

RETAIL EQUITY RESEARCH

Waaree Energies Ltd.

Capital goods

SENSEX: 81,225

NIFTY: 24,854

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Price Range Rs.1,427- Rs.1,503

Largest PV module manufacturer in India

Waaree Energies Ltd. (WEL), India's largest Solar PV (photovoltaic) module manufacturer, has an impressive installed capacity of 13.3GW as of June 2024. Founded in 1990, WEL started producing solar PV modules in 2007, utilizing advanced technologies like multicrystalline, monocrystalline, and TopCon to enhance efficiency. The company directly operates 4 manufacturing facilities in Gujarat and 1 in Noida, Uttar Pradesh, through its subsidiary Indosolar Ltd. In FY24, 58% of WEL's revenue came from exports, primarily to the USA.

- India's total module manufacturing capacity has reached around 63GW in FY24 and is expected to reach 125GW by 2028 and the cell manufacturing capacity stands at approximately 13GW in FY24.
- WEL has strong order book for solar PV modules, with 16.66GW for domestic and export markets, including franchisee orders, and 3.75GW for its U.S.-based subsidiary, Waaree Solar Americas Inc.
- Currently, WEL operates at approximately 45-50% capacity utilization, with plans to increase this to 70% over the next three years.
- WEL's revenue grew at a 100% CAGR from ₹2,854cr in FY22 to ₹11,398cr in FY24. By FY24, the company achieved a PAT of ₹1,274cr, reflecting a CAGR of 300% over the FY22-24 period. The company has an EBITDA margin of 13.8% in FY24, which is among the best in the industry.
- WEL reported a PAT margin of 11.2%, a return on equity (RoE) of 31%, and a return on capital employed (RoCE) of 39% for FY24.
- In Q1FY25, the company reported a revenue of ₹3,409cr, EBITDA margins of 16.2% and PAT of ₹ 401.1cr. WEL has a robust balance sheet with a debt-to-equity ratio of 0.1x, which is significantly lower than that of its peers.
- With around 60% of its revenue from exports and a 44% market share of India's exports, the company is well-placed to benefit from the increasing global demand for solar capacity. Favourable international policies, such as tariffs and anti-dumping duties on Chinese solar cells and modules, especially in key markets like the United States augurs well for the sector.
- WEL is implementing backward integration by establishing an 11.4 GW integrated manufacturing facility. This includes a 5.4 GW solar cell capacity by FY25E and a 6 GW fully integrated facility for producing ingots, wafers, and solar cells by FY27E.
- At the upper price band of ₹1,503, WEL is trading at a P/E ratio of 34x for FY24, which is at a discount compared to its listed peer. Considering its extensive experience in module manufacturing, backward integration strategies, leading position in exports and domestic markets with strong order book, Strong financial position and expansion plans 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 ₹3,600cr and an Offer-for-Sale (OFS) of ₹721.4cr. The primary goal is to invest ₹2,775cr to establish a 6GW Ingot Wafer, Solar cell and Solar PV module manufacturing facility in Odisha by way of investment in wholly owned subsidiary Sangam Solar One Pvt Ltd.

Key Risks

- ~58% of the company's revenue relies on exports in FY24.

Peer Valuation

Company	MCap(₹ cr)	Sales (₹ cr)	EBITDA(%)	PAT (%)	EPS(₹)	RoE (%)	Mcap/Sales (x)	P/E(x)	EV/EBITDA(x)	P/BV(x)	CMP
Waaree Energies Ltd	43,179	11,398	13.81	11.2	44.4	30.7	3.8	33.9	27.8	10.4	1,503
Premier Energies Ltd	49,790	3,143.8	15.5	7.4	5.1	35.1	15.8	212.8	106	74.6	1,136

Source: Geojit Research, Bloomberg; Valuations of WEL are based on upper end of the price band post issue), Financials as per FY24 consolidated.

Issue Details	
Date of opening	October 21, 2024
Date of closing	October 23, 2024
Total No. of shares offered (cr.)	2.88
Post Issue No. of shares (cr)	28.7
Price Band	₹1,427- ₹1,503
Face Value	₹10
Bid Lot	9 Shares
Minimum application for retail (upper price band for 1 lot)	₹ 13,527
Maximum application for retail (upper price band for 14 lot)	₹ 1,89,378
Listing	BSE,NSE
Lead Managers	Axis Capital, IIFL Securities Ltd, Jefferies India Pvt Ltd, SBI Capital Markets Ltd, Nomura Financial Advisory and Securities

