

Retail Research	IPO Note
Sector: Solar EPC	Price Band (Rs): 1,427 – 1,503
17 th October 2024	

Waaree Energies Ltd

Company Overview:

Waaree Energies Ltd. is the largest manufacturer and exporter of solar PV modules in India, with an aggregate installed capacity of 13.3 GW. The company operates 5 manufacturing facilities in India spread across 143+ acres of land. The solar PV modules manufactured by Waaree Energies are made using advanced technologies such as multicrystalline cell technology, monocrystalline cell technology and Tunnel Oxide Passivated Contact (TopCon), which helps to reduce energy loss and enhances overall efficiency.

Key Highlights:

1. Largest domestic Solar PV Module manufacturer: Waaree Energies is India's largest solar PV module manufacturer with an installed capacity of 13.3 GW (1.3 GW capacity commenced at Indosolar facility post Jun'24), up from 4 GW in FY22. The company is well positioned to capture the growing demand for solar energy products domestically as well as internationally through its extensive experience, coupled with deep market penetration and significant capex.

2. Diversified Order book: The company's strong leadership position allows it to offer competitive pricing for its products, making them accessible to a large and diverse customer base. Waaree Energies has built relationships with a wide range of customers globally and in India. Additionally, the company has a substantial order book of solar PV modules, including 16.66 GW for domestic and export orders, franchisee orders, and 3.75 GW of orders for its subsidiary, Waaree Solar Americas Inc., located in the United States.

3. Backward Integration through aggressive capacity expansions: The company currently has a 13.3 GW solar PV module capacity and plans to set up a 5.4 GW solar cell manufacturing facility by FY25. Additionally, there are plans for a fully-integrated 6 GW manufacturing facility to start operations by FY27. The company is also setting up a 1.6 GW plant at its US facility in FY25, with potential expansions to 3 GW by FY26 and 5 GW by FY27, depending on market conditions.

4. Advanced technological manufacturing facilities: The company operates five manufacturing facilities in Gujarat (Surat, Tumb, Nandigram, Chikhli) and Uttar Pradesh (Noida). These facilities are equipped with advanced technology such as Mono PERC and TopCon for higher efficiency. The Chikhli facility can manufacture solar PV modules based on the latest technologies for higher efficiency large-sized PV silicon wafer. The recently commissioned Indosolar Facility also has this capability.

Valuation: At the upper price band of Rs 1,503, Waaree Energies is valued at FY24 P/E multiple of 33.9x based on its post issue capital. The company is largest manufacturer of solar PV modules in India, with an aggregate installed capacity of 13.3 GW. Going forward, the company will set up a 5.4 GW solar cell manufacturing plant (likely to commence production by FY25), a 6 GW fully-integrated manufacturing facility (likely to commence production by FY27) and a 1.6 GW plant in USA (further scalable up to 5 GW by FY27) to capitalize on the strong industry growth. Historically, Waaree Energies recorded a CAGR of 99.8%/276.7%/300.0% in Revenue/EBITDA/PAT respectively during FY22-FY24 period, showcasing the company's robust financial performance.

Issue Details	
Date of Opening	21 st October 2024
Date of Closing	23 rd October 2024
Price Band (Rs)	1,427 – 1,503
Offer for sale (No. of shares)	48,00,000
Fresh Issue (Rs cr)	3,600
Issue Size (Rs cr)	4,321
No. of shares	2,87,52,096
Face Value (Rs)	10
Post Issue Market Cap (Rs cr)	41,177 – 43,179
BRLMs	Axis Capital Ltd, IIFL Securities Ltd, Jefferies India Pvt Ltd, Nomura Financial Advisory and Securities (India) Pvt Ltd, SBI Capital Markets Ltd, Intensive Fiscal Services Pvt Ltd, ITI Capital Ltd
Registrar	Link Intime India Pvt Ltd
Bid Lot	9 shares and in multiple thereof
QIB shares	50%
Retail shares	35%
NII shares	15%

Objects of Issue	
	Estimated utilization from net proceeds (Rs cr)
Partly financing the cost of establishing a 6 GW Ingot Wafer, Solar Cell and Solar PV Module manufacturing facility in Odisha, India by way of investment in wholly owned subsidiary Sangam Solar One Pvt Ltd	2,775.0
General Corporate Purposes	*
Total proceeds from fresh issue	3,600.0

