

RETAIL EQUITY RESEARCH

Premier Energies Ltd.

Capital Goods

SENSEX: 81,698

NIFTY: 25,011

SUBSCRIBE

Price Range Rs.427- Rs.450

An integrated solar cell and module manufacturer ...

Premier Energies Ltd (PEL), established in 1995, is an integrated solar cell and module manufacturer based in Hyderabad, Telangana. With five facilities, they have an annual capacity of 2 GW for solar cells (~22% of revenue in FY24) and 4.13 GW for solar modules (64% revenue in FY24). In addition to producing solar cells and modules, the company also provides engineering, procurement, and construction solutions, offers operations and maintenance services, and operates as an independent power producer. Their clients include NTPC, Tata Power Solar Systems, Panasonic Life Solutions, Shakti Pumps, First Energy, and Luminous. 86% of the overall sales came from the domestic market, while the rest came from exports.

- Solar cell consumption in India increased from 8.9 GW in FY22 to ~22.1 GW in FY24 and is expected to reach 78 GW by FY28. The Indian solar module market grew over 35% from 21 GW to 28.3 GW in FY23-24 and is projected to grow at a 40% CAGR over the next five years.
- Premier Energies Limited (PEL) is India's second-largest integrated solar cell and module manufacturer. As of July 31, 2024, PEL has a strong order book worth ₹5,926.6cr, with 25% from public sector undertakings and the remainder from private players.
- PEL's revenue grew at a 106% CAGR from FY22 to FY24, reaching ₹3,143.8cr. By FY24, the company achieved a PAT of ₹231.4cr and an EBITDA margin of 15%. For Q1FY25, revenue stood at ₹1,657cr with net profit at ₹198cr.
- PEL reported a PAT margin of 7.4%, a return on equity (RoE) of 35%, and a return on capital employed (RoCE) of 20% for FY24.
- PEL, the largest Indian solar cell exporter to the US, signed a Letter of Intent with Heliene USA Inc in February 2024 to form a joint venture for developing, constructing, and operating solar cell manufacturing facility in the US.
- In FY25, PEL plans to commission a new 1GW production line for solar cells in Unit II. As of March, PEL holds a 16.2% market share in India's total solar cell-installed capacity.
- To extend backward integration, the company plans to produce wafers and ingots, crucial for cell manufacturing. This will enhance resilience against market and supply fluctuations and improve component traceability.
- With the launch of the Grid Connected Solar Rooftop Programme by the Govt., which aims to install solar systems in 10 million Indian homes, PEL plans to leverage their OEM status and extensive sales channels to meet this demand and boost brand recognition. Additionally, opportunities in the domestic market include Indian Railways' initiative to electrify its tracks.
- At the upper price band of ₹450, PEL is trading at a P/E ratio of 88x for FY24, which seems expensive. However, considering its extensive experience in module and cell manufacturing, backward integration strategies, export market exposure, and domestic manufacturing opportunities supported by various government policies and the China Plus One strategy, we assign a "Subscribe" rating for medium to long-term investment.

Purpose of IPO

The offering comprises a fresh issue of ₹1,291.4cr and an Offer-for-Sale (OFS) of ₹1,539cr. The primary goal is to invest ₹968.6cr in Premier Energies Global Environment Pvt Ltd to establish a 4 GW Solar PV TOPCon Cell and Module facility in Hyderabad, Telangana, India.

Key Risks

- ~67.03% of the company's revenue relies on its top 10 customers.
- All manufacturing facilities are located in Hyderabad, Telangana.
- Nearly half (48.5%) of the company's purchases are imported from China.

Issue Details

Date of opening	August 27, 2024
Date of closing	August 29, 2024
Total No. of shares offered (cr.)	6.29
Post Issue No. of shares (cr)	42.2
Price Band	₹427- ₹450
Face Value	₹1
Bid Lot	33 Shares
Minimum application for retail (upper price band for 1 lot)	₹ 14,850
Maximum application for retail (upper price band for 13 lot)	₹ 1,93,050
Listing	BSE,NSE
Lead Managers	Kotak Mahindra Capital, JP Morgan India, ICICI Securities Limited
Registrar	Kfin Technologies Limited

Issue size (upper price)

	Rs.cr
Fresh Issue	1,291.4
OFS	1,539.0
Total Issue	2,830.4

Shareholding (%)	Pre-Issue	Post Issue
Promoter & Promo. Group.	72.3	66.0
Public -Selling Shareholder	21.0	13.7
Public-Others	6.7	20.3
Total	100.0	100.0

Issue structure	Allocation (%)	Size Rs.cr
Retail	35	987.1
Non-Institutional	15	423.1
QIB	50	1,410.2
	-	
Total	100	2,830.4

Y.E March (Rs cr) Consol.	FY23	FY24	Q1FY25
Sales	1,428.8	3,143.8	1,657.4
Growth (%)	92.3	120.1	171.2
EBITDA	78.2	477.8	358.3
Margin(%)	164	511	-
PAT Adj.	-13.3	231.4	198.2
Growth (%)	-7.4	-1834.9	-
EPS	-0.3	5.1	4.4
P/E(x)	-1,521	87.7	25.6*
EV/EBITDA (x)	269.1	45.4	60
RoE (%)	-3.1	35.1	23.1

*Annualized

Business Description

The company specializes in the production of solar cells and modules which are marketed under the “Premier Energies” brand name.

