

The Issue	
Type of Issue	Issue size Rs. Mn
Fresh Issue	12,914
Offer for sale	15,390
Total	28,304
Post issue mkt cap*	202,843
Lot size	33 shares

*At Upper Price Band

Issue Break-Up	
Reservation for	% of Issue
QIB	50%
NII	15%
Retail	35%
Total	100%

Indicative Offer Timeline	Indicative Date
Bid/Offer Opening Date	27 Aug, 2024
Bid/Offer Closing Date	29 Aug, 2024
Finalization of the Basis of Allotment	30 Aug, 2024
Credit of shares	2 Sept, 2024
Listing Date	3 Sept, 2024

Use of Proceeds	Rs. Mn
Part financing of a Solar PV TOPCon manufacturing facility for Cell (4 GW) and Module (4 GW)	9,868
General Corporate Purpose	

Manager	Kotak Mahindra Capital, J.P. Morgan, ICICI Securities
Registrar	KFin Technologies

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Company Overview:

- Premier Energies is an integrated solar cell and solar module manufacturer with 29 years of experience in the solar industry.
- Their operations include (i) manufacturing of solar photovoltaic (PV) cells, (ii) manufacturing of solar modules using different monocrystalline PERC and TOPCon technology, (iii) sale of customizable and ad hoc solar-related products, (iv) Execution of EPC projects and allied O&M services and (v) Independent power production through 2 MW solar power plant.
- They have an annual installed capacity of 2 GW for Solar cells and 4.13 GW for solar module across five manufacturing unit in Hyderabad, Telangana. Further to this, they are adding a 1,000 MW TOPCon solar cell line. The management aims to expands capacities by commissioning an additional 4 GW TOPCon solar cell line and an additional 4 GW TOPCon solar module line.
- They specialize in bifacial monocrystalline PERC solar cell based on the M10 - 182mm x 182 mm. On a monthly basis, they are able to manufacture up to 14mn M10 sized solar cells.
- As of July 31, 2024, their order book of Rs 59,266mn of which Rs 16,091mn was in relation to non-DCR solar modules, Rs 22,141mn was in relation to DCR solar modules, Rs 18,911mn was in relation to solar cells and Rs 2,123mn was in relation to EPC projects.
- The company's export revenue as a % of revenue has increased from ~1% in FY22 to 14% in FY24. United States and Hong Kong being the major contributor to the export revenue with 63% and 33% in FY24.

Valuation and Outlook: At the upper price band of Rs 450, Premier Energies IPO is attractively priced at a PE of 25.6x on an annualized FY25 basis. Over FY21-24, the company's Revenue/Ebitda/APAT has grown at a CAGR of 64.9%/107.2%/114.4% respectively. Solar Energy generation is the sunrise sector and related manufacturing of cell and modules will accordingly offer better growth opportunities for the players in the industry. Premier Energies which is into solar cell (2 GW installed capacity) and solar module (4.13 GW installed capacity) manufacturing is well set to ride these growth tailwinds. Also, in terms of installed capacity for solar cell manufacturing, the company holds 25% of market share and stands second to Mundra solar which holds 50% market share. Net proceeds would be utilized to add new 4 GW Solar PV TOPCon Cell and 4 GW Solar PV TOPCon Module manufacturing. Focus is also on increasing revenue from export (especially US). Order book of Rs 59,266mn as on July 2024, is well diversified across its segments and offers better short term revenue visibility. Given the significant growth opportunity and sound fundamental we are optimistic on the IPO and thereby assign **"Subscribe"** rating on the stock.

Valuation vs Peer

Particulars	FY24		FY21-24			FY24				Annualized FY25 PE
	Market Cap (Rs in Mn.)	Revenue (Rs in Mn.)	Revenue CAGR	EBITDA CAGR	PAT CAGR	ROE	ROCE	ROA	EV/EBITDA	
Interarch Building Products	2,02,843	31,438	64.9%	107.2%	114.4%	35.8%	22.9%	6.5%	42.1	25.6x
Listed Peer										
Websol Energy System	40,210	260	-44.7%	NA	NA	-10.4%	-17.0%	-5.0%	-4.6	107.0x

Unit Economics (Rs./Unit)

Particulars	Unit	FY22	FY23	FY24
Solar cells	No.	48	97	59
Wafers	No.	23	48	29
Solar modules	No.	0	0	11,277
Raw Materials				
Backsheet	m ²	124	116	108
Trans backsheet	m ²	0	255	198
Aluminum frames	No.	182	184	173
Aluminum profiles	No.	502	497	471
Aluminum profiles (key)	No.	4	5	5
Ethylene-vinyl acetate	m ²	130	144	102
Junction box	No.	204	227	207
Solar tempered glass	No.	707	750	661
Aluminum paste	Kg.	403	561	1,052
Silver paste (rear)	Kg.	31,442	36,910	43,774
Silver paste (front)	Kg.	63,228	64,430	69,155

Premier Energies Ltd

Key Financial Summary (Rs. Mn)

Particulars	FY21	FY22	FY23	FY24
Revenue	7,015	7,429	14,285	31,438
EBITDA	537	296	782	4,778
EBITDA margin (%)	7.7%	4.0%	5.5%	15.2%
Adj. PAT	235	-144	-128	2,314
Adj. PAT margin (%)	3.3%	-1.9%	-0.9%	7.4%
EPS (Adj for issue)	0.5	-0.3	-0.3	5.1

Issue Structure (Rs. Mn)	Floor	Cap
Net Offer	27,517	28,304
QIB Portion (50% of Offer)	13,759	14,152
Non Institutional portion (15% of Offer)	4,128	4,246
Retail portion (35% of Offer)	9,631	9,906

Shareholding Pattern	Holding (%)	
	Pre Issue	Post Issue*
Promoters & Promoter Group	72.2	66.0
Others/Public	27.8	34.0
Total	100.0	100.0

* At upper price band

Selling Shareholders	Type	OFS (Shares in Mn)	Shareholding	
			Pre Issue	Post Issue
South Asia Growth Fund II	Investor	26.8	20.9%	13.6%
South Asia EBT Trust	Investor	0.2	0.1%	0.1%
Chiranjeev Singh Saluja	Promoter	7.2	64.8%	59.1%

Key Risks:

