



IPO Report

26th Aug '24

Snapshot

Company is primarily an integrated solar cell and solar module manufacturer with 29 years of experience in the solar industry. Company's business operations include: (i) the manufacturing of solar photovoltaic ("PV") cells, in particular bifacial monocrystalline PERC cells using the M10 wafer size in a 182mm x 182mm format which may be assembled into solar modules; (ii) the manufacturing of solar modules using different module technologies such as monocrystalline PERC and TOPCon, cell sizes and quantity, power output ranges and formats such as monofacial and bifacial. Company also manufacture custom made modules for specific applications; (iii) the sale of customizable and ad hoc solar-related products depending on customer requirements such as customized bespoke solar tiles; (iv) the execution of EPC projects which include end-to-end solar services for ground-mounted, rooftop, floating, canal bank, canal top and hybrid power generation systems; (v) the provision of O&M services with respect to EPC projects executed by Company; and (vi) independent power production through company's 2 MW solar power plant in Jharkhand, India.

VALUATION

Company is bringing the issue at price band of Rs 427-450 per share at p/e multiple of 24x on post issue annualized Q1FY25 PAT basis.
Company is an integrated solar cell and solar module manufacturer. & have a long track record in the solar module manufacturing sector. Company is experienced in solar cell line production. & have a diversified customer base with customer relationships both within India and overseas with a robust order book.
Hence, we recommend "Subscribe" on issue

Price Band (Rs./Share)	427-450
Opening date of the issue	27th Aug '2024
Closing Date of the issue	29th Aug '2024
No of shares pre issue	42,20,65,168 Eq Shares
Issue Size	Rs 2752-2831 Cr
Fresh issue	Rs 1291.4 Cr
Offer for Sale	34,200,000 Equity Shares
Face Value (Rs/ share)	Rs 1/share
Employee Discount	Rs 22/share
Bid Lot	33

BIDDING DETAILS	
QIBs (Including Anchor)	50% of the offer (Approx 3,13,37,777 Eq Shares)
Non-Institutional	15% of the offer (Approx 94,01,333 Eq Shares)
Retail	35% of the offer (Approx 2,19,36,444 Eq Shares)
Employee Reservation	Rs 10 Cr
Lead managers	Kotak Mahindra Capital, J.P. Morgan India, ICICI Securities
Registrar to the issue	KFin Technologies Ltd

WHAT WE LIKE

Company is an integrated solar cell and solar module manufacturer

Company is the second largest integrated solar cell and solar module manufacturer in India as well as its second largest solar cell manufacturer in terms of annual installed capacity as of March 31, 2024. As of the date, company have an aggregate annual installed capacity of 2 GW for solar cells and 4.13 GW for solar modules. According to F&S, the largest integrated solar cell and solar module manufacturer in India as of March 31, 2024 is Mundra Solar with an aggregate annual installed capacity of 4 GW of solar cell and 4 GW of solar module. This translates to a difference between Company and Mundra Solar's annual installed capacity of 2 GW for solar modules in Mundra Solar's favor and 0.13 GW for solar cells in company's favor.

Company have a long track record in the solar module manufacturing sector

Company commenced solar module manufacturing in 1999 and have grown this to 4.13 GW annual installed capacity as of the date of this Red Herring Prospectus. This includes the 1,600 MW annual installed capacity module line commissioned in Unit IV in December 2023 which is equipped with TOPCon technology and the 1,034 MW annual installed capacity module line commissioned in Unit V in June 2024 which is capable of assembling modules with solar cells which employ either TOPCon or HJT technology.



COMPANY BACKGROUND

As of the date of this Red Herring Prospectus, company have five manufacturing facilities, all of which are situated on land that company own, in Hyderabad, Telangana, India. Combined, company's manufacturing facilities have an annual installed capacity of 2 GW for solar cells and 4.13 GW for solar modules as of the date of this Red Herring Prospectus. Company's Unit II manufacturing facility is India's first LEED gold rated solar manufacturing facility as certified by the U.S. Green Building Council ("USGBC") v4 Building Design and Construction: New Construction and Major Renovations in August 2022.

Company have taken steps such as ordering the necessary equipment and machines to increase company's annual installed capacity for solar cells by commissioning a 1,000 MW TOPCon solar cell line in Unit II. Company have procured financing for this additional cell line through IREDA, which has estimated project costs of ₹6,694 million. Company expect the additional cell line to be ready within Fiscal 2025. With the market for solar modules expected to continue to grow in India on account of ambitious government targets and increasing demand for clean energy according to F&S, company intend to capitalize on this growth momentum by utilizing a portion of the proceeds from the Fresh Issue to further expand company's current manufacturing capacities by commissioning an additional 4 GW TOPCon solar cell line and an additional 4 GW TOPCon solar module line.

Company established a 75 MW capacity solar cell manufacturing line in 2011 before manufacturing solar cells at scale through the introduction of a solar cell line with an annual installed capacity of 500 MW in Fiscal 2021 and 250 MW in Fiscal 2022. The experience company gained through this process is one of the contributing factors which led to company's development of its bifacial monocrystalline PERC solar cell based on the M10 - 182mm x 182 mm format in 2022. On a monthly basis, company is able to manufacture up to 14 million M10 sized solar cells.

