



Company Overview

Waaree Energies Ltd, India's most prominent and tier-1 rated manufacturer of solar PV modules, started its operations in 2007. The company aims to provide quality, cost-effective, sustainable energy solutions across markets and help reduce carbon footprint, paving the way for sustainable energy and improving quality of life. In FY22, it expanded from 4 GW to 12 GW, becoming the largest aggregate installed capacity. They manufacture various solar energy PV modules like multi-crystalline modules, monocrystalline modules, and TopCon modules, comprising flexible modules, which include bifacial modules (Mono PERC) (framed and unframed) and building integrated photo voltaic (BIPV) modules. The company uses multi-crystalline cell technology, monocrystalline cell technology, and emerging technologies such as Tunnel Oxide Passivated Contact (TopCon) to manufacture PV modules, which help reduce energy loss and improve efficiency. They operate from 5 manufacturing units in India, with one factory each located at Surat, Tumb, Nandigram, and Chikhli in Gujarat and the IndoSolar facility in Noida, Uttar Pradesh. Their facility at Tumb and Surat are certified with ISO 9001:2015 for the manufacture, marketing, and supply of solar photovoltaic modules, and the one at Tumb is also certified with ISO 45001:2018 and ISO 14001:2015 for the manufacture, marketing, supply and installation of solar photovoltaic modules. Their Chikhli facility is certified with ISO 45001:2018, ISO 9001:2015, and ISO 14001:2015. It has received CB scheme certification from UL Solutions, USA, and complies with BIS standards IS 14286:2010 / IEC 61215:2005, IS/IEC 61730 (Part 1 & 2). Additionally, their PV modules from Chikhli, Surat, Tumb, and Nandigram facilities have been certified by Eurotech to meet European standards under the EU Council Directive 2014/35/EU. Their modules also meet RoHS compliance under Directive 2011/65/EU, restricting the use of hazardous substances. The National Accreditation Board for Testing and Calibration Laboratories (NABL) accredited their quality check laboratories. The company intends to increase export sales while continuing its growth in India.

Objects of the issue

The net proceeds of the fresh issue are proposed to be utilised in the following manner:

- ⇒ Part finance the cost of establishing the 6GW of Ingot Wafer, Solar Cell and Solar PV Module manufacturing facility in Odisha, India, by way of an investment in its wholly owned subsidiary, Sangam Solar One Private Limited; and
- ⇒ General corporate purposes.

Investment Rationale

Backwards integration-driven capacity expansion strengthens market leadership

As of June 30, 2024, Waaree Energies is India's largest solar PV manufacturer. In FY24, it had the second-best operating income among all the domestic players in this segment. It has expanded its aggregate installed capacity from 4 GW to 12 GW and commissioned 1.3 GW of Indosolar Facility, highlighting its efficiency. The company's extensive experience in the manufacturing business, deep market penetration, significant and regular capacity expansion, and backward integration into the manufacturing of solar cells position it well to meet its product demand domestically and internationally. It is extensively working on increasing its installed capacity to meet the demand-supply gap and capturing new market opportunities. To strengthen its backward integration manufacturing capabilities, the company has been provided an outlay of Rs. 19,232.40 million under the PLI Scheme awarded by the GoI. It is in the process of setting up a fully integrated 6 GW facility to manufacture ingots, wafers, solar cells and solar PV modules, which are expected to commence commercial operations in FY27. The company is also in the process of expanding its manufacturing presence internationally, with the establishment of up to 1.6 GW facility in Houston, Texas, USA, to manufacture solar PV modules, which can be further expanded by an additional 1.4 GW subject to market conditions to 3 GW installed capacity by 2026 and to 5 GW by 2027. By utilizing its strong industry position, the company has successfully taken advantage of favourable market trends, enabling it to expand its market share and implement further capacity growth initiatives.