- **Top Customers:** In FY24, Top 5 and Top 10 customers contributed 43.4% and 67.0% of revenue from operations respectively.
- **Domestic Regulations:** Company's business is dependent on the regulatory and policy environment affecting the renewable energy sector in India. It is also subject to imposition of basic customs duty under the Customs Act, 1962 of 25% on solar cells and 40% on modules and 10% on solar glass with effect from October 1, 2024.
- **International Regulations:** The company's expansion plans, and exports of solar modules and cells are dependent on the policies passed by the governments of export countries and any unfavorable change in such policies may adversely affect its business.
- **Geography:** All the five manufacturing units of the company are in Hyderabad, Telangana exposing it to geographic risk arising in the state along with any changes in state's policies or laws.
- **Laborers:** The manufacturing units of the company employ large number of contractual laborers subjecting it to unionization, work stoppages or increased labor costs risk. This could adversely affect the operations of the company.
- **Suppliers' Agreements:** The typical duration of the agreements the company enters is 60 to 120 days and there are no long-term agreements that it has entered for major raw materials. An inability on the part of their suppliers to supply, in a timely manner, the desired quality and quantity of materials and components, may adversely affect business operations.
- **Logistics:** The company is dependent on third-party transportation providers for delivering raw materials to its manufacturing units and delivery of its finished products.
- **Chinese Reliance:** In FY24, the cost of imported raw materials imported from China accounted to over 48% of total purchases any restrictions or import duties levied on these raw materials will affect the manufacturing operations
- **Raw Material:** Changes in the price of solar modules, solar cells, wafers, and other raw materials due to changes in demand, technology or other factors may have a material adverse effect on the financials of the company.

Competitive Strengths:

- ⇒ **Well placed to tap significant growth opportunities in domestic market:** They are the second largest integrated solar cell and solar module manufacturer in India in terms of annual installed capacity. Their 2 GW for solar cells and 4.13 GW for solar modules stands second to Mundra Solar's aggregate annual installed capacity of 4 GW of solar cell and 4 GW of solar module. There is an emphasis on the utilization of DCR (Domestic Content Requirement) solar modules in India. With government initiatives like the PM-KUSUM, and CPSU schemes, and even the implementation of solar rooftop at subsidize rates in 10mn household in India, the 2nd largest capacity does bodes well for company's growth.
- ⇒ **Equipped with latest Technology:** In Solar cell and Module manufacturing, the industry has is transitioning to TOPCon technology based solar cell and module manufacturing. The company have annual installed capacity of 4.13 GW for Solar modules, which includes recently commissioned 1,600 MW capacity line is equipped with TOPCon technology and 1,034MW capacity line which employ either TOPCon or HJT Technology.
- ⇒ **Experienced Cell line Production:** According to F&S, the annual installed capacity for solar modules in India has increased from 7.6 GW in FY20 to approximately 72 GW in FY24. While the annual installed capacity for solar cells has only increased by 7.1 GW, from 1.0 GW in FY20 to 8.1 GW in Fiscal 2024. The contrasting growth 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. The company's technical expertise and experience in the intricacies of the solar cell production process not only adds to its growth opportunities but also shields them from new entrants, if any due to high capital cost.
- ⇒ **Diversified order book:** As of July 31, 2024, they have an order book of Rs 59,265.65 million of which Rs 16,091.14 million is pertaining to non-DCR solar modules, Rs 22,140.60 million is in relation to DCR solar modules, Rs 18,911.18 million is for solar cells and Rs 2,122.72 million is towards EPC projects. The order book to bill ratio on an annualized FY25E basis stands at 0.9x. The order book also includes (i) the 350 MW module supply agreement signed between Premier Energies Photovoltaic Private Limited and an independent power producer which was announced on June 7, 2024 and (ii) the order received from NTPC in December 2023 for the supply of 611.04 MW bifacial solar modules amongst other. The said order book and the contract profile will also allow the company to maintain long standing relationship with each client.

Business Strategies:

⇒ **Expand overseas presence and increase export to the US through strategic backward integration and setting up production unit outside India:** With solar cell manufacturing, the company is already backward integrated for solar module manufacturing. Now the company aims to further extend this by including production of ingots and wafers which are crucial elements in the production process of solar cells. Apart from cost efficiency and strengthening supply chain management, the strategy will primarily offer traceability of raw materials which is important for overseas clients especially in US.

They also plan to expand their manufacturing footprint into the US and accordingly they have signed a letter of intent in February 2024 with Heliene USA Inc, an American solar manufacturer, to enter into a joint venture to develop, construct and operate a TOPCon solar cell manufacturing facility. They have also signed a MoU in April 2024 with an international solar wafer and module manufacturer and an international semiconductor wafer supplier to establish a new company dedicated in wafering solar bricks into wafers in India.

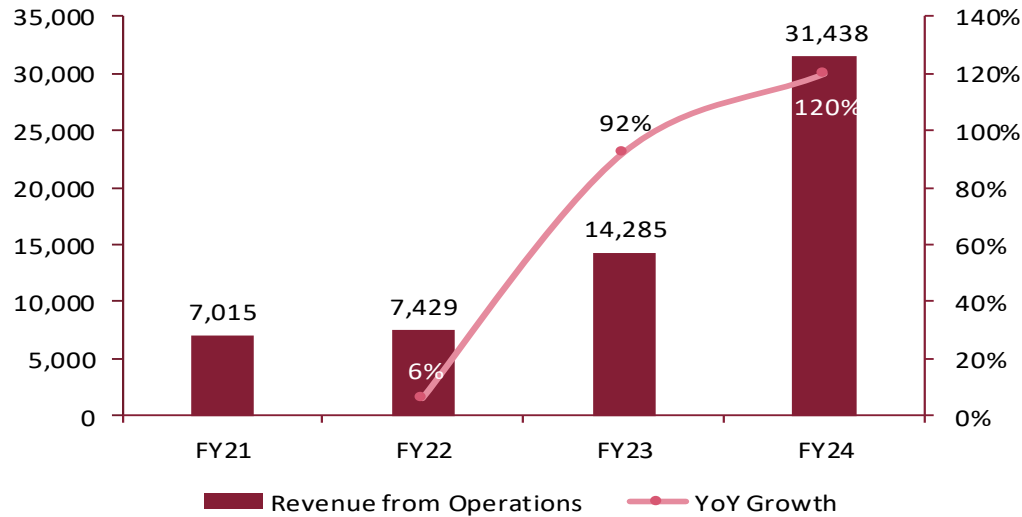
⇒ **Develop and grow rooftop solar offering:** The company is an OEM for Panasonic, Luminous and Axitec. The government announcement of Grid Connected Solar Rooftop Programme, which aims to equip 10 million homes in India with rooftop solar systems, the rooftop solar segment in India is anticipated to expand substantially due to an increased need for DCR modules, which is a prerequisite for applicants to avail themselves of the subsidies. This is expected to generate 25 GW to 30 GW of rooftop solar installation opportunities over the next two to three years and they intend to capitalize on and meet this demand through its OEM status as well as leveraging their channels sales across different states in India, an approach that is expected to enhance brand recognition.

