

# WAAREE ENERGIES LIMITED

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## IPO NOTE



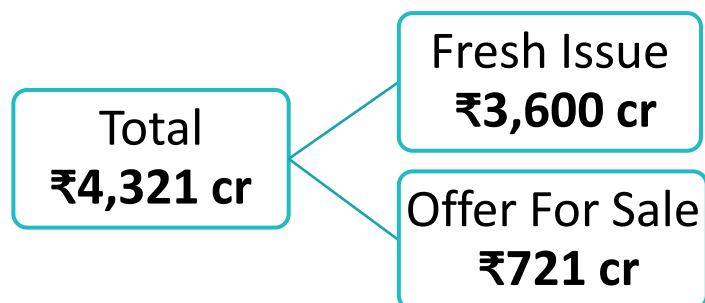
Incorporated in 2007, **Waaree Energies Limited** is the largest manufacturer of **solar PV** (photo voltaic) **modules** with an **installed capacity** of 12 GW (giga-watt) as on 30<sup>th</sup> June 2024. Post 30<sup>th</sup> June 2024, they established a solar module manufacturing facility of 1.3 GW in Noida through their subsidiary, IndoSolar Limited. The **product portfolio** consists of multicrystalline modules, monocrystalline modules and TopCon (Tunnel Oxide Passivated Contact) modules comprising flexible modules, which includes bifacial modules and building integrated photo voltaic (BIPV) modules. They operate one factory each located at Surat, Tumb, Nandigram & Chikhli in Gujarat and the IndoSolar facility in Noida, Uttar Pradesh. The company has a **customer base** both within and outside India. The company **exports** products to the United States, Canada, Italy, Turkey, Hong Kong and Vietnam.

## FINANCIAL HIGHLIGHTS

	FY22	FY23	FY24
<b>Revenue from Operations</b>	2,854	6,751	11,398
<b>EBITDA</b>	111	835	1,574
<b>Net Profit</b>	80	500	1,274

₹ crore

## ISSUE SIZE



## ISSUE DETAILS

<b>Issue Date</b>	21 Oct '24 to 23 Oct '24
<b>Price Band</b>	₹1,427-₹1,503
<b>Bid Lot</b>	9
<b>Issue Size</b>	₹4,321 cr
<b>No. of Shares (Post Issue)</b>	28.7 cr
<b>Post-Issue Implied Market Cap*</b>	₹43,179 cr
<b>P/S Ratio (FY24)*</b>	3.8x

\* At upper price band

A brief description on the type of technologies used for PV modules manufacturing :-

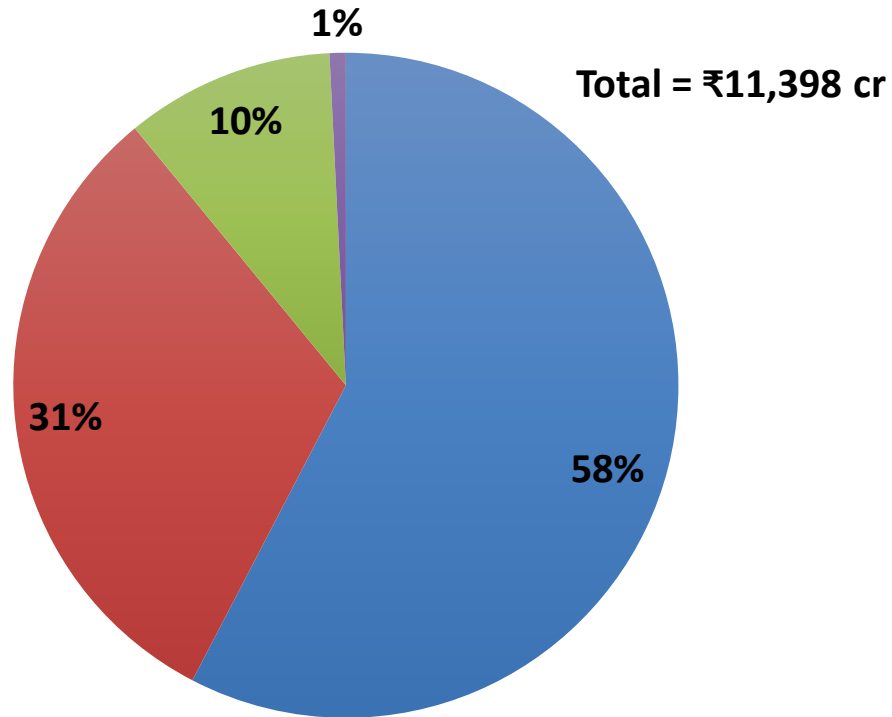
	Description
<b>Multicrystalline technology</b>	Multicrystalline technology involves using <b>multiple crystals</b> within a single solar cell, created by slicing very thin layers from silicon boules or ingots.
<b>Monocrystalline technology</b>	Monocrystalline technology is an advanced method that enhances the efficiency of standard solar modules. Since the cells are composed of a <b>single crystal</b> , the electrons have more freedom to move, leading to significantly higher efficiency. Monocrystalline modules are considered high-end solar products; they are space-efficient, long-lasting, and have a sleek appearance.
<b>TOPCon technology</b>	TOPCon technology represents a significant advancement in the production of solar PV cells. It incorporates a <b>thin tunnel oxide layer</b> that passivates the surface, reducing recombination losses and enhancing the efficiency of the solar cell. By minimizing carrier recombination at the contact surface, TOPCon technology contributes to higher conversion efficiencies, thereby improving overall solar cell performance.

