

Premier Energies Limited

Power | India

IPO | 26 August 2024

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About the Company

Premier Energies Limited (PEL) with 29 years of experience in the solar industry is India's second largest integrated solar cell and solar module manufacturer. PEL has a presence in various steps along the solar power value chain with a diversified customer base with customer relationships both within India and overseas which include several IPPs, OEMs and off-grid operators. PEL has five manufacturing facilities, all of which are situated in Hyderabad, Telangana, India with manufacturing facilities having an annual installed capacity of 2 GW for solar cells and 4.13 GW for solar modules.

Strong Industry Tailwinds

Solar is projected to become the preferred and most economical power source globally and is expected to overtake hydropower, followed by natural gas in CY2026 and coal in CY2027. India's annual solar capacity additions will likely double over the next two to three years moving from 82GW in CY24E to 198 GW IN CY28E with a strong CAGR growth of 24.7%. The key growth drivers are urbanization and industrialization are driving country's electricity demand in the foreseeable future, government's push towards Make in India, PLI, 'Aatmanirbhar Bharat Abhiyan', etc. have bolstered industrialization and India is likely to add 10,000 electric vehicle charging infrastructure by CY2025.

Early mover advantage

PEL is one of the first in the Indian solar sector to backward integrate solar cell manufacturing with solar module production and their Modules recognized as "top performers" in PVEL's 2023 and 2024 module reliability scorecard. PEL has completely transitioned to MonoPERC and is now moving to TOPCon and HJT over the next few years to have an excellent low light performance and having more differentiated offerings in terms of technology, cell size and quantity. The new technology will expand overseas presence, improve manufacturing capabilities and develop and grow rooftop solar offerings and high entry barriers providing insulation against new entrants.

Continuous capex expansion for higher growth

PEL has consistently increased its capacity from 75 MW in cell and 100 MW in module in 2011 to 2000 MW in cell and 4134 MW in module by Q1FY25 capitalizing on growth opportunities and leveraging competitive strengths and strategies to meet the rising demand expanding and upgrading its manufacturing capacity using latest technology. PEL is adopting backward integration signing an Mou in Apr '24 with an international solar wafer and solar module manufacturer and an international semiconductor wafer supplier in India to establish a new company dedicated to wafering solar bricks into wafers. PEL has signed a letter of intent with Heliene USA Inc in Feb'24 to establish a joint venture to develop, construct and operate a TOPCon solar cell manufacturing facility in the USA.

Financials in brief

PEL financials have seen an increase in revenue from 743 Cr in FY22 to 3144 Cr in FY24 which grew by a CAGR of 106% with strong order book, repeat orders from large customer groups as it enjoys strong relationships. EBITDA and PAT margins have also moved higher as the revenues expanded, improvement in manufacturing processes, movement in new technology of TopCon, focused on regularly updating and improving manufacturing capabilities and infrastructure to meet the strong demands of the solar industry.

Our View

PEL has a long track record in the solar module manufacturing sector and experience in solar cell production with 2.0 GW annual installed capacity which represents 28% share of India's total capacity in FY24 PEL has developed India's first solar manufacturer to develop a bifacial monocrystalline PERC solar cell based on the M10-182 mm x 182 mm format in FY22. PEL has a diversified customer base with customer relationships both within India and overseas with a strong order book of INR 5,926 Crs, relationships in a wide range of markets capturing overseas revenues, strong growth with consistent profitability over the past few years. **Hence, we recommend a SUBSCRIBE to the issue.**

IPO Details

Price Band (Rs)	427-450
Face Value (Rs)	1
Issue Open/Closing Date	27-Aug-24/29-Aug-24
Fresh Issues (Crs)	1291.4
OFS (Crs)	1539.0
Total Issue (Crs)	2830.40
Minimum Bid Qty. (Nos)	33
QIB / HNI / Retail	50%/15%/35%
Implied Market Cap (Rs Crs)*	20284

*At higher band

Object of the Issue

- ▶ Financing the capital expenditure of new units and upgradation of new subsidiaries.
- ▶ General corporate purposes.

Strengths

- ▶ 29 years of solar industry experience with track record of capacity and product enhancement.
- ▶ Diverse customer base and longstanding relationships with key customers within India and overseas.
- ▶ Experienced Promoter-led senior management team.
- ▶ High Entry barriers providing insulation against new entrants.

Key Risks

- ▶ Top 5 customers contribute 45 % and failure in any of these customers could dent revenues.
- ▶ Sharp increase in input costs could dent margins.