**To be finalized upon determination of the Offer Price and updated in the Prospectus prior to filing with the RoC. The amount utilized for general corporate purposes shall not exceed 25% of the gross proceeds.*

Shareholding Pattern		
Pre-Issue	No. of Shares	%
Promoter & Promoter Group	18,90,82,083	71.8
Public & Others	7,42,49,021	28.2
Total	26,33,31,104	100.0

Post Issue @ Lower Price Band		
No. of Shares	%	
Promoter & Promoter Group	18,47,32,083	64.0
Public & Others	10,38,26,772	36.0
Total	28,85,58,855	100.0

Post Issue @ Upper Price Band		
No. of Shares	%	
Promoter & Promoter Group	18,47,32,083	64.3
Public & Others	10,25,51,117	35.7
Total	28,72,83,200	100.0

Source: RHP, SSL Research

Key Financials

Particulars (Rs cr)	FY22	FY23	FY24	1QFY25
Revenue from operation	2,854.3	6,750.9	11,397.6	3,408.9
EBITDA	110.9	834.6	1,574.4	552.5
PAT	79.6	500.3	1,274.4	401.1
EBITDA Margin (%)	3.9	12.4	13.8	16.2
PAT Margin (%)	2.8	7.4	11.2	11.8
ROE (%)	18.6	27.2	31.2	-
ROCE (%)	21.5	36.9	34.8	-
P/E (x)*	496.5	79.1	31.0	-

**Note: Pre-issue PE based on upper price band
Source: RHP, SSL Research*

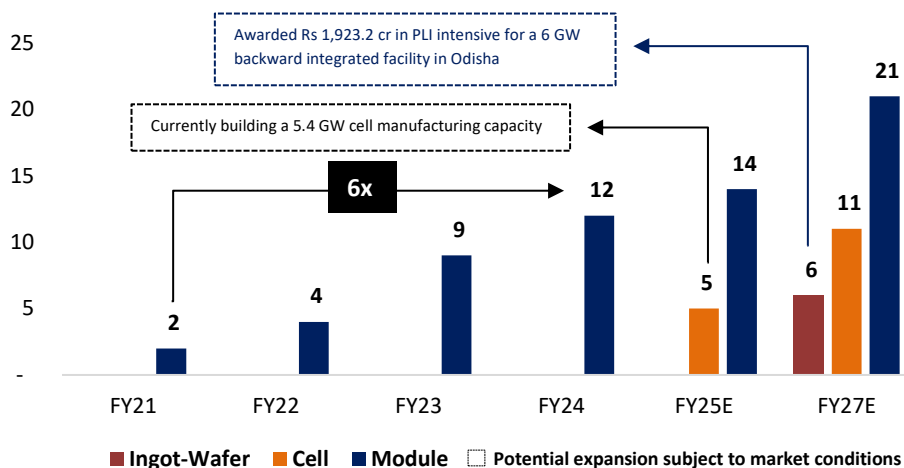
Risk Factors

- **Customer Concentration:** The company generates a significant portion of its revenue from certain key customers with the top-5/top-10 customers contributing nearly 40%/57% to the total revenue in FY24. Hence, loss of any one of such key customers or a substantial reduction in demand from such key customers could have a material adverse effect on the company's business. In addition, the company generally has short to medium-term arrangements for the supply of its products to customers and franchisees.
- **Pricing Risk:** The company's business is significantly influenced by the prevailing market conditions, particularly in the pricing of solar PV modules. Hence, any decline in the price of solar PV modules beyond the company's expectations may exert pressure on profit margins and impact the realization of anticipated revenue from customer contracts which in turn may adversely affect the business, results of operations and cash flows.
- **Export Risk:** The company generated nearly 58% of its revenue from export sales in FY24, with the USA standing out as the key export market. Any slowdown in demand from this key market will lead to an adverse impact on the business as the company is also in the process of expanding its manufacturing operations in the United States through its subsidiary. Additionally, any fluctuations in exchange rates can also affect the profitability of the company.
- **Raw Material Supply Risk:** The company imports a significant portion of its raw material requirements, particularly solar cells from China and other South East Asia jurisdictions. In 2022, the Indian government imposed a higher rate of customs duty (25%) on imported solar cells which impacted the company's cost of materials. Going forward, any restrictions on import from China and other countries, along with hikes in import duties may significantly affect the margins of the business.