The following table sets forth information relating to capacity utilization of their **manufacturing facilities** for PV modules in FY24 :-

Location	Effective Installed Capacity (in GW)	Actual Production (in GW)	Utilization (%)
Chikhli	8.67	3.63	41.9%
Nandigram	1.11	0.57	51.9%
Tumb	1.00	0.55	54.5%
Surat	0.23	0.03	10.8%
<b>Total</b>	<b>12</b>	<b>4.78</b>	<b>43.4%</b>

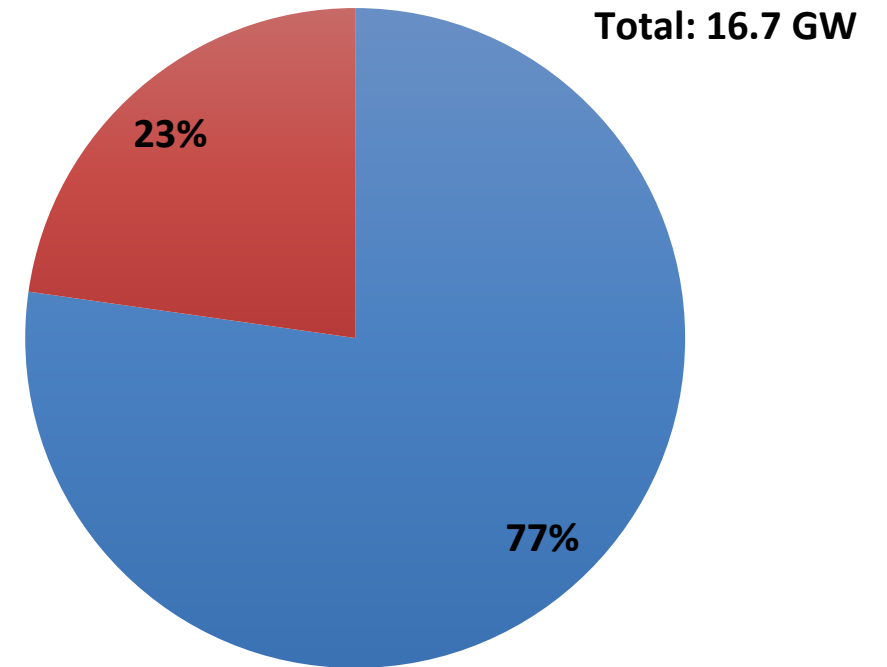
- The land on which the **Chikhli facility** in Gujarat is located was acquired on November 2020 from SGP Industrial Infrastructure Private Limited (formerly, Waaree Renewables Private Limited), an erstwhile group company.
- They have developed a **pan India network** backed by their subsidiaries. As on 30<sup>th</sup> June 2024, the number of franchisees stood 369. Their franchise agreements typically have a 3-year term with an option for renewal. After the expiration or termination of the agreement, franchisees are prohibited from competing with the company for 2 years.
- The company modules generally has a **12-year warranty** for manufacturing defects and a **30-year warranty** for output performance.

### REVENUE MIX FROM SALE OF PRODUCTS (FY24)



- Export Sales
- Direct Sales to Utilities & enterprises
- Retail Sales
- Other \*