⇒ **Capitalize on available market opportunities to grow their domestic business:** The Govt's DCR requires the use of locally produced solar cells and solar modules, adhering to the standards and testing criteria established by the Ministry of New and Renewable Energy, Government of India ("MNRE"). With the company's ability to produce DCR-compliant solar cells and solar modules at scale and with the demand for DCR modules in India currently outpacing the production capacity of solar cells they are better poised to capitalize on this growth opportunities from several government schemes launched to promote solar energy generation. In addition to this, basic custom duty of 40% on imported solar modules and 25% on imported solar cells to bolster domestic manufacturing also benefits the company.

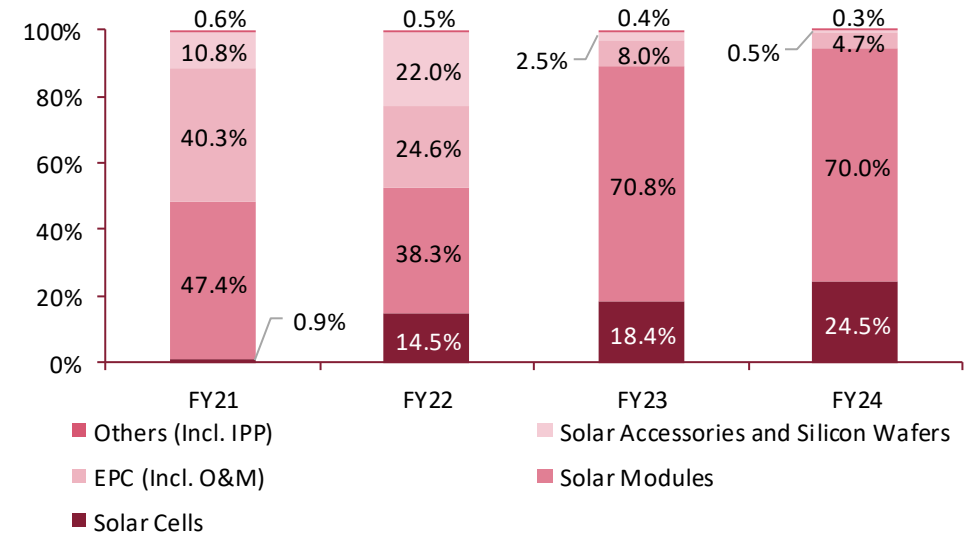
⇒ **Expanding and upgrading manufacturing capacities using the latest technology:** They are now moving towards the production of solar cells with TOPCon technology, a process capable of reaching efficiencies of between 24.5% to 25.2%. Within Fiscal 2025, they plan to commission a new 1,000 MW annual installed capacity production line for the production of solar cells using TOPCon technology in Unit II. Additionally, they aim to allocate a portion of the proceeds from the Fresh Issue towards establishing additional TOPCon solar cell and solar module lines each with an annual installed capacity of 4 GW, at a new manufacturing facility.

Premier Energies Ltd - Revenue

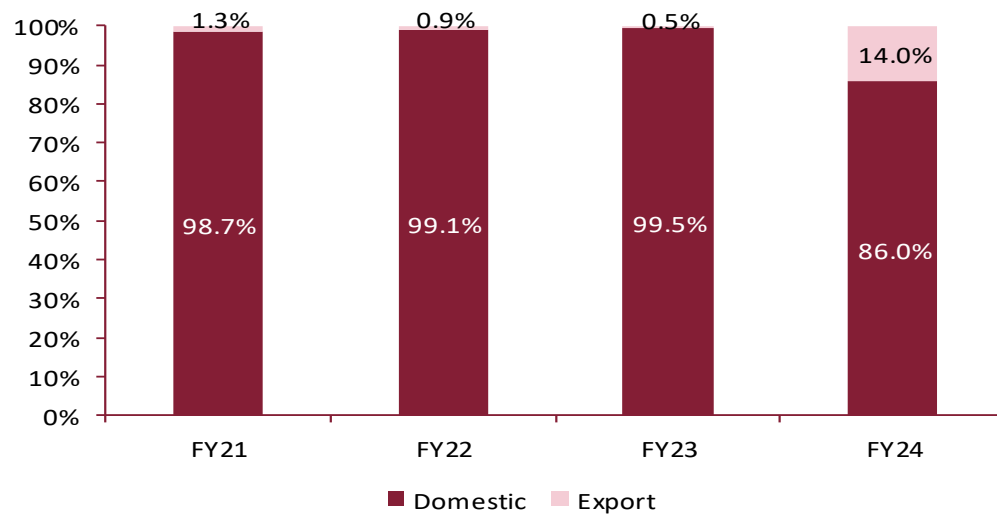
Revenue from Operations (Rs. Mn)