Growth Strategies

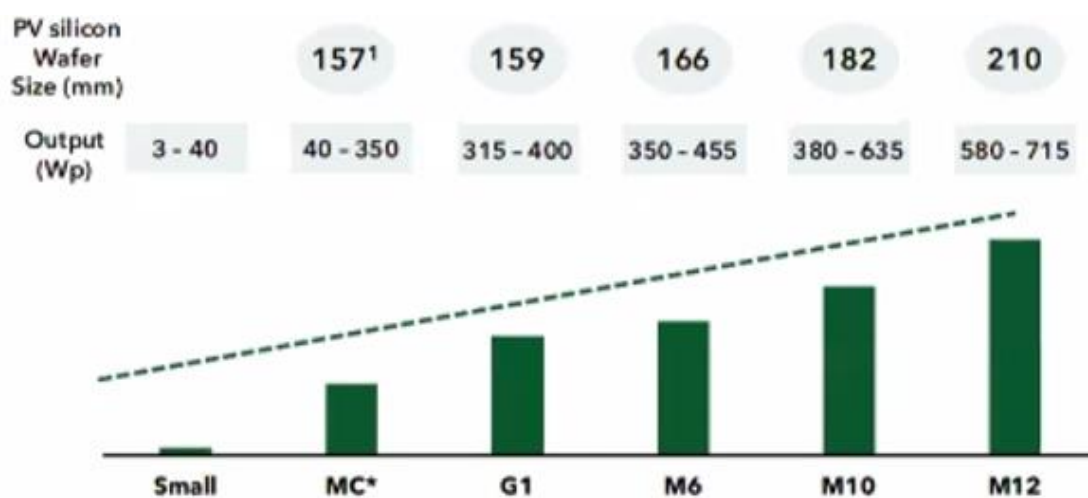
- To implement strategic backward integration to enhance operations & increase profitability.
- To maintain leadership position with continued capacity expansion in India and abroad.
- To focus on technological upgradations and to grow and diversify export presence.
- To scale operations through organic and inorganic expansion opportunities.

Manufacturing Capacity (GW)



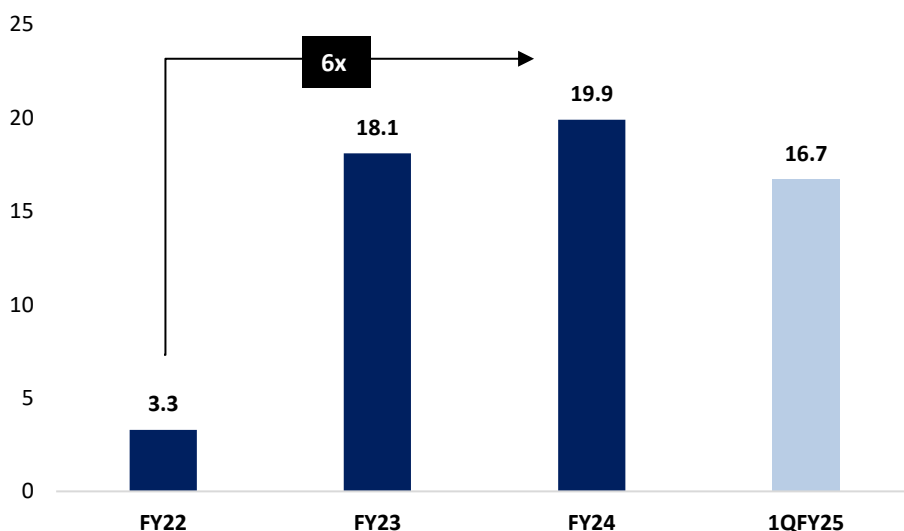
Source: RHP, SSL Research

Track Record of consistently developing higher efficiency module



Source: Company, RHP, SSL Research

Growing Order Book (GW)



Source: Company, RHP, SSL Research

Product Portfolio

Waaree Energies’ 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.