### ORDER BOOK BREAK UP (As on 30<sup>th</sup> June 2024)

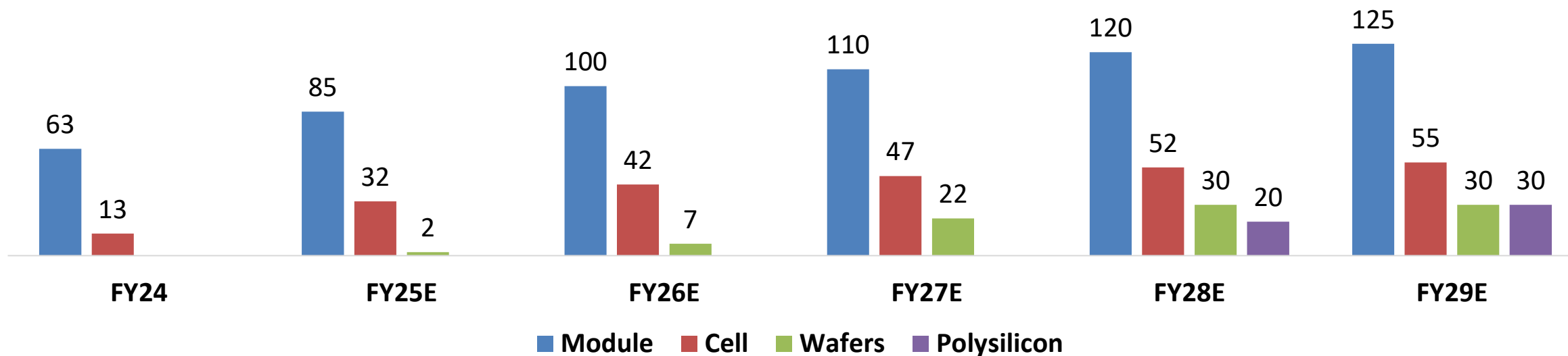


- Within India
- Outside India

\*Others includes EPC services, O&M services, trading in ancillary products, export incentives, generation of electricity from renewable resources and scrap sale.

- Solar Module manufacturing** - India aims to enhance its presence across all stages of PV manufacturing over the next two to three years. Currently, India's module manufacturing capacity stands at ~63 GW. Under the PLI scheme, ~50 GW of solar module manufacturing capacity was allocated with a cumulative support of ~₹18,500 cr by the government of India. Solar PV manufacturing capacity will reach 125 GW by FY29. It is anticipating that module manufacturing capacity will double by FY29, with ~25% of the capacity being fully integrated, and such integrated units expected to emerge after FY25. India is projected to add ~175-180 GW of solar capacity between FY25 and FY30. The average module price will be \$0.22/Wp (watt-peak), this capacity expansion presents an estimated market opportunity of ~\$38 billion during that period.