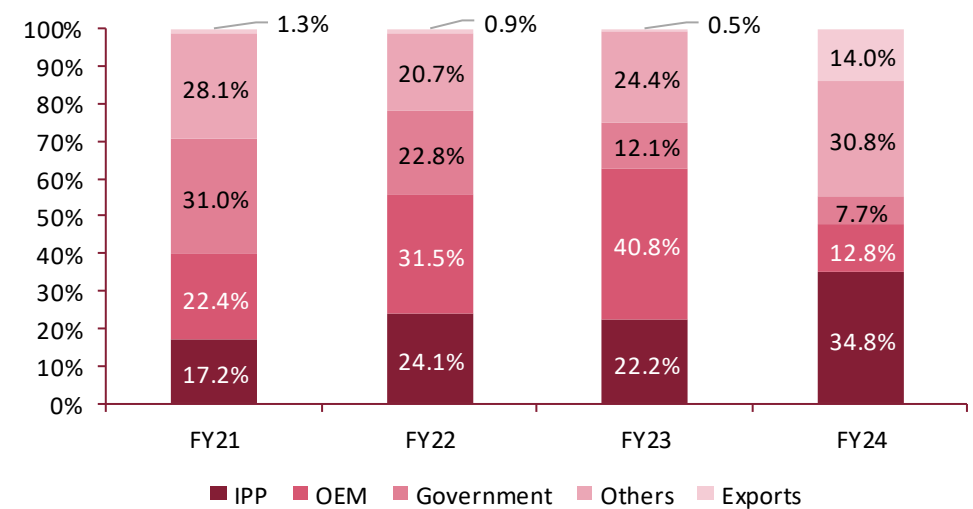
Revenue by Products and Services



Revenue from Geographies

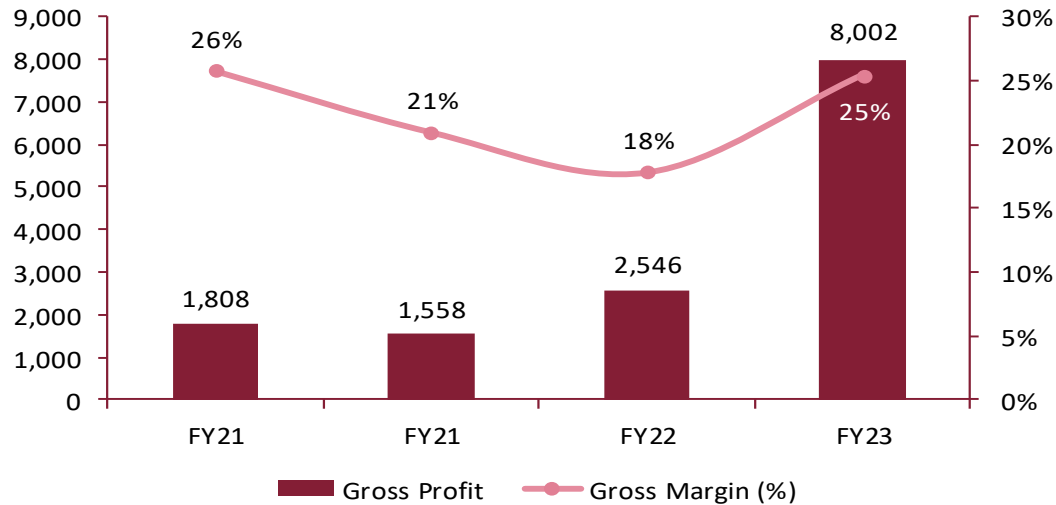


Revenue by Customers

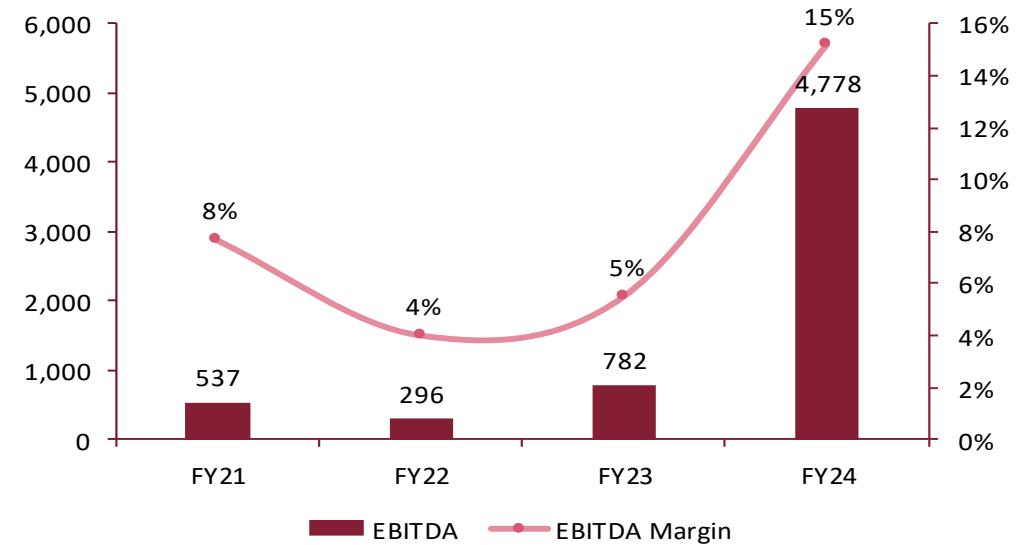


Premier Energies Ltd - Profitability

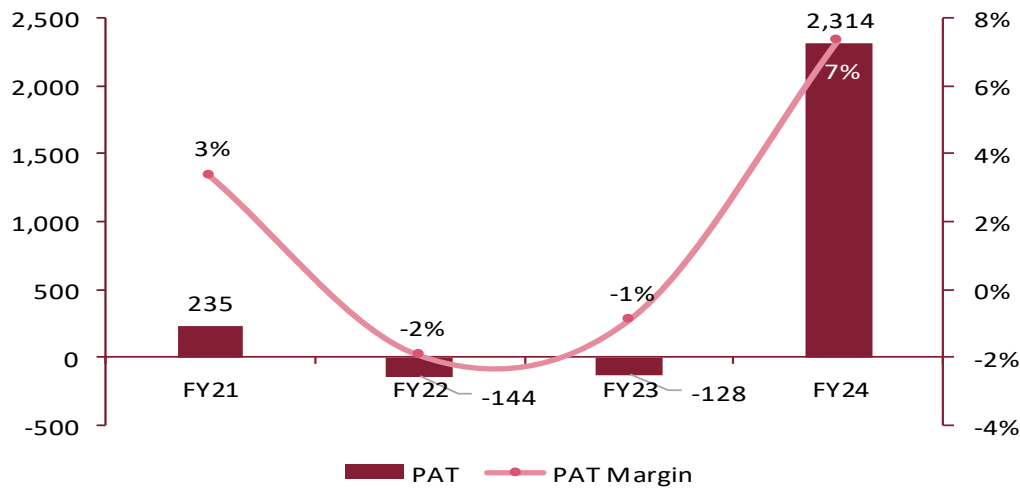
Gross Profit (Rs. Mn)