The company manufactures and sells its PV modules under the “Waaree” brand and the products are differentiated on the basis of module technology and type as well as cell size and sold across different ranges.

Solar Products



All in one solar street light WEPSWS612

- WS250Wp - WS295Wp
- Higher power output & lower BOS cost
- Better heat dissipation, higher safety
- 40 mm anodized aluminium alloy
- Easy installation
- IP68 / Weatherproof PPO
- Simplified wire fix



Solar mobile charger WEPCWS305

- WS250Wp - WS295Wp
- Higher power output & lower BOS cost
- Better heat dissipation, higher safety
- 40 mm anodized aluminium alloy
- Easy installation
- IP68 / Weatherproof PPO
- Simplified wire fix



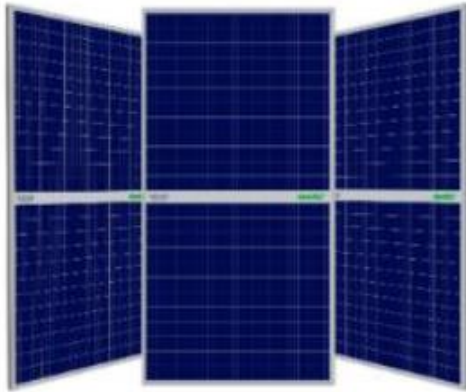
Waaree Solar bag VX WEPBVX0001

- WS250Wp - WS295Wp
- Higher power output & lower BOS cost
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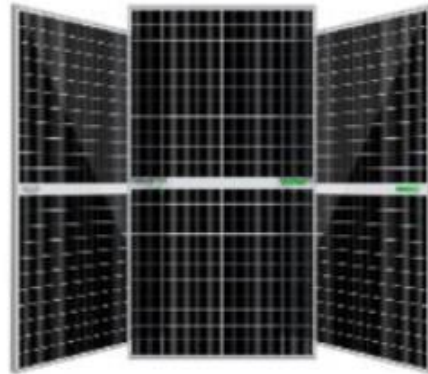