**Current & Projected manufacturing capacity (in GW)**



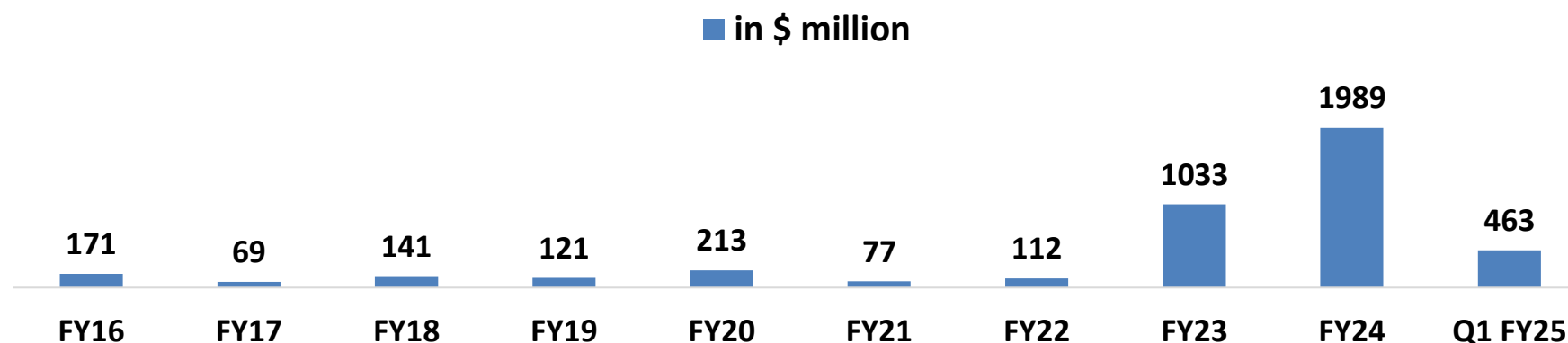
Source: CRISIL M&A

- **Government of India's Initiative for the growth of solar sector** - The Indian government has implemented various policy measures to enhance solar power generation and usage across the country. Some of them are:
  - **Domestic content requirement** - The DCR rule mandates the use of solar cells and modules manufactured in India. In order to encourage the use of domestically produced modules, the government has introduced several schemes, including the PM-KUSUM (Pradhan Mantri Kisan Urja Suraksha evam Utthaan Mahabhiyan) scheme and grid-connected rooftop solar programs. Further in order to qualify for financial aid from the central or state government, the use of DCR-compliant cells and modules is mandatory.
  - **Production-Linked Incentive** - The National Program on High-Efficiency Solar PV Modules is a government initiative aimed at boosting domestic manufacturing of solar PV modules and cells in India. The PLI scheme provides incentives to eligible manufacturers based on their annual production of high-efficiency solar products. The incentive amount is calculated as a percentage of the manufacturing cost, capped at ₹400 per watt for modules and ₹150 per watt for cells.
  - **Approved List of Models and Manufacturers (ALMM)** - The ALMM program creates a pre-approved list of trustworthy PV module and cell manufacturers. This initiative ensures the quality and efficiency of solar installations in India by mandating that developers and investors source their equipment exclusively from vendors listed in the ALMM.
  - **Basic custom duty** - On 1<sup>st</sup> April 2022, the Government of India imposed a basic customs duty of 40% on solar modules and 25% on solar cells to promote domestic manufacturing and reduce India's reliance on imports. This duty applies to all imports of solar modules and cells, regardless of their country of origin.

*Source: CRISIL M&A*

- India's cell & module export** - In FY23, India experienced a significant increase in solar module exports. This surge is mainly due to restrictions imposed by other countries on Chinese goods, including solar modules. These limitations has opened up opportunities for Indian manufacturers to fill the gap in the global market and meet the rising demand for solar modules. Consequently, India has seen a notable boost in its solar module exports.
- China Plus one strategy** - The China Plus One strategy encourages companies to diversify their operations by expanding beyond China while still maintaining some presence there. This approach is gaining traction in the solar industry as companies seek to reduce their reliance on China and diversify their supply chains. Several factors like rising labor cost, growing political risks, increasing complexity of the Chinese regulatory environment etc. are driving the adoption of the China Plus One strategy. Countries like India, Vietnam, Malaysia, and Thailand present various advantages, such as lower labor costs, favorable government policies and access to new markets.

## Export of cells & modules from India

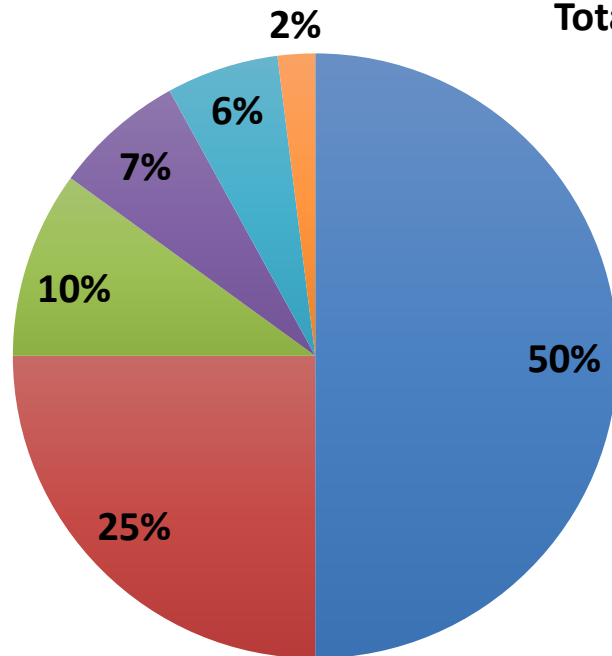


Source: CRISIL M&A



### Solar Cell Installed Capacity (FY24)

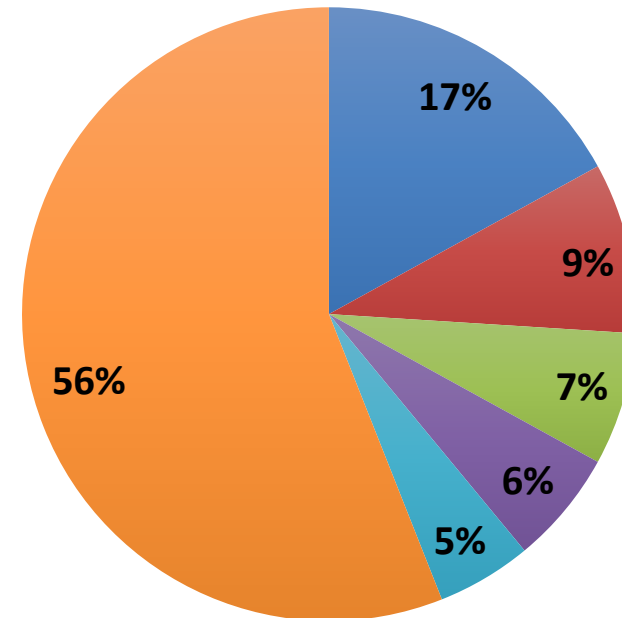
Total: 8.1 GW



- Mundra Solar
- Premier Energies
- Jupiter Solar
- Websol
- Tata Power Solar
- RenewSys India