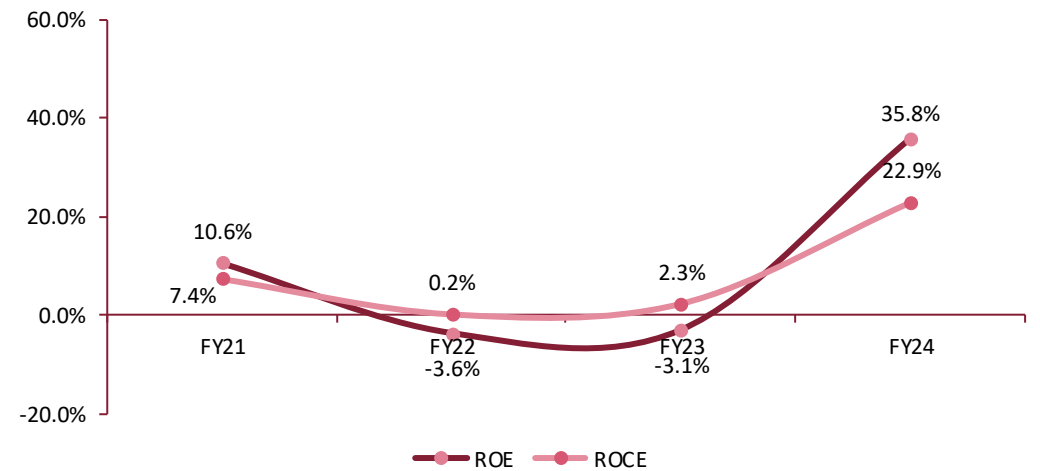
EBITDA (Rs. Mn)

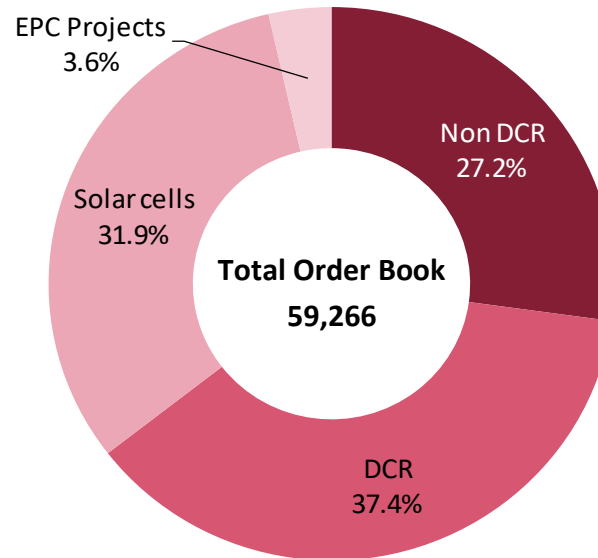
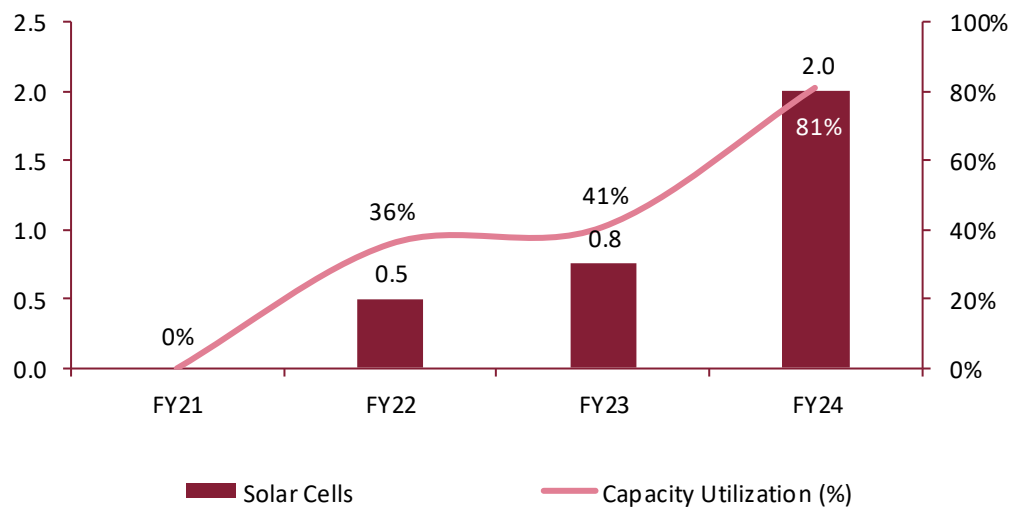
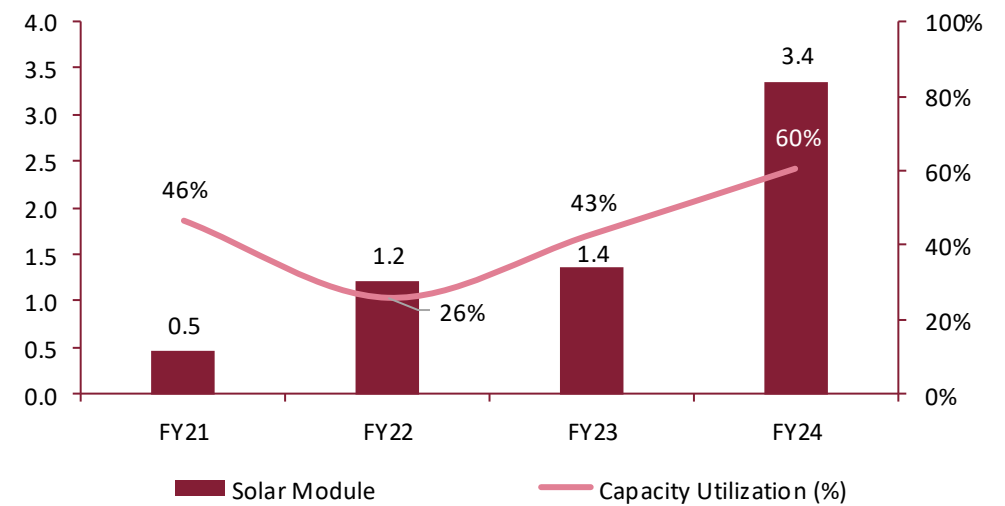


Profit after Tax (Rs. Mn)