PV Modules

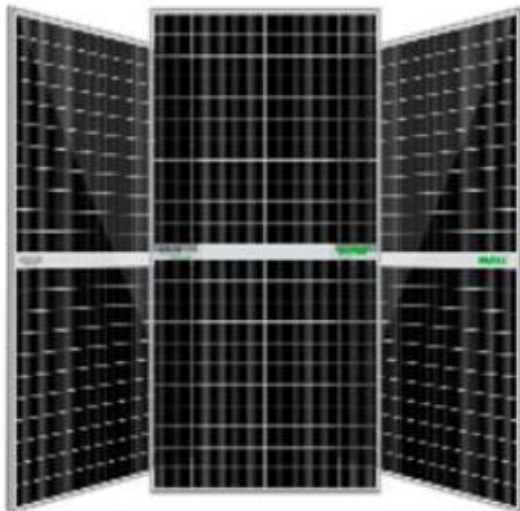
Poly Aditya Series 250Wp-350 Wp



Mono Perc Arka Series 315 Wp-400 Wp



Bifacial AHNAY Series Bi-25-380 to Bi-68-665

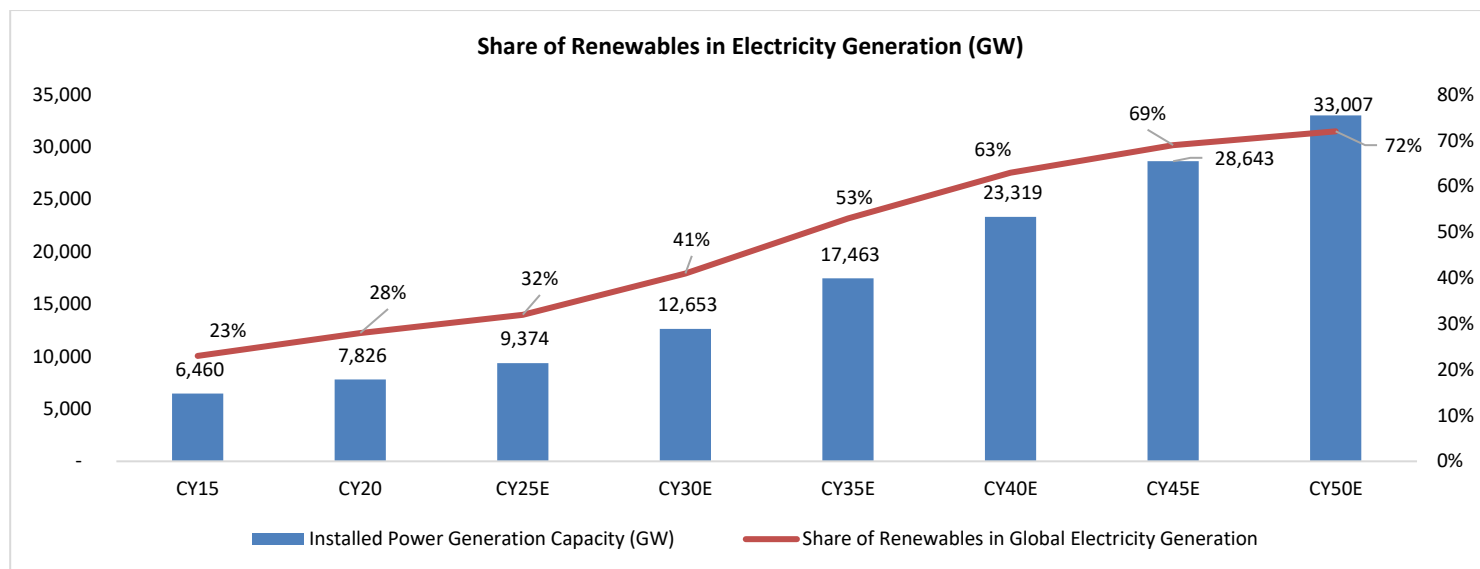


Source: Company, RHP, SSL Research

Photo-voltaic (PV) module or solar module is an assembly of solar or photo-voltaic cells mounted in a framework for installation. Solar panels use sunlight as a source of energy to generate direct current electricity.