### Solar Module Installed Capacity (FY24)

Total: 72 GW



- Waaree Energies
- Renew power
- Tata Power
- Premier Energies
- Mundra Solar
- Others

Source: CRISIL M&A



## PREMIER ENERGIES LIMITED

- Market Cap: ₹49,497 cr
- Revenue: ₹3,144 cr
- EBITDA Margin: 15.9%
- PAT Margin: 7.3%
- P/S: 15.7x



## WAAREE ENERGIES LIMITED

- Market Cap: ₹43,179 cr
- Revenue: ₹11,398 cr
- EBITDA Margin: 13.8%
- PAT Margin: 11.0%
- P/S: 3.8x

Figures for FY24

# PROMOTER BACKGROUND AND SHAREHOLDING

**Hitesh Chimanlal Doshi** is the chairman and managing director of the company. He has been associated with the company since October 1999 and is currently responsible for overseeing the company's financial performance, investments, other business ventures and provides strategic advice. He has over 22 years of experience in the engineering industry.

**Viren Chimanlal Doshi** is the whole-time director of the company. He has been associated with the company since 26<sup>th</sup> November 2007 and is currently responsible for overseeing the engineering, procurement and construction of the solar projects of the company, its subsidiaries and other companies within the group. He has over 15 years of experience in the engineering industry.

Shareholding	Pre IPO	Post IPO
Promoter Group	72%	64%
Public	28%	36%
<b>Total</b>	<b>100%</b>	<b>100%</b>

Allocation of offer	Share in Issue (₹ crore)	% of Issue
QIB	2,161	50%
NII	648	15%
Retail	1,512	35%
<b>Total</b>	<b>4,321</b>	<b>100%</b>

Major Selling Shareholders	Shareholding % Pre Issue	Shareholding % Post Issue	% of OFS Issue
Waaree Sustainable Finance Pvt Ltd	21.7%	18.4%	90.6%
Chandurkar Investments Pvt Ltd	0.2%	-	9.4%

# OBJECTS OF THE OFFER

The company proposes to utilize the **net proceeds** from fresh issue towards funding of the following objects:

- Part financing for establishment of 6 GW ingot wafer, solar cell and solar PV module manufacturing facility in Odisha, which will be through an investment in their wholly owned subsidiary, Sangam Solar One Private Limited.
- General corporate purposes.

## PROPOSED UTILISATION OF NET PROCEEDS

Particulars	Total estimated cost/Estimated utilization from Net Proceeds (₹ crore)	Estimated Utilization of Net Proceeds (in ₹ cr)		
		2025	2026	2027
Investment in subsidiary	2,775	275	2,000	500
General corporate purposes	●	●	●	●

● To be determined

- The company's revenue from operations relies heavily on a **small number of customers**. The loss of any of these key customers or a reduction in revenue from them could significantly impact their business. In FY24, revenue from a single customer stood at ~9%, revenue from top 5 customers stood at ~40% while revenue from top 10 customers stood at ~57%.
- Their **export sales** expose them to risks and uncertainties in different international markets. In FY24, export sales accounted for 57.6% of the total revenue, out of which 57.1% was from USA.
- The company obtains major portion of its **raw materials** from China. In FY24, they imported 90.4% of their total purchases, China contributed 54.1% to the total imported goods. They do not have long-term **purchase commitments** or guaranteed purchase quantities with suppliers.
- A decline in the price of **solar PV module** could negatively affect their operational results. In March 2024, module prices reached at \$0.11 per watt, which is a 43% decrease YoY. The sharp decline was mainly due to the excess supply in China and low upstream components including polysilicon. Domestic module prices declined in line with China prices to \$0.18 per Wp in March 2024 but maintained a sizeable premium over China prices.
- The **capacity utilization** in which the company operates was low. It stood at ~40% in FY24. However, the aim of the company is to reduce operating costs and enhance capacity utilization and plant performance by investing in advanced technology and modernizing manufacturing facilities.

# STATEMENT OF PROFIT AND LOSS

Particulars	Data for the period (₹ crore)			Data for three months period
	2022	2023	2024	30 <sup>th</sup> June 2024
<b>Revenue From Operations</b>	<b>2,854</b>	<b>6,751</b>	<b>11,398</b>	<b>3,409</b>
Other Income	92	109	235	88
<b>Total Income (I)</b>	<b>2,946</b>	<b>6,860</b>	<b>11,633</b>	<b>3,497</b>
Cost of raw materials consumed	1,794	5,897	8,356	1,796
Purchase of stock, changes in inventories and Work-in progress	523	(746)	403	717
Employee benefit expense	57	124	177	63
Finance costs	41	82	140	34
Depreciation & amortization costs	43	164	277	76
Other Expense	370	641	887	280
<b>Total Expense (II)</b>	<b>2,828</b>	<b>6,162</b>	<b>10,240</b>	<b>2,966</b>
Exceptional items (III)	-	(21)	341*	-
<b>Profit Before Tax (IV) = (I)-(II)+(III)</b>	<b>118</b>	<b>677</b>	<b>1,734</b>	<b>531</b>
Tax Expense (V)	38	177	460	130
<b>Net Profit for the Period (VI)= (IV)-(V)</b>	<b>80</b>	<b>500</b>	<b>1,274</b>	<b>401</b>

\*Exceptional item was towards cancellation fees charged by the company from two customers.

