 to 47.7% in FY22. Its net loss has declined to Rs50mn in FY22 from net loss of Rs277mn in FY21. In 1QFY23, company reported a revenue of Rs618mn, while EBITDA margin stood at 28.4% with net loss of Rs116mn. Thus its financials remain highly subdued. As of FY22 end, its gross debt stood at Rs9bn, while D/E stood higher at >1.1x.

Our View

Based on the FY22 earnings, the company is valued at 32.7x EV/EBITDA and 15.6x EV/Sales. While, the company recorded losses in the last two fiscals, the governments thrust on green energy will aid in the company's growth. **The strong and diverse portfolio, favourable national policy support, visibility for future growth, support of long-term O&M contracts and backing by parent company Inox Wind are key positives, while valuation seems pricey based on current financial position.**

IPO Details

Price Band (Rs)	Rs61-65
Face Value (Rs)	10
Issue Open/Closing Date	11-Nov-22/15-Nov-22
Fresh Issues (mn)	56.9
OFS (mn)	56.9
Total Issue (mn)	113.8
Minimum Bid Qty. (Nos)	230
Issue Size (Rs bn)*	7.40
QIB / HNI / Retail	75%/15%/10%
Implied Market Cap (Rs bn)*	19.0

*At a higher band

Object of the Issue

- ▶ Repayment of borrowings.
- ▶ OFS.

Key Risk

- ▶ Action by regulatory authorities
- ▶ Outstanding legal proceedings.
- ▶ Technology failures
- ▶ Dependent on the demand for electricity.

Shareholding (%)	Pre-Issue	Post-Issue
Promoters	93.8	75.5
Others	6.2	24.5

Key Financials

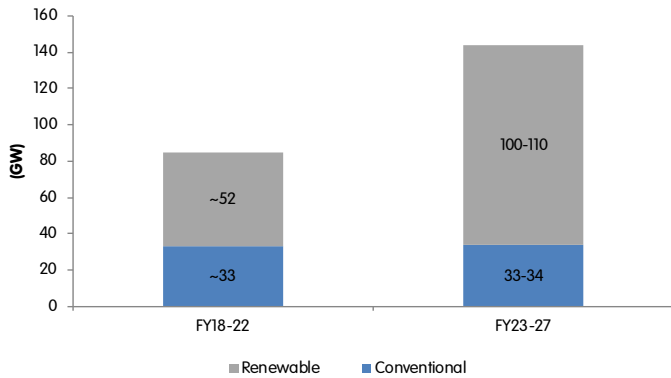
(Rs mn)	FY20	FY21	FY22
Revenue	1,653	1,722	1,722
EBITDA	883	822	822
EBITDA Margin (%)	53.4	47.7	47.7
PAT	17	(277)	(50)
PAT Margin (%)	1.0	(16.1)	(2.9)
EPS (Rs)	0.1	(0.9)	(0.2)
P/E (x)	1,132	(68)	(383)
EV/EBITDA (x)	33.6	38.7	32.7
EV/Sales (x)	17.9	18.5	15.6
Net Worth	965	430	8,066
RoE (%)	1.7	(64.5)	(0.6)
Gross Debt	10,849	14,110	9,042
Net Block	7,722	7,645	9,530
Net Asset Turnover (x)	0.2	0.2	0.2

Source: RHP

Research Analyst:
Arafat Saiyed

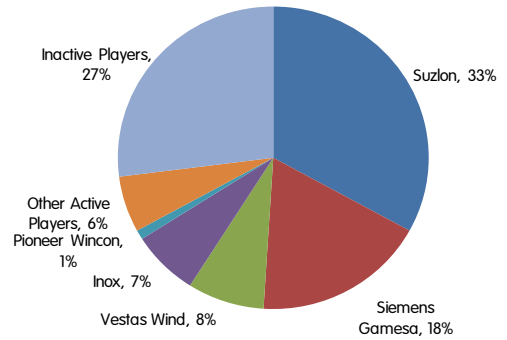
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Exhibit 1: Expected Trend in Power Generation Capacity Addition (GW)



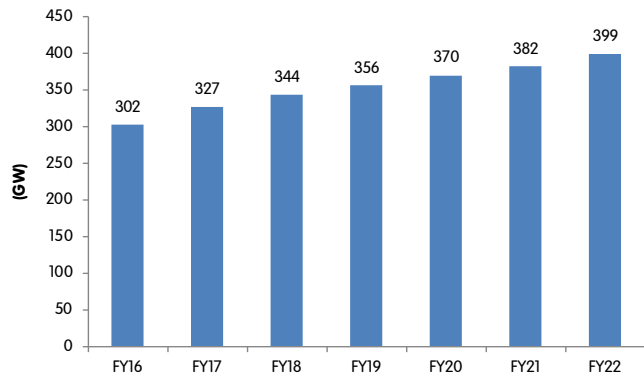
Source: RHP, CRISIL

Exhibit 2: OEM Wise Market Share FY22 (40,324 MW)