Issue Details

Offer Period	21 st Oct 2024 - 23 rd Oct 2024
Price Band	Rs. 1427 to Rs. 1503
Bid Lot	9
Listing	BSE & NSE
Issue Size (no. of shares in mn)	28.8
Issue Size (Rs. in bn)	43.2
Face Value (Rs.)	10

Issue Structure

QIB	50%
NIB	15%
Retail	35%

BRLM	Axis Capital Ltd., IIFL Securities Ltd., Jefferies India Private Ltd., Nomura Financial Advisory and Securities (India) Private Ltd., SBI Capital Markets Ltd., Intensive Fiscal Services Private Ltd., ITI Capital Ltd.
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Registrar	Link Intime India Private Ltd.
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Particulars	Pre Issue %	Post Issue %
Promoters and promoter group	72	64
Public	28	36
Total	100	100

(Assuming issue subscribed at higher band)

Research Team - 022-61596138

Waaree Energies Limited

Diversified base of global and Indian customers with a substantial order book drives sustainable growth.

Waaree Energies' leadership position enables them to provide competitive pricing, facilitating access to a large and diversified customer base and revenue generation from such customers. In addition to its large utility and enterprise customer base in India, the company has successfully developed a vast global customer base in the United States, Canada, Italy, Hong Kong, Turkey and Vietnam. To meet international demands, the company is establishing a manufacturing facility with up to 1.6 GW in Houston, Texas, in the United States, providing customers with localised manufacturing and service options to optimise their global sourcing and supply chain costs. The company's high-quality products, ISO-certified facilities and NABL-accredited laboratory are barriers to competitors. Their inclusion in ALMM enables them to participate in the bidding process for government projects. Waaree Energies' strong order book and diverse customer base offer revenue stability and diversification while mitigating risks related to losing key customers, ensuring business continuity and sustainable growth.

Valuation

Waaree Energies is a prominent manufacturer of solar PV modules in India with an aggregate installed capacity of 12 GW. The company's portfolio of solar energy products consists of the following PV modules: multi-crystalline modules, monocrystalline modules, and TopCon modules. It also comprises flexible modules, which include bifacial modules (Mono PERC) (framed and unframed) and building integrated photovoltaic (BIPV) modules. The company has strengthened its market position through extensive capacity expansion, backward integration, and strategic international growth, positioning itself to capture new opportunities and meet rising demand domestically and globally. The commercial & industrial sector accounts for 70%-80% of the country's rooftop solar installations. It is also making strides in the utility-scale solar space through open access and group captive routes. On the financial front, the company's operational revenue grew at an outstanding CAGR of 99.8% from FY22 to FY24. Profit after tax rose from Rs. 796.50 million in FY22 to Rs. 12,743.77 million in FY24, while return on equity (ROE) improved from 17.69% to 30.26%. The company's global expansion, competitive pricing, and strong order book ensure revenue stability, business continuity, and sustainable growth while optimising worldwide sourcing and supply chain costs. **The company is valued at a PE ratio of 31.4x on the upper price band based on FY24 earnings, which is lower than its peers. Given its strong financial growth and substantial order book, the company is well-positioned to grow within the sector. Therefore, we recommend a "SUBSCRIBE" rating for medium to long-term investment.**

Key Risks

- ⇒ The company plans to allocate a significant portion of its funding for capital expenditure, including partially financing a 6 GW facility through its subsidiary, Sangam Solar One Private Limited. This investment faces potential delays, cost overruns, and dependency on government subsidies, which could impact the company's financial condition if approvals are delayed.
- ⇒ The company's major business depends on certain key customers, and the loss of any of these customers or revenue from sales to any key customers could have a material adverse effect on its business, financial condition, results of operations, and cash flows.
- ⇒ The company imports over 50% of its raw materials, particularly solar cells, from China and other countries. Any restrictions or import duties on materials and equipment essential for its manufacturing operations could adversely affect the company's business, financial performance, and cash flows.