# STATEMENT OF ASSETS AND LIABILITIES

Particulars	Data as on 31 <sup>st</sup> March (₹ crore)			Data as on
	2022	2023	2024	30 <sup>th</sup> June 2024
Property, plant and equipment	565	991	1,149	1,145
Other non-current assets	328	946	2,152	2,563
Inventories	538	2,709	2,586	2,664
Trade receivables	93	313	971	1,091
Bank Balance and Cash & Cash Equivalents	366	1,736	3,779	3,786
Other current assets	347	725	677	740
<b>Total assets</b>	<b>2,237</b>	<b>7,420</b>	<b>11,314</b>	<b>11,989</b>
Total Equity	440	1,862	4,149	4,552
Borrowings	313	273	317	261
Other non-current liabilities	111	483	1,639	1,394
Trade Payables	535	1,432	1,475	1,862
Other current liabilities	838	3,370	3,734	3,920
<b>Total Equity and liabilities</b>	<b>2,237</b>	<b>7,420</b>	<b>11,314</b>	<b>11,989</b>

# STATEMENT OF CASH FLOW

Particulars	Data for the year ended 31 <sup>st</sup> March (₹ crore)			Data for the three months ended
	2022	2023	2024	30 <sup>th</sup> June 2024
Net cash generated from / (used in) operating activities (A)	701	1,560	2,305	458
Net cash generated from / (used in) investing activities (B)	(675)	(2,094)	(3,340)	(298)
Net cash generated from / (used in) financing activities (C)	99	643	909	(93)
Net increase / (decrease) in cash and cash equivalents (A+B+C)	125	109	(126)	67



# KEY METRICS

Particulars	Data for the year ended 31 <sup>st</sup> March			Data for three months ended
	2022	2023	2024	30 <sup>th</sup> June 2024
EBITDA (₹ cr)	111	835	1,574	552
EBITDA Margin (%)	3.9	12.4	13.8	16.2
Net profit Margin (%)	2.7	7.3	11.0#	11.5
Debt to equity ratio	0.72x	0.15x	0.08x	0.06x
Return on capital employed (%)	21.9	31.6	26.3	9.5*
Return on equity (%)	17.7	26.3	30.3	8.8*
<b>Operational Parameters:-</b>				
- Annual installed capacity of solar module (in GW)	4	9	12	12
- Order book (in GW)	3.28	18.06	19.92	16.66