Company's key customers across its business offerings include several IPPs, OEMs and off-grid operators such as NTPC, TATA Power Solar Systems Limited, Panasonic Life Solutions Private Limited ("Panasonic"), Continuum, Shakti Pumps, First Energy, Bluepine Energies Private Limited, Luminous, Hartek Solar Private Limited ("Hartek"), Green Infra Wind Energy Limited (a subsidiary of Sembcorp Green Infra Limited), Madhav Infra Projects Limited ("Madhav"), SolarSquare Energy Private Limited ("SolarSquare") and Axitec Energy India Private Limited ("Axitec"). As of July 31, 2024, company had an order book of ₹59,265.65 million of which ₹16,091.14 million was in relation to non-DCR solar modules, ₹22,140.60 million was in relation to DCR solar modules, ₹18,911.18 million was in relation to solar cells and ₹2,122.72 million was in relation to EPC projects.

Company have a professional and experienced management team led by its Promoters who have significant experience in the solar industry. Surender Pal Singh Saluja, company's Chairman and Whole-Time Director, founded Company in 1995 and oversees the operations and finance functions of company's Group. Company's Managing Director, Chiranjeev Singh Saluja, was instrumental in the growth in company's operations to 2 GW annual installed capacity for solar cells and 4.13 GW annual installed capacity for solar modules as of the date of this Red Herring Prospectus. Company is also supported by its Key Managerial Personnel as well as company's Senior Management. The experience of company's management team has been critical in building its operations over the years. In September 2021, company received investment of ₹1,770 million from South Asia Growth Fund II Holdings LLC and South Asia EBT Trust, affiliates of a global private equity management fund focused on investing in climate solutions.

Company have a focus on sustainability and have adopted several environment, social and governance ("ESG") strategies and initiatives to, among others, lower company's carbon footprint. For example, company use a zero liquid discharge system to recycle 100% of the water used in company's manufacturing processes – 91% of such water is recovered for reuse while 9% is lost through evaporation. Company also have a 6.61 MW of solar panels installed on the roofs of company's manufacturing facilities which provides 10% of the power consumption requirements for the manufacturing facilities as of June 30, 2024



INVESTMENT RATIONALE

<p><i>Company is experienced in solar cell line production</i></p>	<p>In 2022, company completely transitioned from the production of polycrystalline solar cells to monocrystalline PERC solar cells owing to higher efficiencies provided by the latter. A majority of company’s peer competitors have similarly made the same transition. Now, company have plans to transition towards the manufacturing of TOPCon solar cells given the even greater efficiencies afforded by such cells. According to F&S, TOPCon solar cells are capable of achieving efficiencies between 24.5% to 25.2% compared to between 23.2% to 23.7% for PERC cells. The ability to adapt to new and ever-changing technologies, as evidenced by company’s transition from polycrystalline cells to monocrystalline cells and now to TOPCon cell technology, is one of company’s key strengths. Solar cell production is a complex and technical process within the solar module production value chain as it requires multiple chemical and gas-based steps and encompasses intricate procedures such as texturing, diffusion, selective emitter laser, polishing and oxidation annealing to convert raw silicon wafers into solar cells. According to F&S, while the annual installed capacity for solar modules in India has increased from 7.6 GW in Fiscal 2020 to approximately 72 GW in Fiscal 2024, representing an increase of approximately 64.4 GW during this period, the annual installed capacity for solar cells has only increased by 7.1 GW, from 1.0 GW in Fiscal 2020 to 8.1 GW in Fiscal 2024. This is partially due to the high capital expenditure, technical know-how and lead times in set-up and process stabilization required in connection with solar cell manufacturing. Company have accrued considerable technical expertise and experience in the intricacies of the solar cell production process and understand that the process involves a steep learning curve and that lead times are required in order to not only simply set up a solar cell line but to also stabilize the production process and only once that is done, can the optimization of solar cell efficiencies be pursued. The expertise over the production process is crucial to ensure quality control, requiring extensive process knowledge, precise optimization and effort to achieve the desired cell efficiencies and yields.</p>
<p><i>Company have a diversified customer base with customer relationships both within India and overseas with a robust order book</i></p>	<p>Company’s aggregate annual installed capacity and market position enables company to offer competitive pricing for its products, which in turn facilitates access to a large and diversified customer base, both domestic and global. As of the date of this Red Herring Prospectus, company’s domestic customers are located and operate in 23 states and union territories in India and for Fiscals 2022, 2023 and 2024 and the three months ended June 30, 2024, company’s total number of customers from India was 165, 193, 200 and 117, respectively, while company’s total number of customers from overseas markets was 8, 6, 27 and 3, respectively. Some of company’s domestic customers are Continuum, Shakti Pumps, First Energy, Hartek, Amplus KN One Power Private Limited, SolarSquare, Rotomag Motors and Controls Private Limited and Madhav, and company’s global customers include Arka Energy Inc. (U.S.A).</p>
<p><i>Company have an experienced Promoter-led senior management team</i></p>	<p>Company is led by its Promoters comprising company’s Chairman and Whole-Time Director, Surender Pal Singh Saluja and its Managing Director, Chiranjeev Singh Saluja, who have a combined experience of approximately 29 years in the solar industry and who have been responsible for the experience company have across its operations including solar module and solar cell manufacturing and the EPC projects that company undertake. Each of company’s Promoters is actively involved in the critical aspects of its business. Surender Pal Singh Saluja is responsible for providing strategic advice to the Board, and developing and executing Company’s business strategies. Chiranjeev Singh Saluja is responsible for the overall operations of Company and leading Company’s short and long-term strategy and setting strategic goals.</p>