Registrar Link Intime India Pvt Ltd

Issue size (upper price)	Rs.cr
Fresh Issue	3,600.0
OFS	721.4
Total Issue	4,321.4

Shareholding (%)	Pre-Issue	Post Issue
Promoter & Promo. Group.	71.8	64.3
Public	28.2	35.7
Total	100.0	100.0

Issue structure	Allocation (%)	Size Rs.cr
Retail	35	1,512.5
Non-Institutional	15	648.2
QIB	50	2,160.7
Total	100	4,321.4

Y.E March (Rs cr) Consol.	FY23	FY24	Q1FY25
Sales	6,750.9	11,397.6	3,408.9
Growth YoY(%)	136.5	68.8	2.4
EBITDA	834.6	1,574.4	552.5
Margin(%)	12.4	13.8	16.2
PAT Adj.	500.3	1,274.4	401.1
Growth YoY(%)	528.1	154.7	18.6
EPS	17.4	44.36	56*
P/E(x)	86.3	33.9	26.9*
EV/EBITDA (x)	52.2	27.8	19.8*
RoE (%)	26.9	30.7	35.2

*Annualized



Business Description

Waaree Energies Ltd (WEL) is the largest manufacturer of solar PV modules in India with the largest aggregate installed capacity of 12GW and utilized capacity of 43.37%, as of June 30, 2024. The company had the second-best operating income among all the domestic solar PV module manufacturers in India in FY24.

WEL's solar PV modules are currently manufactured using multicrystalline cell technology, monocrystalline cell technology and emerging technologies such as Tunnel Oxide Passivated Contact ("**TopCon**") which helps reduce energy loss and enhances overall efficiency. The portfolio of solar energy products consists of the following PV modules: (i) multicrystalline modules; (ii) monocrystalline modules; and (iii) TopCon modules, comprising flexible modules, which includes bifacial modules (Mono PERC) (framed and unframed), and building integrated photo voltaic (BIPV) modules.

They operated five manufacturing facilities in India spread over an area of 143.01 acres. WEL operates one factory each located at Surat (**Surat Facility**), Tumb (**Tumb Facility**), Nandigram (**Nandigram Facility**), Chikhli (**Chikhli Facility**) in Gujarat, India and the IndoSolar Facility, in Noida, Uttar Pradesh.

WEL's sales and revenue channels include: (i) **Direct Sales to Utilities and Enterprises**; (ii) **Export Sales**, which includes solar PV module sales to international customers as well as international EPC revenue; (iii) **Retail Sales** (comprising franchisee sales), which includes solar PV module sales through the extensive franchisee network focused on rooftop and MSME customer business vertical as well as franchisee EPC revenue; and (iv) **Other Revenue from Operations**, which includes EPC services for domestic utilities and enterprise customers, O&M services, trading in ancillary products, export incentives, generation of electricity from renewable resources and scrap sale.

As of March 31, 2022, 2023 and 2024 and as of June 30, 2023 and June 30, 2024, the total numbers of customers served by them in India were 716, 566, 378, 836 and 1,067 while we served 26, 33, 36, 20 and 12 customers outside India in the same periods, respectively. They intend to follow an expansion strategy of executing regular capacity additions, as well as continuous upgradation of the manufacturing technology and processes driven by demand and with a focus on incorporating Mono PERC, large size silicon wafer technology as well as other new emerging technologies including TopCon.

Details of the ongoing and proposed capacity expansion plans

Particulars	Existing	Phase – I (Ongoing)	Phase-II (Proposed)		Total
			Domestic	United States	
Solar PV module capacity (GW)	13.3	-	6 ⁽¹⁾	1.6 ⁽²⁾	20.90
Solar cell capacity (GW)	-	5.4	6	-(³)	11.4
Ingot-Wafer capacity (GW)	-	-	6	-	6
Commencement / Expected date of commercial operations	-	Fiscal 2025	Fiscal 2027	Fiscal 2025	-

(1) 6 GW of proposed module capacity includes fully integrated 6 GW facility for the manufacture of ingots, wafers, solar cells and solar PV modules.

Source: RHP, Company

Key strengths

- Largest solar PV module manufacturer in India well positioned to capture industry tailwinds and growth prospects for solar energy in India and globally
- Diversified base of global and Indian customers with a substantial order book
- Advanced manufacturing facilities with global accreditations
- Extensive pan-India retail network
- Consistent track record of financial performance in the last three Fiscals and the three months ended June 30, 2024
- Experienced senior management team with demonstrated execution capabilities and a committed employee base

Key strategies

- Implement strategic backward integration to enhance operations and increase profitability
- Maintain leadership position in the utility and enterprise modules sales market with continued capacity expansion in India and abroad
- Comparative cost of solar module facilities executed in the past
- Focus on technology upgrades to manufacture high quality modules
- Continue to grow and diversify the export markets
- Continue to focus on maintaining leadership position in commercial and industrial, and residential business verticals
- Continue to scale the operations through organic and inorganic expansion opportunities

Industry outlook

The Indian commercial and industrial solar sector added approximately 10GW over Fiscal 2019 and 2023, with total installed capacity as of December 2023 at approximately 25 GW. The commercial & industrial segment accounts for 70%-80% of the country's rooftop solar installations and is making headway in the utility-scale solar space as well through open access and group captive routes.

