Premier Energies Ltd.

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IPO Note **26th August 2024**

Company Overview

Premier Energies Limited is a leading force in the solar industry with 29 years of experience and a robust manufacturing footprint in Hyderabad, India, featuring a combined annual capacity of 2 GW for solar cells and 4.13 GW for solar modules. Known for its advanced production of bifacial monocrystalline PERC cells and modules, including innovative TOPCon technology, the company operates India's first LEED Gold-rated solar manufacturing unit. It is expanding its capabilities with a new 1,000 MW TOPCon cell line. Premier Energies has achieved significant milestones, such as establishing a 75 MW cell line in 2011 and expanding to 500 MW in FY 2021, and holds a substantial order book valued at Rs. 59,265.65 million as of July 2024. The company has demonstrated impressive financial growth with a revenue CAGR of 105.7% from FY22 to FY24. It has earned recognition for its sustainability efforts, including awards from the Renewable Energy India Awards and the Government of Telangana.

Objects of the issue

The company proposes to utilize the net proceeds towards the funding of the following objects:

- ⇒ Investment in the 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");
- ⇒ General corporate purposes.

Investment Rationale

Premier Energies excels in integrated solar cell and module manufacturing and has a proven track record

According to Frost & Sullivan, Premier Energies is India's second-largest integrated solar cell and module manufacturer as of March 31, 2024, boasting an annual installed capacity of 2 GW for solar cells and 4.13 GW for solar modules. Despite trailing behind Mundra Solar, the largest manufacturer in the country, Premier Energies has demonstrated significant growth over the past 25 years, with their installed capacity expanding from 75 MW in 2011 to 2,000 MW for solar cells and 4,134 MW for solar modules by 2024. The company has made substantial capital investments in their manufacturing units, including a notable increase in module capacity with the latest lines in Units IV and V. Their expertise in solar cell and module production, coupled with advanced technologies like TOPCon, positions them well in the domestic and international markets. With strong vertical integration and a reputation for quality, evidenced by industry awards and significant international export achievements, Premier Energies is well-equipped to capitalize on future opportunities in the solar energy sector.

Premier Energies boasts a diversified customer base and robust order book, with established relationships in India and overseas

Premier Energies leverages its significant annual installed capacity and market position to offer competitive pricing, facilitating access to a broad and diverse customer base both domestically and internationally. As of the Red Herring Prospectus date, Premier Energies serves 165 domestic customers across 23 Indian states and territories and has eight international customers. The company has seen substantial growth in its customer base, with domestic customer numbers increasing from 165 in FY22 to 200 in FY24, while international customers rose from 8 to 27 during the same period. Key domestic clients include Continuum, Shakti Pumps, and First Energy, while global clients feature Arka Energy Inc. of the US. The company's revenue from operations for FY24 was Rs. 31,437.93 million, with significant contributions from domestic and export markets. Premier Energies' order book, valued at Rs. 59,265.65 million as of July 31, 2024, includes notable agreements with NTPC and other major customers. The company's strategic focus on expanding manufacturing capacities and fostering new customer relationships aims to bolster its global market presence and growth prospects.

Issue Details	
Offer Period	27th August 2024 - 29th August 2024
Price Band	Rs. 427 to Rs.450
Bid Lot	33
Listing	BSE & NSE
Issue Size (no. of shares in mn)	62.9
Issue Size (Rs. in bn)	28.3
Face Value (Rs.)	1

Issue Structure	
QIB	50%
NIB	15%
Retail	35%
BRLM	Kotak Mahindra Capital Company Ltd., J.P. Morgan India Private Ltd., ICICI Securities Ltd.
Registrar	Bigshare Services Private Private Ltd.

Particulars	Pre Issue %	Post Issue %
Promoters and promoter group	72.2	66.0
Public	27.8	34.0
Total	**100.00**	**100.00**

(Assuming issue subscribed at higher band)

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Premier Energies Ltd.

Valuation

Premier Energies Limited (PEL), a prominent player in integrated solar cell and module manufacturing, has shown impressive growth and financial performance over its 29-year history. As of March 31, 2024, PEL stands as the second-largest integrated solar manufacturer in India, with an annual installed capacity of 2 GW for solar cells and 4.13 GW for solar modules. For FY24, the company reported revenues of Rs. 31,437.93 million, displaying a CAGR of 105% from FY22, reflecting its strong market presence and operational efficiency. PEL's order book, valued at Rs. 59,265.65 million as of July 31, 2024, highlights its robust demand and strategic customer relationships. The company's net income for FY24 was Rs. 2,303 million notably positive, demonstrating a turnaround from past losses of Rs. 146 million in FY23 and indicating strong profitability. Additionally, PEL has invested heavily in expanding its manufacturing capabilities, including a new 4 GW TOPCon solar cell and module line. Despite challenges such as underutilized capacity and intense industry competition, PEL reported a profit of Rs. 1,982 million in FY24 reflecting its solid market position and growth potential. The company has demonstrated consistent enhancement in its Return on Capital Employed (ROCE), progressing from 3.6% in FY22 to 25.6% in FY24. The company's diversified customer base, which includes major domestic and international clients, further underscores its market strength and prospects for continued expansion. **The company is valued at a PE ratio of 82.1x on the upper price band based on FY24 earnings, which is reasonable compared to its peers. Given its strategic investments, strong financial recovery, and substantial order book, the company is well-positioned to capitalize on growth opportunities in the solar energy sector. Therefore, we recommend a "SUBSCRIBE" rating for medium to long-term investment.**

Key Risks

⇒ **Premier Energies Financial Stability Dependent on Key Customers and Success of Solar Products**: Premier Energies revenue is significantly tied to key customers and relies heavily on the success of its solar cells and modules. Any loss of major clients or changes in demand for monocrystalline solar technology could adversely impact financial performance, highlighting the company's dependence on these factors for profitability.