- **Solar Cell**

They currently produce the solar cells using monocrystalline PERC technology, which has higher efficiency than polycrystalline solar cells. Moving forward, they intend to transition to using TOPCon technology in the solar cell production which builds upon the existing PERC technology. TOPCon enhances PERC solar cells by incorporating a tunnelling oxide layer, which aids in decreasing recombination losses and elevating overall cell efficiency.

- **Solar Module**

A solar module is constructed through a series-parallel configuration of individual solar cells. This interconnected array is then safeguarded from the elements with layers of glass, encapsulant and backsheets material. Additionally, a junction box is integrated to facilitate the extraction of electrical power from the module. The solar modules are currently manufactured using monocrystalline PERC solar cells, as well as TOPCon solar cells, which they currently procure from third parties.

- * **Monofacial modules**- Monofacial modules have only one side of solar cells collecting and converting light to electricity. They do not require reflective surfaces and special mounting equipment during installation, and it is sufficient that the solar cells are facing the sun. They manufacture monofacial modules with monocrystalline PERC technology in different sizes and wattage.
- * **Bifacial modules**- Bifacial solar modules feature a dual-sided design that allows the modules to capture sunlight from both the front and back surfaces. Unlike monofacial modules that only harvest light on one side, bifacial modules take advantage of the albedo effect where light is reflected from the ground or other surrounding surfaces onto the rear side of the module.

- **EPC Solutions**

PEL provides solar water pumps under the EPC solutions. These solar water pumps feature solar modules manufactured by them and pumps sourced from external vendors. They have provided rooftop solar solutions to commercial, industrial and institutional customers and projects across India such as the establishment of a rooftop solar system, a canal top project, and other large-scale solar power projects.

- **O&M Solutions**

PEL also has a presence in the O&M segment through the provision of O&M solutions for the EPC solution customers. They currently provide O&M services for 178.38 MW of solar ground mount and rooftop solar solutions as well as for the solar water pumps they have installed.

Key strength

An integrated solar cell and solar module manufacturer

According to F&S, They are 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 of this Red Herring Prospectus, they 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.

Long track record in the solar module manufacturing sector

PEL 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. They are also an OEM provider for several business-to-consumer companies such as Panasonic, Luminous and Axitec, among others.

Experienced in solar cell line production

In 2022, PEL completely transitioned from the production of polycrystalline solar cells to monocrystalline PERC solar cells owing to higher efficiencies provided by the latter. Now, they 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. They are well positioned to capitalize on opportunities in the solar cell market through better technologies as they transition into TOPCon cell production technology, the upgradation to which is supported by the manufacturing facilities and equipment they currently have. Through the proposed 1,000 MW TOPCon solar cell line which they expect to bring online in Unit II within FY25, they expect to gain significant experience as they establish the 4 GW TOPCon solar cell and 4 GW solar module lines using the proceeds of the Fresh Issue.

Diversified customer base with customer relationships both within India and overseas with a robust order book

Some of the domestic customers of PEL are Continuum, Shakti Pumps, First Energy, Hartek, Amplus KN One Power Private Limited, SolarSquare, Rotomag Motors and Controls Private Limited and Madhav, and the global customers include Arka Energy Inc. (U.S.A). As of July 31, 2024, they had an order book of ₹5,926cr of which ₹1,609cr was in relation to non-DCR solar modules, ₹2,214cr was in relation to DCR solar modules, ₹1,891cr was in relation to solar cells and ₹212.2cr was in relation to EPC projects. The order book above 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 they received from NTPC in December 2023 for the supply of 611.04 MW bifacial solar modules.