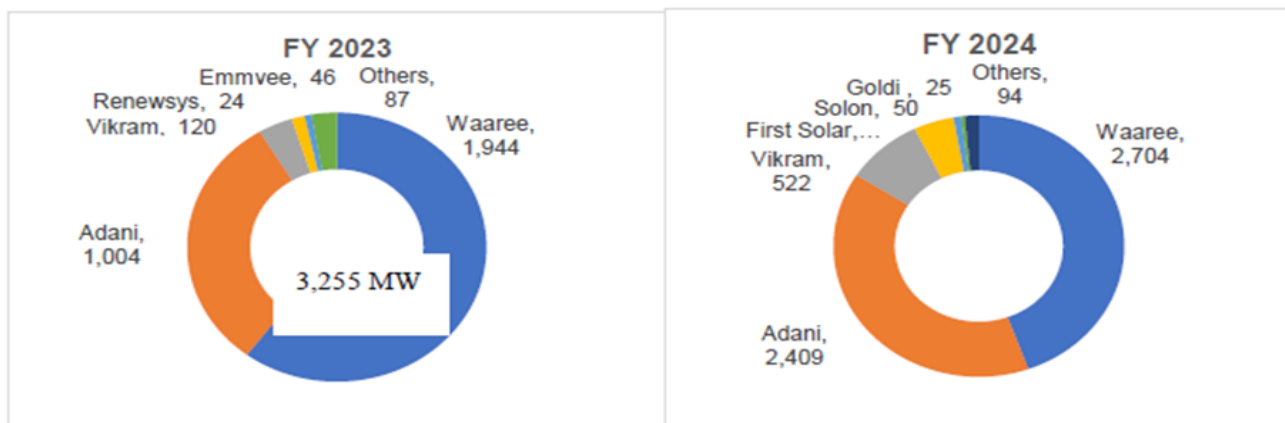
Key domestic solar module manufacturers with capacity

Sr. no.	Name	Installed capacity (MW)
1.	Waaree Energies	12,000
2.	Adani Mundra PV	4,000
3.	ReNew Power	4,000
4.	Saatvik	3,800
5.	Vikram Solar	3,500
6.	Renewsys	2,750
7.	Goldi Solar	2,500
8.	Premier Energies	2,400
9.	Rayzon	1,500
10.	Emmvee Photovoltaic	3,500
11.	Solex	1,200
12.	Grew Energy	1,200
13.	Pixon Green Energy	1,000

As on June, 2024

Source: Company websites, CRISIL MI&A Consulting.

Leading module exporters, MW



Source: Industry, CRISIL MI&A Consulting

Capacity additions picked up in the last two years in response to the easing of pandemic restrictions and increasing power demand. (Source: CRISIL Report).

Promoter and promoter group

The Promoters of the company are Hitesh Chimanlal Doshi, Viren Chimanlal Doshi, Pankaj Chimanlal Doshi and Waaree Sustainable Finance Private Limited.

Brief Biographies of directors

- **Hitesh Chimanlal Doshi** is the chairman and managing director of the company. He has been associated with the company since October 1999 and is responsible for, inter alia, overseeing the company's financial performance, investments, and other business ventures, executing the business strategies, and establishing policies and legal guidelines.
- **Viren Chimanlal Doshi** is the Whole-time Director of the company. He has been associated with the Company since 2007 and responsible for overseeing the engineering, procurement and construction of the solar projects of the company.
- **Hitesh Pranjivan Mehta** is the Whole-time Director of the company. He has been associated with the company since April 1, 2011. He is responsible for, inter alia, leading the company's short and long-term strategy and setting strategic goals.
- **Dr. Arvind Ananthanarayanan** is a Non-Executive Director of the company. He has been associated with the company since May 16, 2023.
- **Sujit Kumar Varma** is an Independent Director of the company. He has been associated with the company since 2021.
- **Rajender Mohan Malla** is an Independent Director of the company. He has been associated with the company since 2019.
- **Jayesh Dhirajlal Shah** is an Independent Director of the company. He has been associated with the company since 2015.
- **Richa Manoj Goyal** is an Independent Director of the Company. She has been associated with the company since 2021