Key Financials

(Rs Crs)	FY22(12)	FY23(12)	FY24(12)
Revenue	742.8	1428.5	3143.8
EBITDA	53.7	112.9	505.3
EBITDA Margin (%)	7.2	7.9	16.1
PAT	(14.4)	(13.3)	231.3
PAT Margin (%)	(1.9)	(0.9)	7.4
Diluted EPS (Rs)	(0.3)	(0.3)	5.1
RoE (%)	(4.7)	(3.2)	43.7
RoCE (%)	3.6	5.9	25.7
Total Assets	1341.4	2110.7	3554.1
Number of Customers	173	199	227

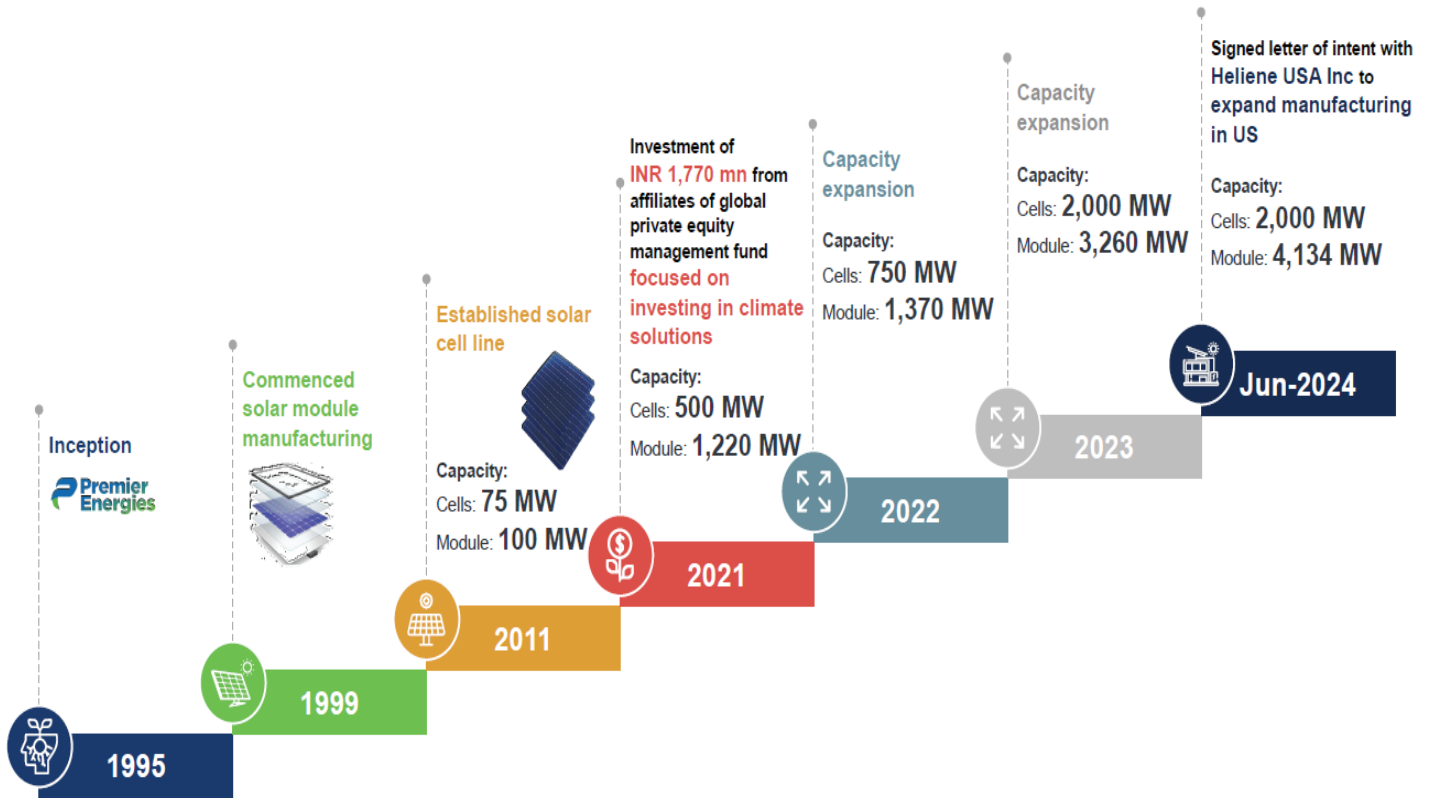
Source: RHP

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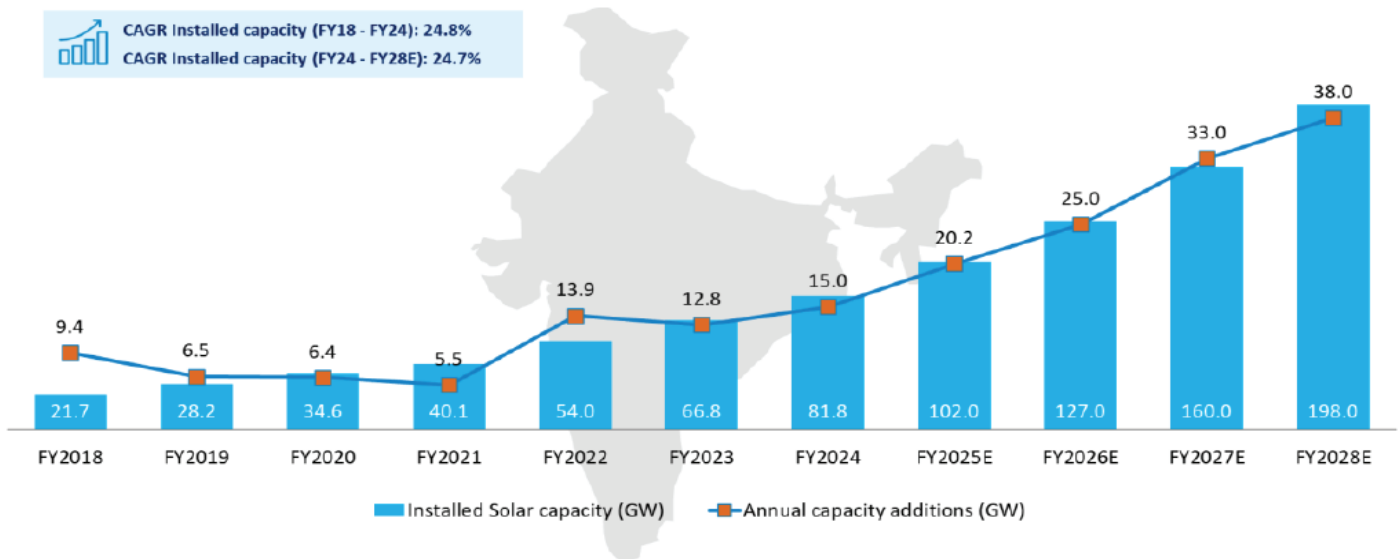
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Exhibit 1: 29 years of experience in the solar industry