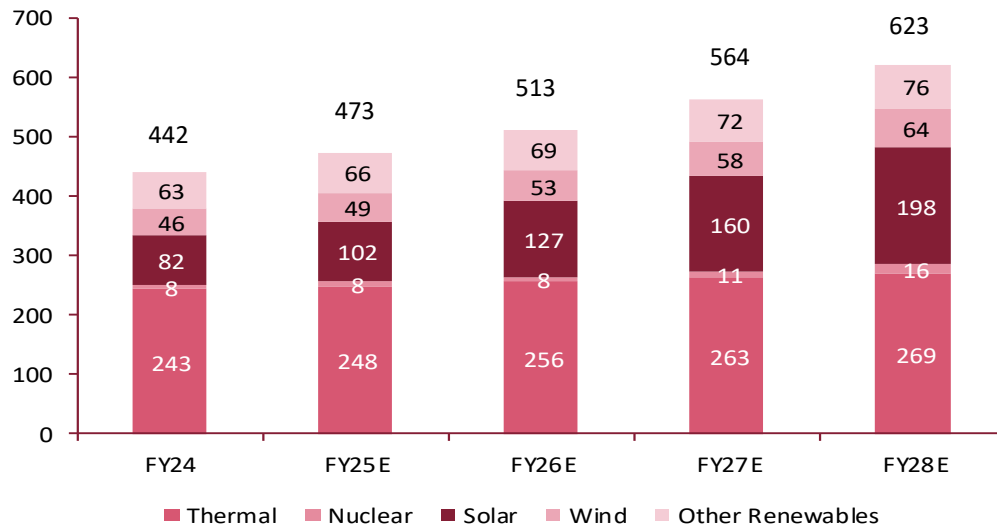
Profitability Ratios



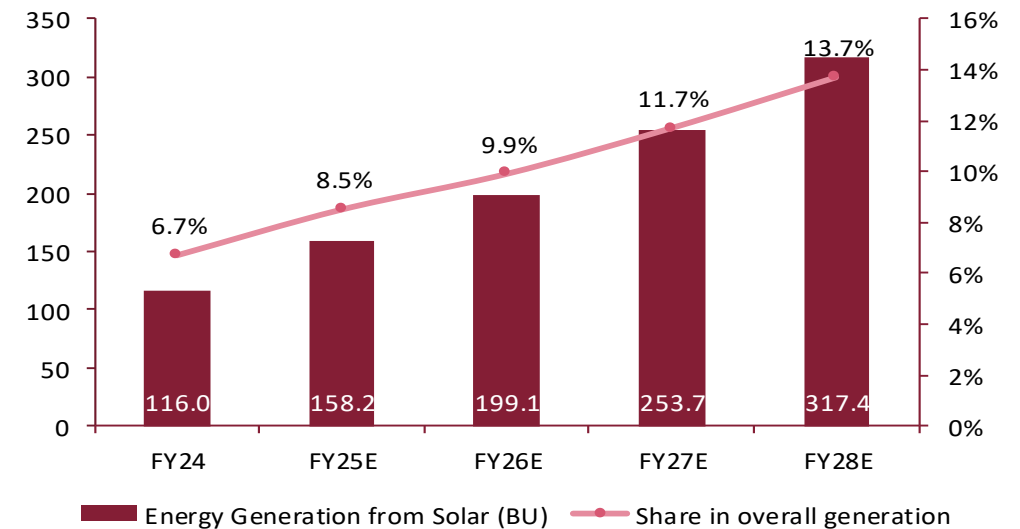
Order Book (Rs. Mn)

Solar Cells Production (GW) and Capacity Utilization

Solar Modules Production (GW) and Capacity Utilization


Industry Overview

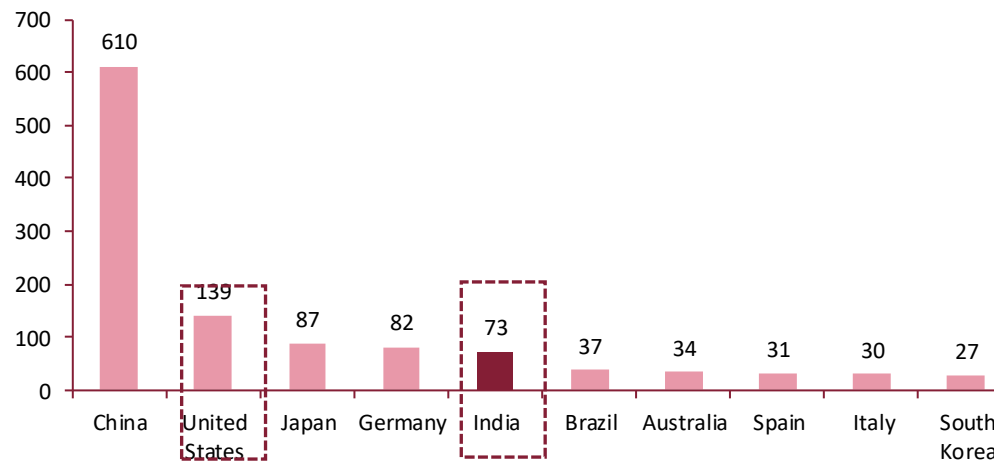
All India Installed Power Generation Capacity by Fuel Sources (GW)



Growth in Solar Energy Generation in India (BU)

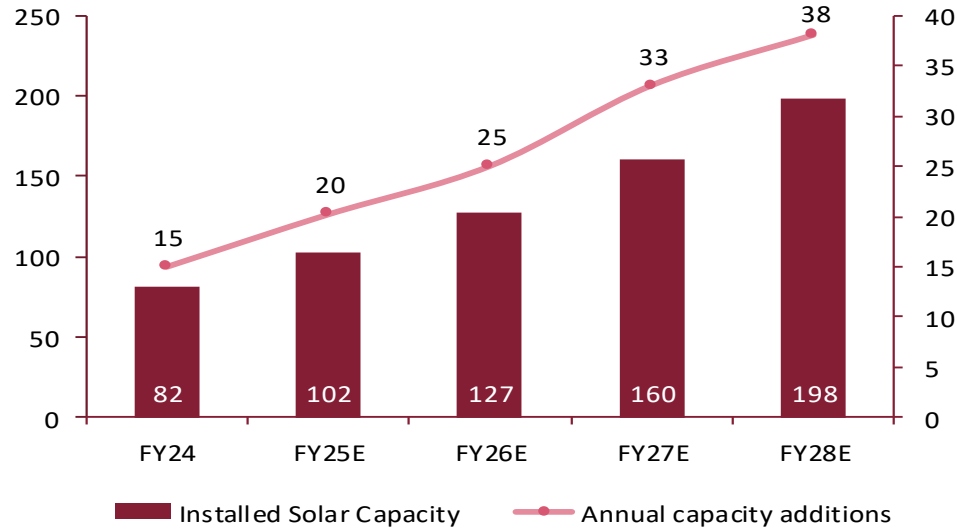


Top 10 Solar Nations in CY23 (GW)