CONSOLIDATED FINANCIALS

PROFIT & LOSS

Y.E March (Rs cr)	FY23	FY24	Q1FY25
Sales	6,750.9	11,397.6	3,408.9
% change	136.5	68.8	2.4
EBITDA	834.6	1,574.4	552.5
% change	652	89	18.2
Depreciation	164.1	276.8	75.8
EBIT	670.5	1,297.6	476.7
Interest	82.3	139.9	33.7
Other Income	109.5	235.2	87.5
Exceptional items	-21	341	-
PBT	677.2	1,734.2	530.5
% change	472	156.1	-
Tax	176.9	459.8	129.4
Tax Rate (%)	26	27	24
Reported PAT	500.3	1,274.4	401.1
Adj	-	-	-
Adj. PAT	500.3	1,274.4	1,274.4
% change	528.1	154.7	18.6
Post issue No. of shares (cr)	28.7	28.7	28.7
Adj EPS (Rs)	17.4	44.36	14.0
% change	528.1	154.7	18.6

CASH FLOW

Y.E March (Rs cr)	FY23	FY24	Q1FY25
PBT Adj.	677.2	1,734.2	530.5
Non-operating & non cash adj.	263.8	314.3	51.6
Changes in W.C	719.6	591.6	(88.7)
C.F.Operating	1,560.23	2,305.02	458.20
Capital expenditure	(865.4)	(1,342.3)	(401.7)
Change in investment	-	(1,913.4)	(170)
Sale of investment	112.8	1,910.6	231.3
Other invest.CF	(1,341.2)	(1,995.2)	42.5
C.F - investing	(2,093.8)	(3,340.3)	(297.9)
Issue of equity	1,040.1	1,004.4	1.2
Issue/repay debt	(216.3)	(75.5)	(84)
Dividends paid	(0.3)	(0.5)	-
Other finance.CF	(181.1)	(19.2)	(10.1)
C.F - Financing	642.48	909.18	(92.89)
Change. in cash	108.9	(126.0)	67.4
Opening Cash	139.2	253.7	121.4
Closing cash	253.7	121.4	195.7

BALANCE SHEET

Y.E March (Rs cr)	FY23	FY24	Q1FY25
Cash	253.7	121.4	195.7
Accounts Receivable	312.6	971.4	1090.5
Inventories	2,708.9	2,585.5	2663.7
Other Cur. Assets	2,176.7	4263.2	4317.7
Investments	31.1	71.1	12.1
Deff. Tax Assets	14.3	83.2	78.8
Net Fixed Assets	991.6	1,149.7	1145.7
CWIP	537	1,341.3	1610.2
Intangible Assets	113.8	300.3	456.3
Other Assets	280.2	426.2	418.8
Total Assets	7,420	11,313.3	11,990
Current Liabilities	4,380.9	4,156.2	4675.6
Provisions	472.9	1,656.5	1378.1
Debt Funds	320.3	553.4	513.2
Other Fin. Liabilities	298.7	509.3	490.1
Deferred Tax liability	85.4	289.8	380.1
Equity Capital	243.4	263.0	263.1
Reserves & Surplus	1,595	3,824.9	4221.6
Shareholder's Fund	1,861.9	4,148.5	4552.4
Total Liabilities	7,420	11,313.3	11,990
BVPS (Rs)	64.8	144.4	158.5

RATIOS

Y.E March	FY23	FY24	Q1FY25
Profitab. & Return			
EBITDA margin (%)	12.4	13.8	16.2
EBIT margin (%)	9.9	11.4	14
Net profit mgn.(%)	7.4	11.2	11.8
ROE (%)	26.9	30.7	35.2
ROCE (%)	35.7	39.4	10.4
W.C & Liquidity			
Receivables (days)	11	21	21
Inventory (days)	111	107	87
Payables (days)	77	47	50
Current ratio (x)	1.1	1.4	1.4
Quick ratio (x)	0.1	0.3	0.3
Turnover &Levg.			
Net asset T.O (x)	8.7	10.6	3.0
Total asset T.O (x)	1.4	1.2	0.3
	8.2	9.3	14.1
Int. covge. ratio (x)			
Adj. debt/equity (x)	0.2	0.1	0.1
Valuation ratios			
EV/Sales (x)	6.5	3.8	12.8
EV/EBITDA (x)	52.2	27.8	79.2
P/E (x)	86.3	33.9	107.6
P/BV (x)	23.2	10.4	9.5

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