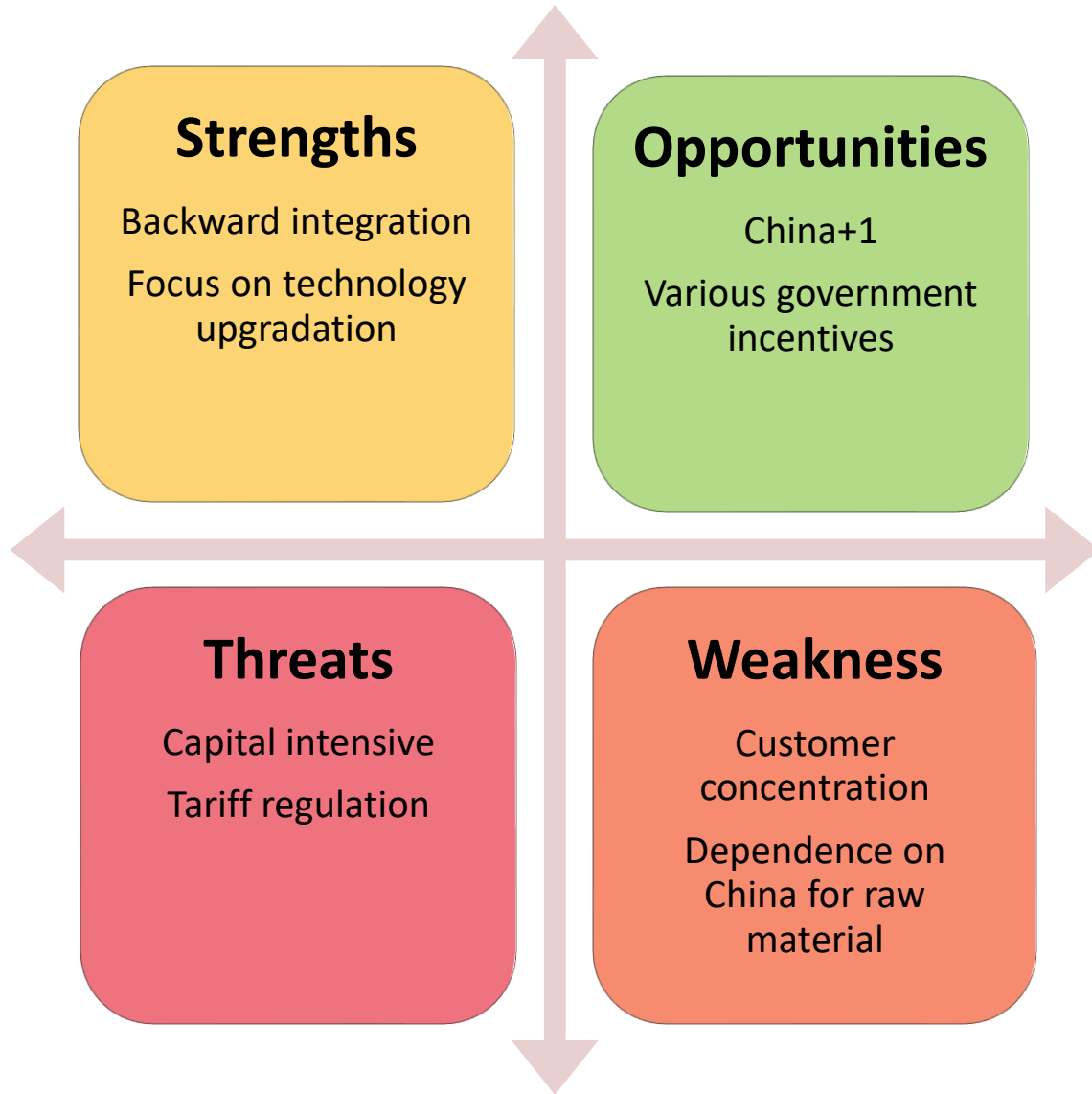
# This includes exceptional items excluding which the PAT margin will be ~8%.

\* Not annualized

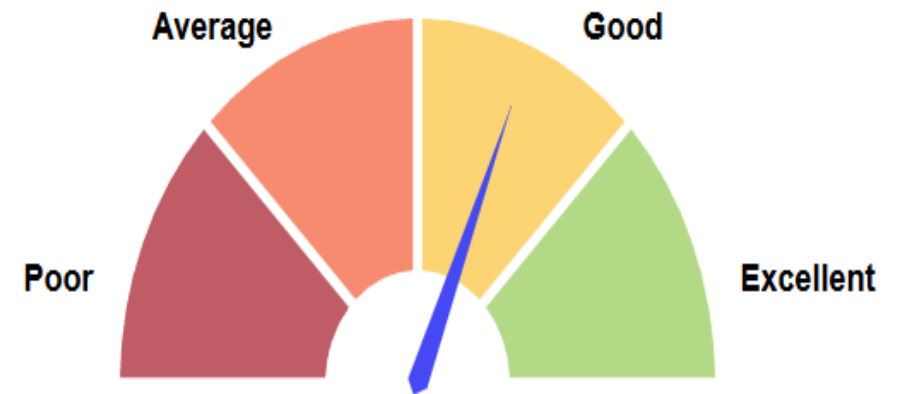
- The company will utilize net proceeds of ₹2,775 cr towards 6 GW addition of **ingot wafer, solar cell and solar PV module** manufacturing facility. Further, they will fund ₹610 cr through internal accruals and ₹5,518 cr through debt towards the same facility.
- They are expanding capacity for **backward integration** into solar cell manufacturing by adding 5.4 GW at the Chikhli Facility, which is expected to be operational by FY25.
- It is expanding **solar PV module** manufacturing capabilities outside India by establishing a facility in Texas, with an initial capacity of up to 1.6 GW. This facility can be further expanded to 3 GW by FY26 and 5 GW by FY27, depending on market conditions and customer. The facility will be partially funded through internal accruals and the company will be making investments in its subsidiary, Waaree Solar Americas Inc. via equity infusion or inter-corporate debt.
- The table sets **ongoing** and **proposed capacity** expansion plans (in GW) :