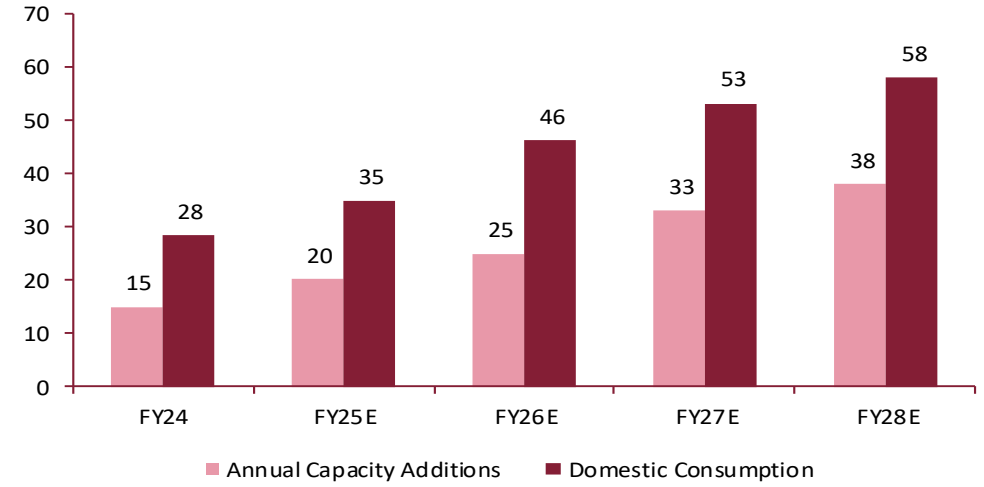


Industry Overview

Growth in Solar Installed capacity in India (GW)

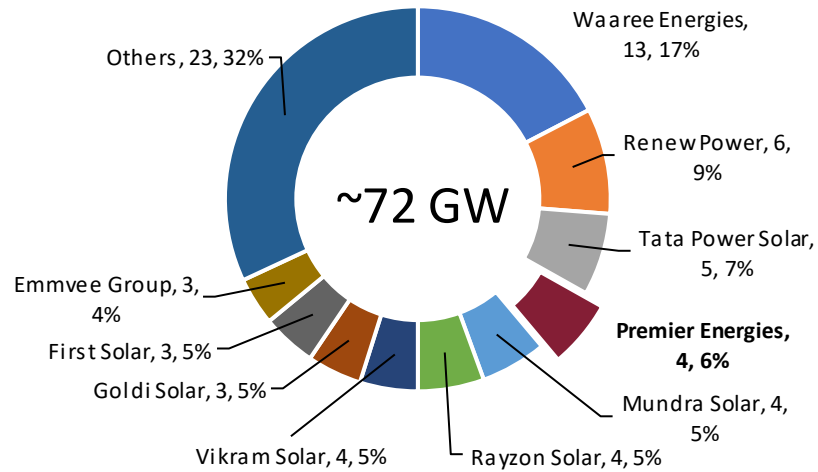


Solar Capacity Addition Targets vs Module Requirement in India (GW)

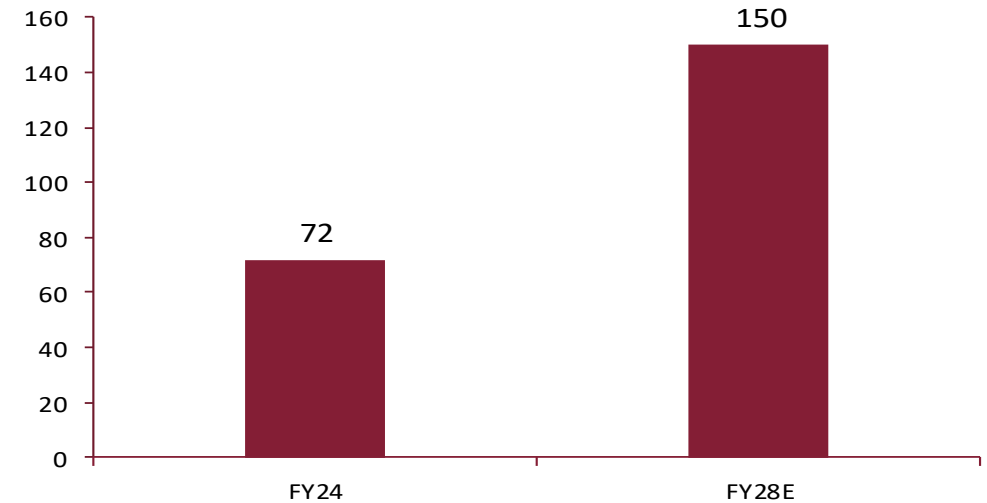


Industry Overview

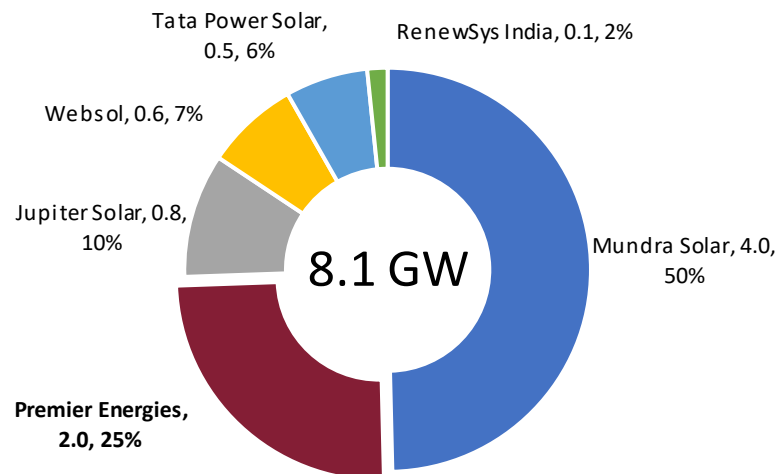
Solar Module Annual Installed Capacity by Companies in FY24 (GW)