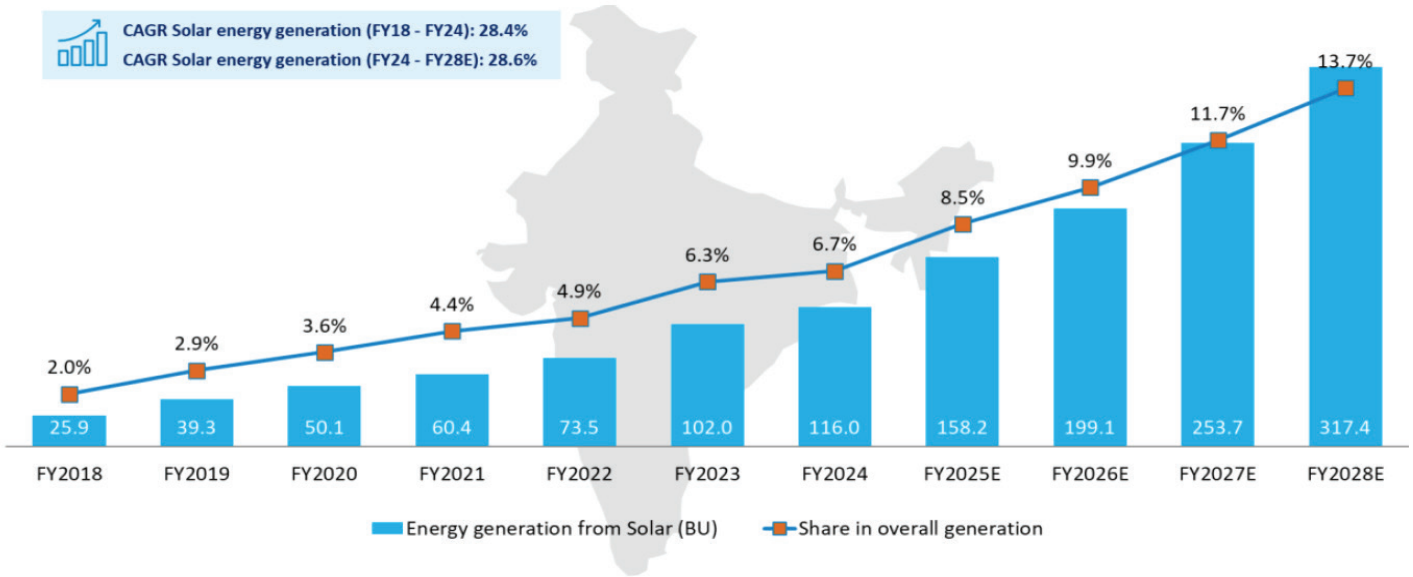
Source: RHP

Exhibit 2: Growth in solar installed capacity, India, GW, FY2018 – FY2028E



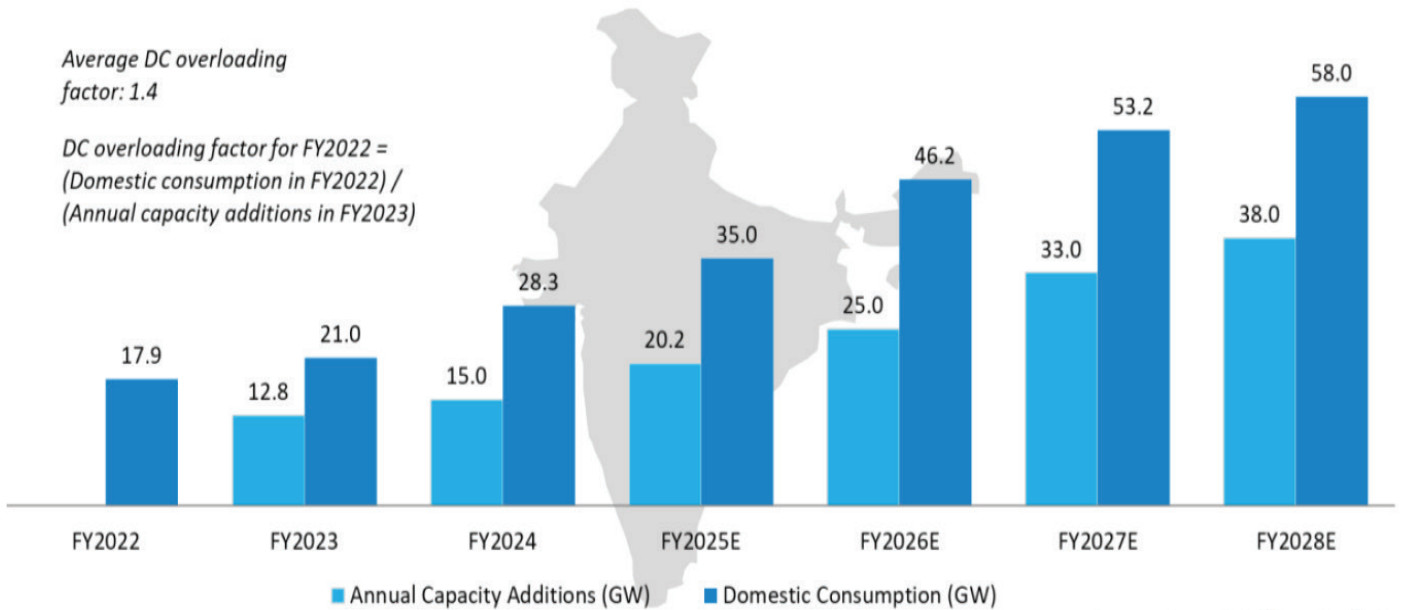
Source: RHP; CEA, Frost & Sullivan Analysis

Exhibit 3: Growth in solar energy generation, India, Billion Units (BU), FY2018 – FY2028E