OBJECTS OF OFFER

Offer for Sale

The object of the Offer for Sale is to allow the Selling Shareholders to sell up to 34,200,000 Equity Shares

Object of the Fresh Issue

Company proposes to utilize the net proceeds, being the gross proceeds of the Fresh Issue less the Offer related expenses (“Net Proceeds”), towards funding the following objects (collectively, the “Objects”):

1. Investment in company’s Subsidiary, Premier Energies Global Environment Private Limited for part-financing the establishment of a 4 GW Solar PV TOPCon Cell and 4 GW Solar PV TOPCon Module manufacturing facility in Hyderabad, Telangana, India (the “Project”); and
2. General corporate purposes.

RISKS

Company’s revenue from operations is dependent upon a limited number of customers and the loss of any of these customers or loss of revenue from any of these customers could have a material adverse effect on company’s business, financial condition, results of operations and cash flows.

Source:RHP

INDUSTRY OVERVIEW

OVERVIEW OF SOLAR PV MODULE VALUE CHAIN

Solar cell and module manufacturing encompasses five critical processes Solar PV module manufacturing value chain encompasses five critical processes for transforming raw materials i.e., polysilicon into finished solar panels that are ready for electricity generation. It is a complex and globalized network, with each step contributing to the final product’s cost, performance, and sustainability.

Brief description of solar cell and module Solar cells

A solar cell or photovoltaic cell is an electrical device that converts the energy of light directly into electricity by the photovoltaic effect, which is a physical and chemical phenomenon. It is a form of photoelectric cell, defined as a device whose electrical characteristics, such as current, voltage, or resistance, vary when exposed to light. Individual solar cell devices are often the electrical building blocks of photovoltaic modules. The following key raw materials and components are used in the manufacturing of solar cells:

- Silicon wafers: Silicon wafers are the key component of solar cells. They are cut from silicon ingots, which are obtained from high-purity silicon. The quality and purity of the silicon are crucial to the performance of the solar cells.
- Silver paste: Silver paste is used to form the conductive contacts on the front side of the solar cells. It is applied using a screen-printing process and is essential for the collection and transfer of the electrical current generated by the silicon wafer.
- Aluminum paste: Aluminum paste is applied to the backside of the solar cell. When fired in a furnace, it forms a back surface field that reflects electrons back into the silicon to be collected as electrical current, enhancing the cell’s efficiency.
- Other gases and chemicals: The production of solar cells involves various gases and chemicals, used in different stages of the process. For instance, dopants such as phosphorus oxychloride are used for n-type doping, while boron may be used for p-type doping. Chemicals are also used for cleaning and etching the wafers, such as hydrofluoric acid to remove the silicon dioxide layer, and other solvents for cleaning purposes.



Consolidated Financials

(Rs in Mn)

Financials	FY22	FY23	FY24	June'24
Total Revenue (A)	7428.70	14285.34	31437.93	16573.67
Total Expenditure (B)	7132.95	13503.31	26659.93	12990.54
EBIDTA	295.75	782.03	4778.00	3583.13
EBIDTA Margin	3.98	5.47	15.20	21.62
Other Income	241.62	346.78	275.18	114.23
Depreciation	276.01	532.33	960.93	794.35
EBIT	261.36	596.48	4092.25	2903.01
Interest	430.03	686.27	1211.76	452.31
PBT	-168.67	-89.79	2880.49	2450.70
Share of profit in Asso	11.75	12.19	13.23	6.62
PBIT	-156.92	-77.60	2893.72	2457.32
Exceptional	0.00	0.00	0.00	0.00
PBT	-156.92	-77.60	2893.72	2457.32
Tax	-12.83	55.76	580.12	475.72
PAT	-144.09	-133.36	2313.60	1981.60
NPM	-1.94	-0.93	7.36	11.96
ROE%	-3.65	-3.35	37.46	24.25
EPS	-0.44	-0.38	6.93	5.93
Eq Cap	263.46	263.46	263.46	334.07
Net Worth	4,039.39	4,242.49	6,598.85	8,593.80

(Source: RHP)

Peer Comparison

Company Name	P/E	Revenue from operations (Rs in Mn)	EPS	NAV	ROE %
<i>Premier Energies Limited</i>	NA	31713.11	5.48	14.63	37.46
Peers					
Websol Energy System Limited	NA	268.10	-29.99	NA	NA

(Source: RHP)



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