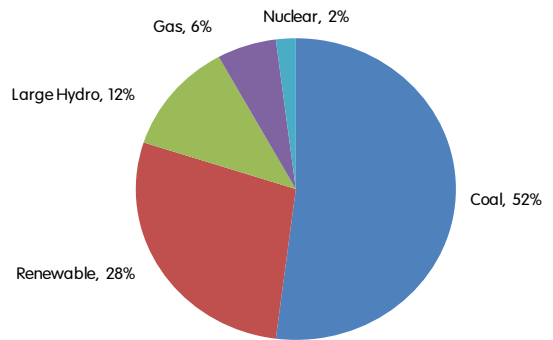
Source: RHP, CRISIL

Exhibit 3: Evolution of Installed Generation Capacity (GW)



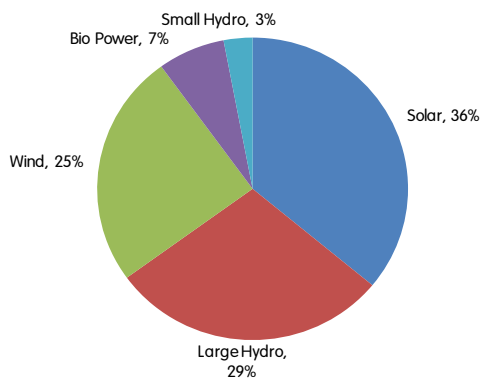
Source: RHP, CEA, CRISIL

Exhibit 4: Source Wise Generation Capacity Mix (%) - Jul '22



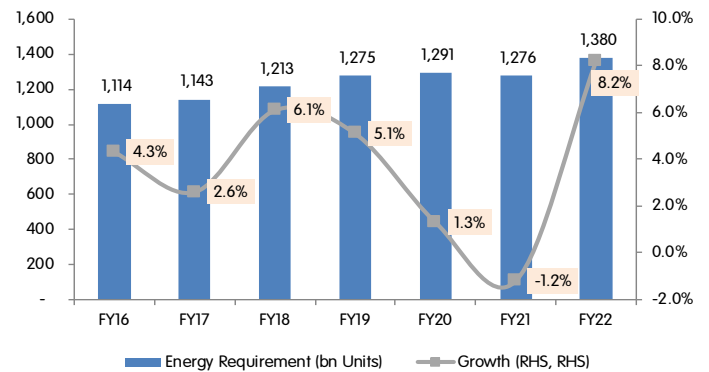
Source: CEA, CRISIL

Exhibit 5: Renewable Energy Capacity (%) - Jul '22



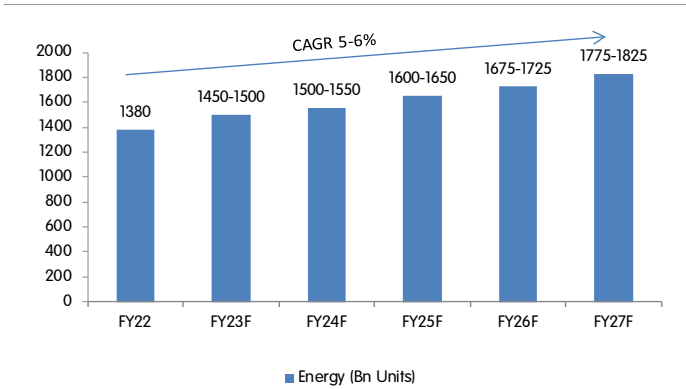
Source: CEA, CRISIL

Exhibit 6: Trend in Energy Requirement



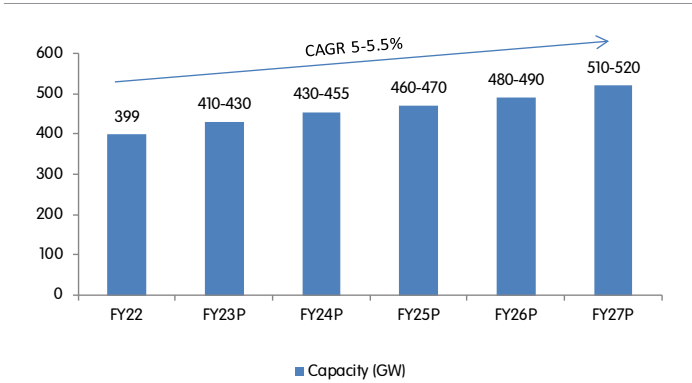
Source: RHP, CEA, CRISIL

Exhibit 7: Energy Requirement Growth Over Next 5 Years



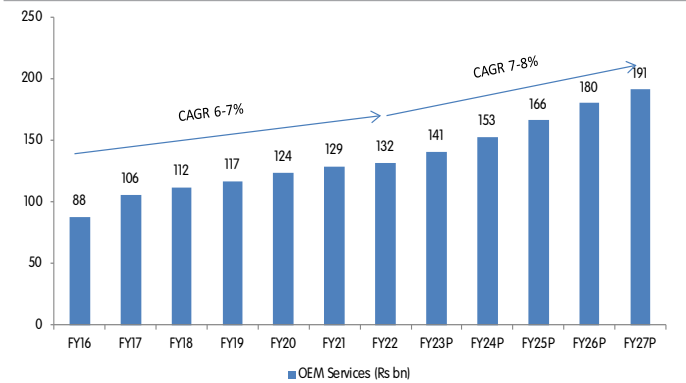
Source: RHP, CRISIL

Exhibit 8: All-India Installed Capacity to Reach 510-520 GW by FY27, Led by Renewables



Source: RHP, CRISIL

Exhibit 9: O&M Services Demand Across Wind Energy



Source: Industry Publications, CRISIL

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