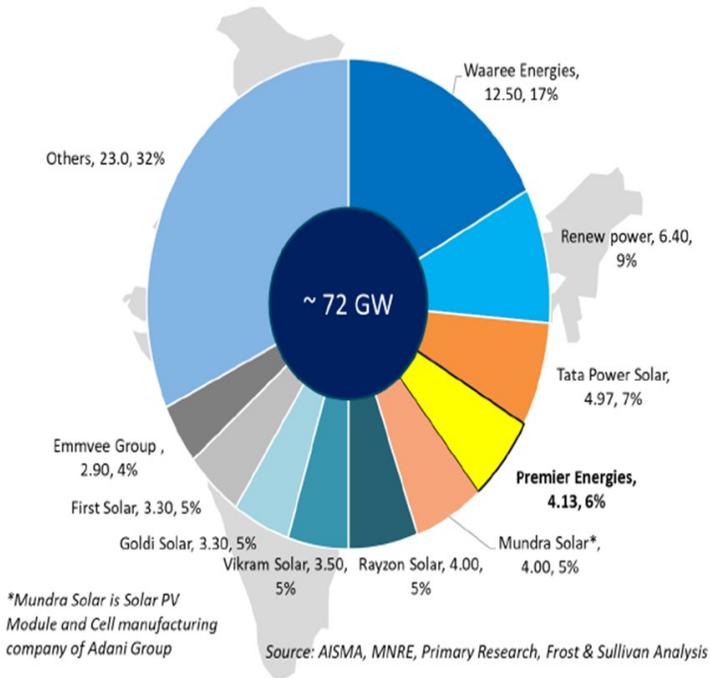
Key strategies

- ◆ Expand the overseas presence and increase the exports especially in the U.S. market through strategic backward integration of the production chain and establishing manufacturing capabilities outside of India.
- ◆ Develop and grow the rooftop solar offering.
- ◆ Capitalize on available market opportunities to grow the domestic business.
- ◆ Expanding and upgrading manufacturing capacities using the latest technology.

Industry outlook

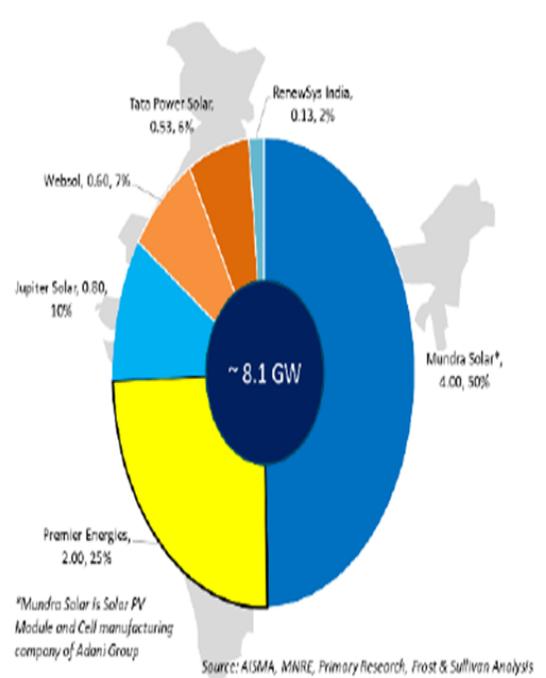
The nation's commitment to solar energy is evidenced by a remarkable increase in installed solar capacity, which has grown by nearly four times in the past six years – from 22 GW in FY2018 to 82 GW in FY2024. The Indian government has an ambitious plan to achieve 500 GW of clean energy by CY2030 out of which 300 GW will come from solar. Based on recent government announcements, it is projected that India's annual solar capacity additions will likely double over the next two to three years. MNRE launched a program to hold annual auctions for a massive 50 GW of renewable energy (RE) capacity, 80% of which would be solar. This substantial increase aims to rapidly expand India's clean energy infrastructure, 80% of this targeted capacity is specifically earmarked for solar power projects. Solar installed capacity in the country is expected to reach approx. 200 GW by the end of FY2028. As solar power is infirm in nature, Government has taken initiatives to ensure that RE power is available round-the-clock (RTC) through battery energy storage based bidding, pumped storage plants, etc.

Solar module annual installed capacity by companies, in GW and % share, India, FY2024



Source: Geojit, RHP

Solar cell annual installed capacity by companies, in GW and % share, India, FY2024



Promoter and promoter group

The Promoters of the company are Surender Pal Singh Saluja and Chiranjeev Singh Saluja.

Brief Biographies of directors

- **Surender Pal Singh Saluja** is the Chairman and Whole-Time Director and one of the promoters of the company. He has been associated with the company since its incorporation. He is responsible for providing strategic advice to the Board, and developing and executing the Company's business strategies.
- **Chiranjeev Singh Saluja** is the Managing Director of the company and one of the Promoters of the company. He has been associated with the Company since 1997. He is responsible for the overall operations of the Company and leading the company's short and long-term strategy and setting strategic goals.
- **Revathi Rohini Buragadda** is an Executive Director of the company. She has been associated with the company since June 17, 2019.
- **Abhishek Loonker** is a Non-Executive Director of the company and a nominee of South Asia Growth Fund II Holdings LLC and South Asia EBT Trust and currently serves as the Managing Director of South Asia Advisors.
- **Uday Sudhir Pilani** is an Independent Director of the company. He has been associated with the company since March 18, 2020.
- **Raghunathan Kannan** is an Independent Director of the company. He has been associated with the company since March 12, 2024.
- **Jasbir Singh Gujral** is an Independent Director of the company. He has been associated with the company since March 12, 2024.
- **Priyanka Gulati** is an Independent Director of the company. She has been associated with the company since March 12, 2024.