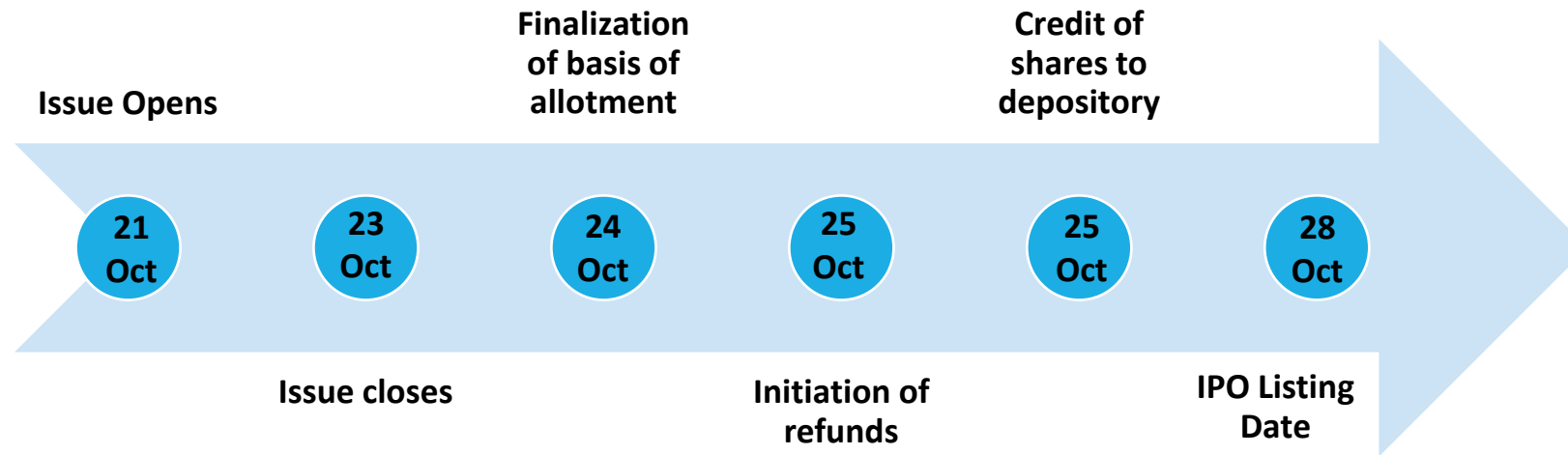
Particulars	Existing	Phase-1 (Ongoing)	Phase II (Proposed)		Total
			Domestic	United States	
Solar module capacity	13.3	-	6	1.6	20.9
Solar cell capacity	-	5.4	6	-	11.4
Ingot wafer capacity	-	-	6	-	6
Expected date of operations	-	FY25	FY27	FY25	-

- It is planning to **enhance technology** in their current manufacturing facilities by gradually transitioning away from multicrystalline modules. Although their current product mix consists primarily of multicrystalline and monocrystalline technology-based products, they aim to boost the production of monocrystalline modules and TOPCon in response to market demand.
- They recently received an allocation of ₹1,923 cr under the **PLI Scheme** awarded by the Government of India. They are currently working on enhancing backward integration capabilities by establishing a fully integrated 6 GW facility for the production of ingots, wafers, solar cells and PV modules in Odisha, which is expected to begin commercial operations in FY27.
- The company signed a **term sheet** on 26<sup>th</sup> July, 2024, with Dhari Solar Park Private Limited for acquiring a 36 MWp (megawatt peak) solar power project, with a maximum consideration of ₹125 crore. An advance of ₹105 crore has already been paid, with the final price subject to valuation. The acquisition will be fully funded through internal accruals.
- The company plans to expand in **green energy**, including backward integration from polysilicon to module manufacturing and producing **green hydrogen electrolyzers**. In order to expand its green energy transition, the company is planning to set up an electrolyser manufacturing facility and is currently in discussions with several foreign electrolyser manufacturers to establish a technology partnership for local manufacturing and is expected to finalize the arrangement in FY25.
- In FY24, the **module exports** witnessed significant uptick due to higher international prices. Further, the implementation of Uyghur Forced Labor Prevention Act in 2022 (pursuant to which exporters are required to furnish evidence that the goods were produced without the use of forced labor, failing to do so will prevent the goods from entering in the US), imposition of anti-dumping investigation in US against SEA (South-East Asia) imports and extension of Section 201 tariffs on the import of solar modules from China for 4 years are expected to be key catalysts for Indian module manufacturers.



- **Waaree Energies Limited** is engaged in the production of solar PV modules with a manufacturing capacity of 12 GW.
- It is focusing on **backward integration** by setting up solar cell plant and **technology advancement** by moving towards more efficient modules.
- The company is the largest player in the **Indian Solar PV industry**. With strong sector tailwinds, it is well-positioned to capitalize on future growth opportunities. Any slowdown in US may tamper growth, however, the valuation seems to be reasonable.





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