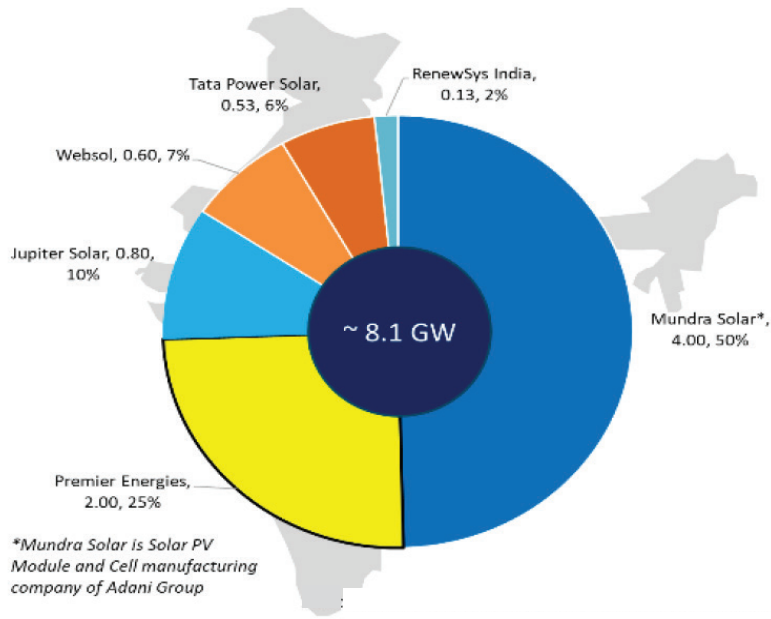
Source: RHP; CEA, Frost & Sullivan Analysis

Exhibit 4: Solar capacity addition targets vs module requirements, GW, India, FY2022 – FY2028E



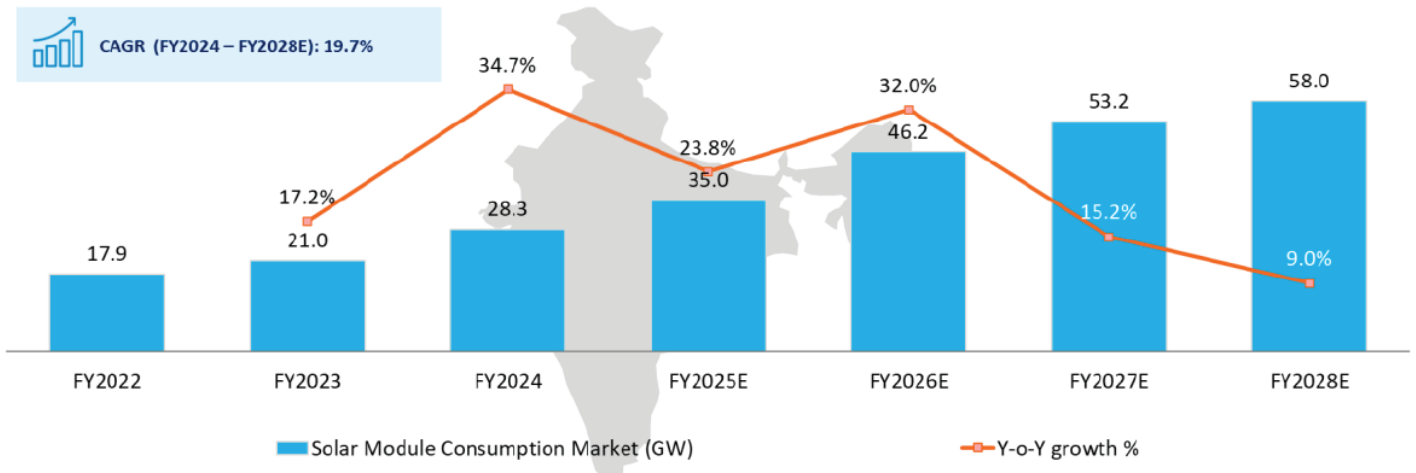
Source: RHP; Frost & Sullivan Analysis

Exhibit 5: Solar cell annual installed capacity by companies, in GW and % share, India, FY2024