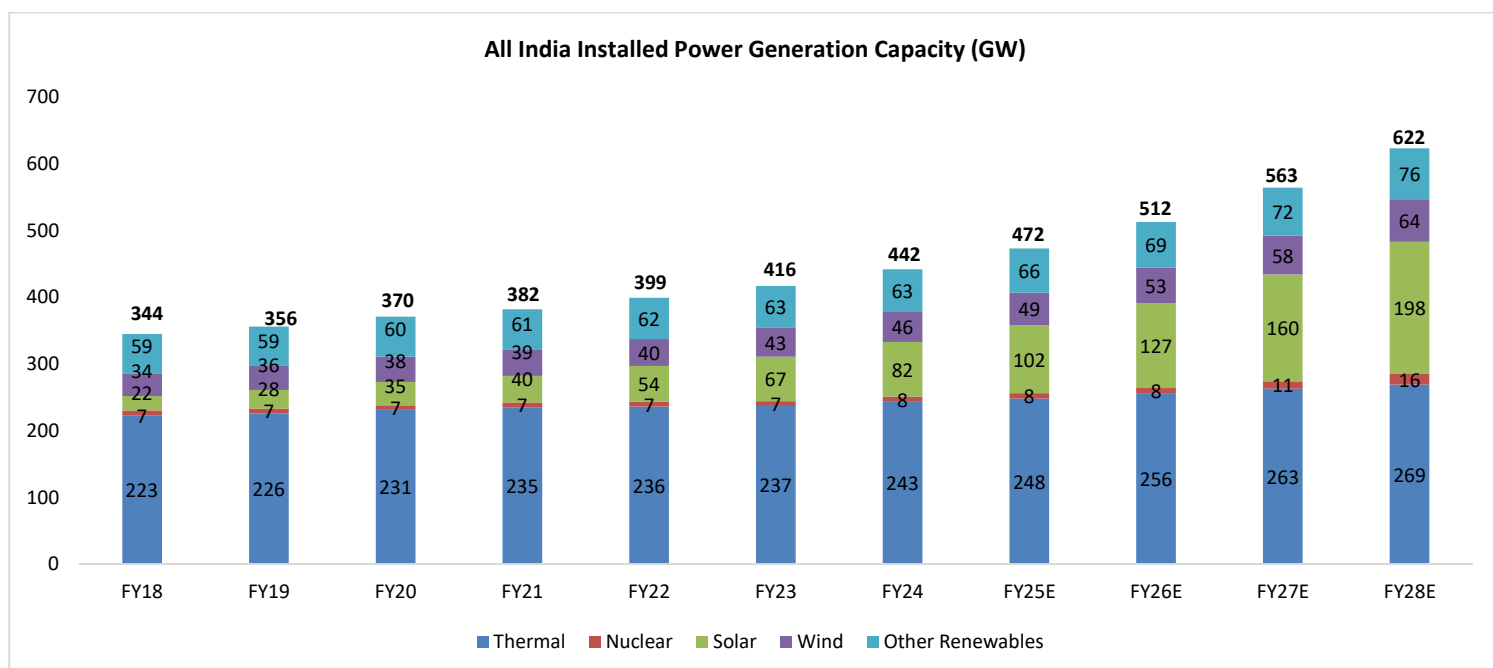
Industry Overview

Growth in global installed power generation capacity and share of renewables in electricity generation between CY15 – CY50: As per the latest data available, global installed power generation capacity has reached 9,063 GW at the end of CY23. The Asia-Pacific region accounts for ~40% of this installed capacity, followed by 22% for North America and 18% for Europe. India accounts for ~5% of global installed power generation capacity at the end of CY23. Global installed power generation capacity is expected to grow at 4.8% CAGR till CY50 to reach ~33,000 GW and the share of renewables in global electricity generation is expected to increase from 28.5% in CY20 to 72.3% by CY50.



Source: Premier Energies RHP, SSL Research

Renewables to account for ~54% share of the installed power generation capacity in India by FY28: India had a total installed power generation capacity of 442 GW at the end of FY24. Based on generation capacity addition plans of the Government and projects on ground, Frost & Sullivan estimates that an additional 180 GW of power generation capacity would realistically be added till FY28, taking the country’s total installed power generation capacity to 622 GW. ~65% of this capacity would be added through solar. This would take the country’s installed solar capacity from 82 GW in FY24 to 198 GW by FY28.



Source: Premier Energies RHP, SSL Research

Overview of solar module manufacturing value chain in India:

Crystalline silicon (c-Si) technology is widely used in solar photovoltaic (PV) systems globally, including in India. This technology is expected to make up the largest portion of India's ambitious goal to add 280 GW of solar capacity by 2030. However, at present, 80% to 85% of solar modules need to be imported because domestic production capacity is insufficient to meet demand. India lacks a manufacturing base for polysilicon ingots and wafers, so companies import these components at a high cost.

Schematic of c-Si PV module supply chain



Source: RHP, SSL Research

Key domestic solar module manufacturers with capacity (Jun'24):

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

Source: RHP, SSL Research

Financial Snapshot

INCOME STATEMENT				
(Rs cr)	FY22	FY23	FY24	1QFY25
Revenue from Operations	2,854	6,751	11,398	3,409
YoY growth (%)	-	136.5%	68.8%	-
Cost Of Revenues (incl Stock Adj)	2,317	5,151	8,760	2,513
Gross Profit	538	1,600	2,638	896
Gross margins (%)	18.8%	23.7%	23.1%	26.3%
Employee Cost	57	124	177	63
Other Operating Expenses	370	641	886	280
EBITDA	111	835	1,574	552
EBITDA margins (%)	3.9%	12.4%	13.8%	16.2%
Other Income	92	109	235	88
Interest Exp.	41	82	140	34
Depreciation	43	164	277	76
PBT	118	698	1,393	531
Exceptional item/Extraordinary item	-	(21)	341	-
Tax	39	177	460	129
Adj. PAT	80	500	1,274	401
Adj. PAT margin (%)	2.8%	7.4%	11.2%	11.8%
EPS	3.0	19.0	48.4	15.2