CONSOLIDATED FINANCIALS

PROFIT & LOSS

Y.E March (Rs cr)	FY23	FY24	Q1FY25
Sales	1,428.5	3,143.8	1,657.4
% change	92.3	120.1	171.2
EBITDA	78.2	477.8	358.3
% change	164%	511%	-
Depreciation	53.2	96.1	79.4
EBIT	25.0	381.7	278.9
Interest	68.6	121.2	45.2
Other Income	34.7	27.5	11.4
Exceptional items	-	-	-
PBT	-9.0	288	245.1
% change	-47%	-3308%	-
Tax	5.6	58	47.6
Tax Rate (%)	-62	20	19
Reported PAT	-13.3	231.4	198.2
Adj	-	-	-
Adj. PAT	-13.3	231.4	198.2
% change	-7.4	-1834.9	-
Post issue No. of shares (cr)	45.1	45.1	45.1
Adj EPS (Rs)	-0.3	5.1	4.4
% change	-7.4	-1834.9	-

BALANCE SHEET

Y.E March (Rs cr)	FY23	FY24	Q1FY25
Cash	193.5	402.7	453.2
Accounts Receivable	59.5	609.0	590.8
Inventories	632.9	1,009.3	848.1
Other Cur. Assets	118.2	160.9	181.9
Investments	58.8	9.1	259.9
Deff. Tax Assets	0.2	17.2	9.6
Net Fixed Assets	589.8	1,203.1	1,284.4
CWIP	349.3	19.8	18.2
Intangible Assets	2.1	0.1	0.0
Other Assets	106.5	123.1	89.3
Total Assets	2,111	3,554	3,736
Current Liabilities	673.9	1,275.4	1,406.2
Provisions	79.6	123.6	148
Debt Funds	764	1,401.1	1,208
Other Fin. Liabilities	169	71	63.8
Deferred Tax liability	-	23.1	49.4
Equity Capital	196.2	196.2	203.3
Reserves & Surplus	215	450.6	643.1
Shareholder's Fund	424.2	659.9	859.4
Total Liabilities	2,111	3,554	3,736
BVPS (Rs)	9.4	14.6	19.1

CASH FLOW

Y.E March (Rs cr)	FY23	FY24	Q1FY25
PBT Adj.	-7.8	289.4	245.7
Non-operating & non cash adj.	95.4	194.8	142.2
Changes in W.C	(51)	(394)	235.2
C.F. Operating	37	90	623
Capital expenditure	(276)	(451.4)	(116)
Change in investment	(78.1)	(203.9)	(644.73)
Sale of investment	50.2	208.5	322.31
Other invest.CF	0.1	0.1	0.02
C.F - investing	(303.9)	(446.6)	(438.9)
Issue of equity	36.1	-	-
Issue/repay debt	215.9	550.2	(225)
Dividends paid	-	-	-
Other finance.CF	(0.3)	(1.3)	(0.5)
C.F - Financing	251.7	548.9	(225.3)
Change. in cash	(15.5)	192.4	(41.1)
Opening Cash	80.1	64.6	257
Closing cash	64.6	257	215.9

RATIOS

Y.E March	FY23	FY24	Q1FY25
Profitab. & Return			
EBITDA margin (%)	5.5	15.2	21.6
EBIT margin (%)	1.7	12.1	16.8
Net profit mgn.(%)	-0.9	7.4	12
ROE (%)	-3.1	35.1	23.1
ROCE (%)	9.6	20.2	14
W.C & Liquidity			
Receivables (days)	26	39	20
Inventory (days)	129	125	61
Payables (days)	102	113	57
Current ratio (x)	1.4	1.6	1.5
Quick ratio (x)	0.4	0.8	0.7
Turnover &Levg.			
Net asset T.O (x)	2.7	3.5	1.3
Total asset T.O (x)	0.8	1.1	0.6
Int. covge. ratio (x)	0.4	3.2	6.2
Adj. debt/equity (x)	1.8	2.1	1.4
Valuation ratios			
EV/Sales (x)	14.7	6.9	13
EV/EBITDA (x)	269.1	45.4	60
P/E (x)	-1,521	87.7	102.4
P/BV (x)	47.8	30.7	23.6

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I, Mithun T Joseph, author of this Report, hereby certify that all the views expressed in this research report reflect the personal views about any or all of the subject issuer or securities. This report has been prepared by the Research Team of Geojit Financial Services Limited, hereinafter referred to as Geojit.

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