⇒ **Geographic Concentration:** Premier Energies operations are concentrated in Telangana, India, with five manufacturing sites in Hyderabad and a planned facility in Seetharampur. This geographic concentration exposes the company to risks such as economic fluctuations, weather conditions, and natural disasters. Although recent disruptions have been minimal, any significant issues could adversely impact production, shipments, and financial performance.

⇒ **Impact of Capacity Expansion on Business**: Expanding annual installed capacity despite underutilization could adversely affect the company's financial health if demand does not meet expectations. The planned 4 GW TOPCon cell and module facility aims to enhance market share and reduce costs, but if demand falls short, it may lead to increased costs and financial strain.

Premier Energies Ltd.

Income Statement (Rs. in millions)

Particulars	FY22	FY23	FY24	Q1FY25
Revenue				
Revenue from Operations	7,429	14,285	31,438	16,574
Total Revenue	**7,429**	**14,285**	**31,438**	**16,574**
Expenses				
Cost of material consumed	3,987	11,105	22,280	9,396
Purchase of stock-in-trade	2,281	1,568	2,399	1,428
Changes in inventory	-398	-934	-1,243	416
Contract execution expense	316	246	474	145
Employee benefit expenses	246	448	615	299
Other expenses	700	1,070	2,135	1,307
Total Operating Expenses	7,133	13,503	26,660	12,991
EBITDA	**296**	**782**	**4,778**	**3,583**
Depreciation and Amortization expenses	276	532	961	794
Other income	242	347	275	114
EBIT	**261**	**596**	**4,092**	**2,903**
Finance costs	430	686	1,212	452
Exceptional Item	0	0	0	0
Share of Profit (Loss) of associate	12	12	13	7
PBT	**-157**	**-78**	**2,894**	**2,457**
Current tax	95	40	529	543
Deferred Tax charge/ (credit)	-108	16	52	-68
Total tax	**-13**	**56**	**580**	**476**
PAT	**-144**	**-133**	**2,314**	**1,982**
Diluted EPS	**-0.4**	**-0.4**	**5.5**	**4.7**

Source: RHP, BP Equities Research

Cash Flow Statement (Rs. in millions)

Particulars	FY22	FY23	FY24	Q1FY25
Cash Flow from operating activities	50	367	902	6,231
Cash flow from investing activities	(2,179)	(3,039)	(4,466)	(4,389)
Cash flow from financing activities	2,786	2,517	5,489	(2,253)
Net increase/(decrease) in cash and cash equivalents	**656**	**(155)**	**1,924**	**(410)**
Cash and cash equivalents at the beginning of the period	**145**	**801**	**646**	**2,570**
Cash and cash equivalents at the end of the period	**801**	**646**	**2,570**	**2,160**

Source: RHP, BP Equities Research

Premier Energies Ltd.

Balance Sheet (Rs. in millions)

Particulars	FY22	FY23	FY24	Q1FY25
ASSETS				
Non-current assets				
Property, plant and equipment	4,714	5,836	11,887	12,705
Right-of-use assets	7	4	87	82
Capital work in progress	1,142	3,493	198	182
Investment property	59	58	57	57
Goodwill	0	0	0	0
Other intangible assets	5	21	0	0
Financial assets	597	490	777	743
Deferred tax assets (net)	11	2	172	96
Other non-current assets	236	589	532	235
Income tax assets (net)	-	56	12	13
Total non-current assets	**6,771**	**10,549**	**13,723**	**14,113**
Current assets				
Inventories	2,169	6,329	10,093	8,481
Financial assets	3,538	3,050	10,126	12,954
Current tax assets (net)	13	21	19	22
Other current assets	789	1,078	1,214	1,360
Assets classified as held for sale	17	-	-	-
Total current assets	**6,644**	**10,557**	**21,819**	**23,242**
Total assets	**13,415**	**21,107**	**35,541**	**37,355**
EQUITY AND LIABILITIES				
Equity				
Equity share capital	263	263	263	334
Instruments entirely equity in nature	1,699	1,699	1,699	1,699
Other equity	1,984	2,150	4,506	6,431
Equity attributable to the owners of the company	**3,946**	**4,112**	**6,469**	**8,463**
Non controlling interest	93	130	130	130
Total equity	**4,039**	**4,242**	**6,599**	**8,594**
Liabilities				
Non-current liabilities				
Financial liabilities	3,327	5,699	8,857	8,675
Provisions	308	287	488	721
Deferred tax liability (net)	76	84	307	159
Other non-current liabilities	527	419	432	593
Total non-current liabilities	**4,238**	**6,490**	**10,083**	**10,149**
Current liabilities				
Financial liabilities	4,251	7,609	15,610	14,424
Other current liabilities	878	2,760	3,008	3,687
Provisions	9	5	10	6
Current tax liabilities (net)	-	-	231	494
Total current liabilities	**5,138**	**10,374**	**18,859**	**18,612**
Total liabilities	**9,376**	**16,864**	**28,942**	**28,761**
Total equity and liabilities	**13,415**	**21,107**	**35,541**	**37,355**

Source: RHP, BP Equities Research

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Disclaimer Appendix

Analyst (s) holding in the Stock : Nil

Analyst (s) Certification:

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