BALANCE SHEET				
(Rs cr)	FY22	FY23	FY24	1QFY25
Assets				
Net Block	565	991	1,149	1,145
Capital WIP	123	537	1,341	1,610
Intangible Assets	7	7	7	7
Intangible Assets under development	1	-	-	-
Right of use assets	47	100	287	443
Other Non current Assets	152	301	516	504
Current Assets				
Current Investment	133	31	71	12
Inventories	538	2,709	2,586	2,664
Trade receivables	93	313	971	1,091
Cash and Bank Balances	366	1,736	3,779	3,786
Short-term loans and advances	16	14	25	21
Other Current Assets	198	674	581	707
Total Current Assets	1,344	5,476	8,013	8,280
Current Liabilities & Provisions				
Trade payables	535	1,432	1,475	1,862
Other current liabilities	829	3,333	3,480	3,684
Short-term provisions	2	28	225	208
Total Current Liabilities	1,366	4,793	5,180	5,754
Net Current Assets	(22)	683	2,833	2,526
Assets Classified as held for sale	-	7	-	-
Total Assets	872	2,627	6,134	6,236
Liabilities				
Share Capital	197	243	263	263
Reserves and Surplus	231	1,595	3,825	4,222
Total Shareholders Funds	428	1,838	4,088	4,485
Minority Interest	12	23	61	68
Total Debt	313	273	317	261
Long Term Provisions	41	69	108	120
Lease Liabilities	50	47	236	252
Other Long Term Liabilities	-	328	1,287	1,013
Net Deferred Tax Liability	26	48	37	37
Total Liabilities	872	2,627	6,134	6,236

Cash Flow (Rs cr)	FY22	FY23	FY24
Cash flow from Operating Activities	701	1,560	2,305
Cash flow from Investing Activities	(675)	(2,094)	(3,340)
Cash flow from Financing Activities	99	642	909
Free Cash Flow	204	695	963

RATIOS			
	FY22	FY23	FY24
Profitability			
Return on Assets	3.6%	6.7%	11.3%
Return on Capital Employed	21.5%	36.9%	34.8%
Return on Equity	18.6%	27.2%	31.2%
Margin Analysis			
Gross Margin	18.8%	23.7%	23.1%
EBITDA Margin	3.9%	12.4%	13.8%
Net Profit Margin	2.8%	7.4%	11.2%
Short-Term Liquidity			
Current Ratio (x)	0.9	1.1	1.5
Quick Ratio (x)	0.5	0.6	1.0
Avg. Days Sales Outstanding	12	17	31
Avg. Days Inventory Outstanding	69	146	83
Avg. Days Payables	68	77	47
Fixed asset turnover (x)	5.1	6.8	9.9
Debt-service coverage (x)	0.4	2.2	3.4
Long-Term Solvency			
Total Debt / Equity (x)	0.7	0.1	0.1
Interest Coverage Ratio (x)	3.9	9.5	11.0
Valuation Ratios*			
EV/EBITDA (x)	356.0	45.6	22.9
P/E (x)	496.5	79.1	31.0
P/B (x)	92.5	21.5	9.7
EV/Sales (x)	13.8	5.6	3.2

**Valuation ratios are based on pre-issue capital at the upper price band
Source: RHP, SSL Research*

Peer Comparison – FY24

Particulars (Rs cr)	Waaree Energies	Premier Energies	Websol Energy System
CMP (Rs)	1,503.0	1,136.0	1,250.0
Sales	11,397.6	3,144.0	26.0
EBITDA	1,574.4	478.0	(1.0)
Net Profit	1,274.4	231.0	(121.0)
Mkt Cap.	43,178.7	51,282.0	5,428.0
Enterprise Value	36,116.8	52,271.0	5,610.1
EBITDA Margin (%)	13.8	15.2	-
Net Profit Margin (%)	11.2	7.3	-
P/E (x)	33.9	129.4	-
EV/EBITDA (x)	22.9	109.4	-
RoE (%)	31.2	35.8	-
RoCE (%)	34.8	11.3	-
EV/Sales	24.0	46.0	-

For Waaree Energies Ltd, the Market Cap, PE (x), Enterprise Value, EV/EBITDA (x), and EV/Sales (x) are calculated on post-issue equity share capital based on the upper price band.

CMP of peer companies is as of 16th October 2024.

Source: RHP, SSL Research

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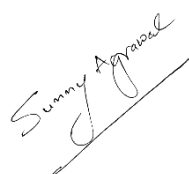
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