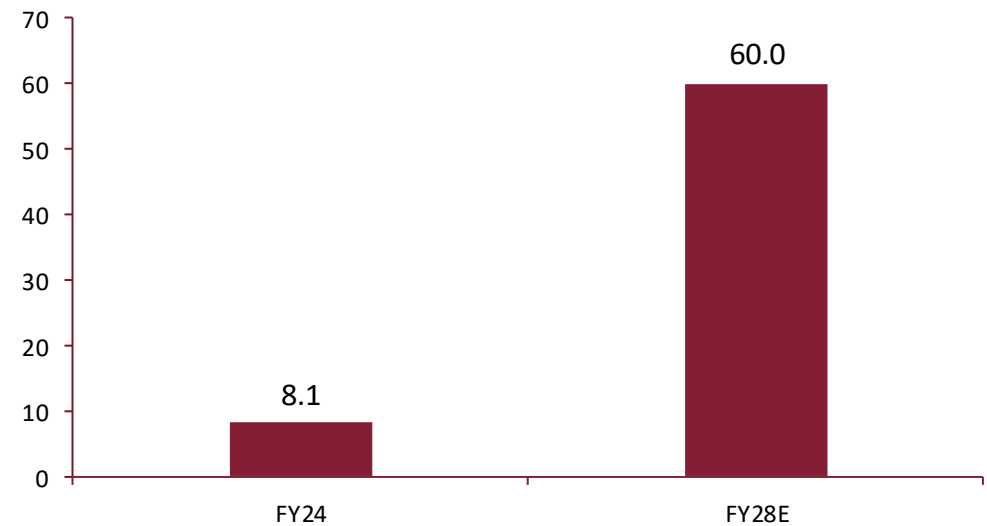
Solar Module Manufacturing Installed Capacity Trend (GW)



Solar Cell Annual Installed Capacity by Companies in FY24 (GW)

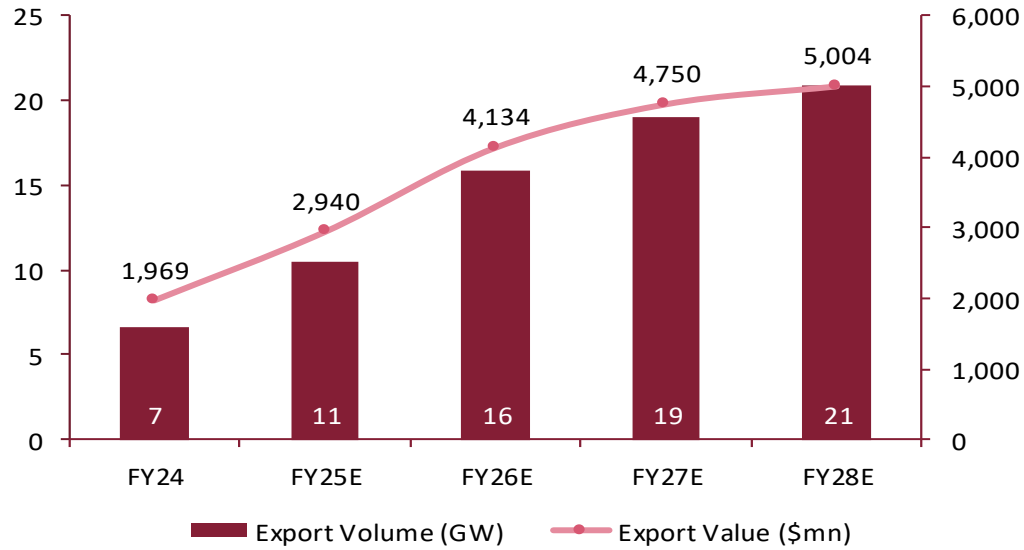


Solar Cell Manufacturing Installed Capacity Trend (GW)

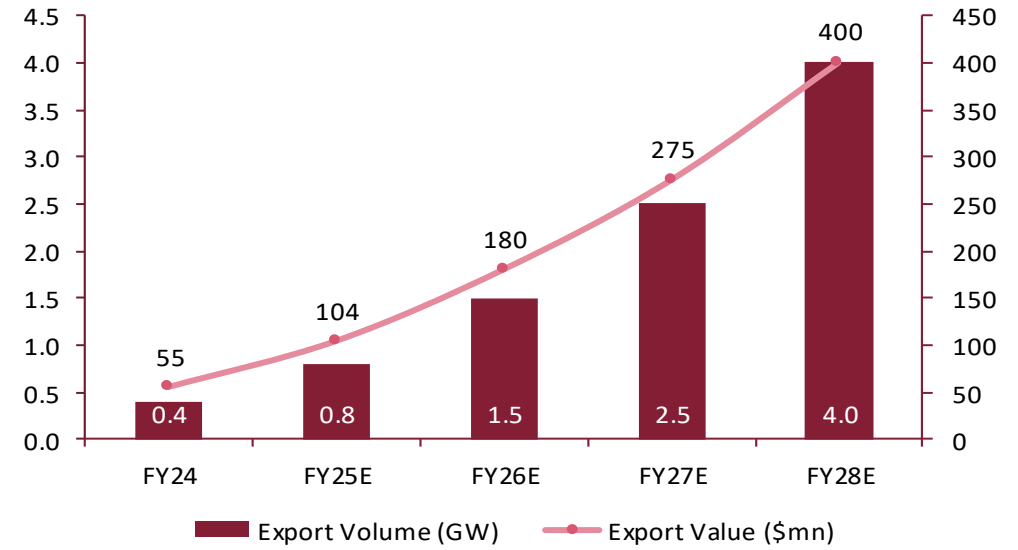


Industry Overview

Indian Solar Module Export Market



Indian Solar Cell Export Market



INDSEC Rating Distribution

BUY : Expected total return of over 15% within the next 12-18 months.

HOLD : Expected total return between 0% to 15% within the next 12-18 months.

SELL : Expected total return is negative within the next 12-18 months.

NEUTRAL: No investment opinion, stock under review.

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DISCLOSURE

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