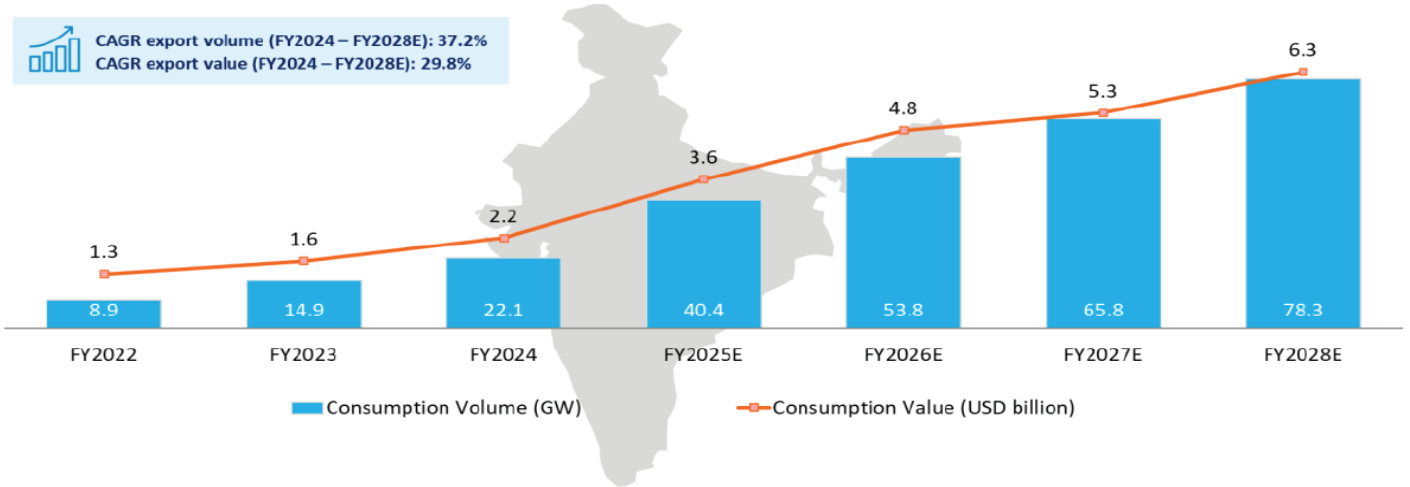
Source: RHP; AISMA, MNRE, Primary Research, Frost & Sullivan Analysis

Exhibit 6: Indian solar module consumption market, GW, FY2022 – FY2028E



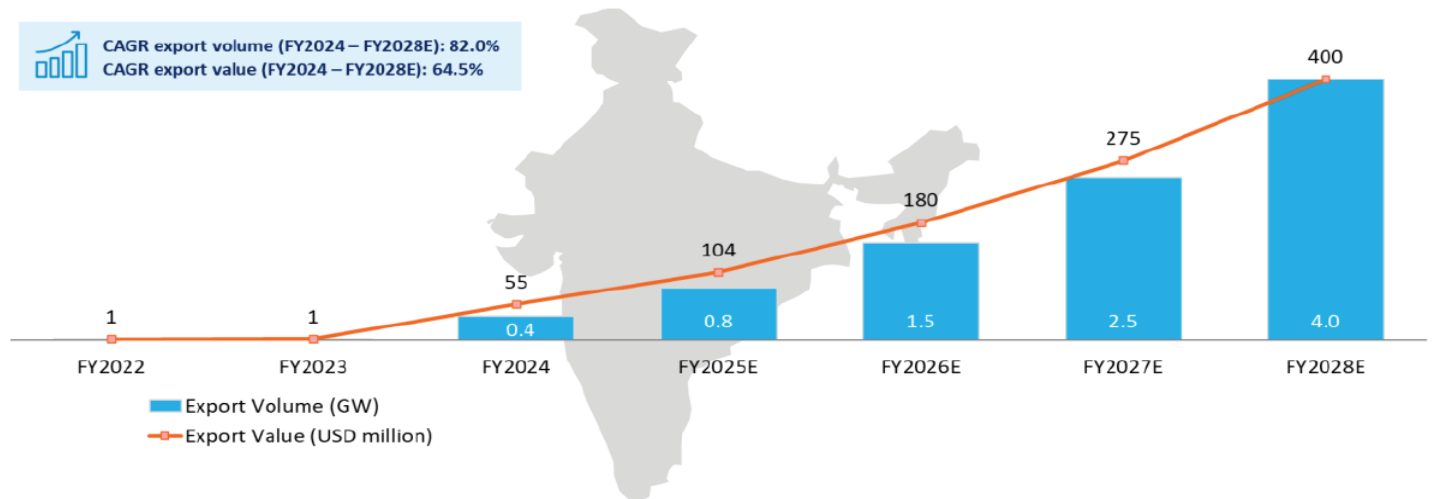
Source: RHP; Imp Exp data analysis, Frost & Sullivan Analysis

Exhibit 7: Indian solar cell consumption market, GW and USD billion, FY2022 – FY2028E



Source: RHP; Imp Exp data analysis, Frost & Sullivan Analysis

Exhibit 8: Indian solar cell export market, GW and USD million, FY2022 – FY2028E



Source: RHP; Imp Exp data analysis, Frost & Sullivan Analysis

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