Waaree Energies Limited

Income Statement (Rs. in millions)

Particulars	FY22	FY23	FY24
Revenue			
Revenue from Operations	28,543	67,509	113,976
Total Revenue	28,543	67,509	113,976
Expenses			
Cost of materials consumed	17,939	58,973	83,565
Purchase of stock-in-trade	4,592	2,607	9,653
Changes in inventories of finished goods, stock-in-trade and work-in-progress	636	(10,069)	(5,620)
Other manufacturing and Engineering, Procurement and construction project expenses	717	1,653	2,540
Employee benefit expenses	569	1,238	1,772
Sales, administration and other expenses	2,980	4,761	6,322
Total Operating Expenses	27,433	59,162	98,232
EBITDA	1,109	8,346	15,744
Depreciation and Amortization expense	433	1,641	2,768
Other income	916	1,095	2,352
EBIT	1,593	7,800	15,328
Finance costs	409	823	1,399
Exceptional Item	-	(206)	3,413
PBT	1,184	6,772	17,342
Tax expense			
Current tax	339	1,677	5,395
Tax for earlier years	-	(3)	-
Deferred tax	48	94	(796)
Total tax	387	1,769	4,598
PAT	796	5,003	12,744
Diluted EPS	3.8	21.6	47.9

Cash Flow Statement (Rs. in millions)

Particulars	FY22	FY23	FY24
Cash Flow from operating activities	7,009	15,602	23,050
Cash flow from investing activities	(6,749)	(20,938)	(33,403)
Cash flow from financing activities	985	6,425	9,092
Net increase/(decrease) in cash and cash equivalents	1,245	1,089	(1,260)
Cash and cash equivalents at the beginning of the period	128	1,392	2,537
Cash and cash equivalents at the end of the period	1,392	2,537	1,214

Source: RHP, BP Equities Research

Waaree Energies Limited

Balance Sheet (Rs. in millions)

Particulars	FY22	FY23	FY24
ASSETS			
Non-current assets			
Property, plant and equipment	5,648	9,912	11,494
Capital work-in-progress	1,227	5,370	13,413
Right of use assets	465	1,002	2,870
Investment property	3	3	3
Intangible assets	66	72	68
Intangible assets under development	11	1	1
Goodwill on consolidation	63	63	63
Financial assets			
(i) Current Investments	100	-	-
(ii) Trade receivables	45	-	-
(iii) Security deposit	54	99	231
(iv) Other financial assets	361	1,574	909
Deferred tax assets	180	143	832
Income tax assets (net)	15	1	1
Other non-current assets	694	1,129	3,121
Total Non-Current Asset	8,932	19,370	33,006
Current assets			
Inventories	5,382	27,089	25,855
Financial Assets			
(i) Current investments	1,332	311	711
(ii) Trade receivables	925	3,126	9,714
(iii) Cash and cash equivalents	1,392	2,537	1,214
(iv) Bank balances other than cash and cash equivalents above	2,272	14,828	36,578
(v) Loans	161	137	247
(vi) Other financial assets	456	535	764
Other current assets	1,523	6,200	5,043
Assets held for Sale	-	68	5
Total Current Asset	13,442	54,829	80,131
Total Assets	22,374	74,199	113,137
EQUITY AND LIABILITIES			
Equity			
Equity share capital	1,971	2,434	2,630
Other equity	2,305	15,950	38,249
Equity attributable to owners of the parent company	4,276	18,384	40,878
Non-controlling interest	122	234	607
Total Equity	4,399	18,619	41,485
Liabilities			
Non-current liabilities			
Financial liabilities			
(i) Borrowings	1,890	1,458	1,026
(ii) Lease liabilities	427	381	2,075
(iii) Other financial liabilities	-	-	513
Long-term provisions	414	693	1,081
Deferred tax liabilities (net)	264	479	371
Other non-current liabilities	4	3,277	12,355
Total Non-Current Liabilities	2,999	6,288	17,421
Current Liabilities			
Financial liabilities			
(i) Borrowings	1,241	1,277	2,147
(ii) Lease Liabilities	76	87	286
(iii) Trade payables	5,348	14,316	14,752
(iv) Supplier's credit / Letter of credit - Acceptances	577	5,858	5,386
(v) Other financial liabilities	881	2,987	5,093
Provisions	16	279	2,245
Other current liabilities	6,639	23,635	21,424
Current tax liabilities (net)	197	854	2,898
Total Current Liabilities	14,976	49,292	54,231
Total Equity and Liabilities	22,374	74,199	113,137

Source: RHP, BP Equities Research

Disclaimer Appendix**Analyst (s) holding in the Stock : Nil****Analyst (s) Certification:**

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