

IPO NOTE

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WAAREE ENERGIES LIMITED

17.10.2024



Canara Bank Securities Ltd
A Wholly Owned Subsidiary Of Canara Bank



- ◆ The Company was originally incorporated as 'Anmol Fluid Connectors Pvt. Ltd' at Mumbai, on December 18, 1990. The name was changed to 'Waaree Solar Pvt. Ltd in April 2007, to 'Waaree Energies Pvt. Ltd' in October 2007 and subsequently on conversion to a public company the name was changed to 'Waaree Energies Ltd' in May 2013.
- ◆ The company 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 FY2024.
- ◆ The product portfolio of solar energy products consists of the following PV modules
 - ◇ Multicrystalline modules
 - ◇ Monocrystalline modules; and
 - ◇ TopCon modules include flexible bifacial modules (Mono PERC), both framed and unframed, as well as building-integrated photovoltaic (BIPV) modules.
- ◆ Waaree Energies operates 5 manufacturing facilities in India spread over an area of 143.01 acres.
- ◆ The company operates 1 factory each located at Surat, Tumb, Nandigram, and Chikhli in Gujarat, India and the IndoSolar Facility, in Noida, Uttar Pradesh.
- ◆ The company expects to roll out locally manufactured electrolyzers by the end of FY2026. The company received a tier-1 PV module maker rating from Bloomberg New Energy Finance between FY2018 and FY2024. Some of the company's labs are accredited by the NABL which tests the solar PV modules for quality check.
- ◆ The company's order book of solar PV modules was 16.6 GW as of June 30, 2024. The order book included domestic orders, export orders, franchisee orders and 3.75 GW of orders for the Subsidiary, Waaree Solar Americas Inc. located in the United States.

Issue Details

Price Band (in ₹ per share)	1427-1503
Issue size (in ₹ Crore)	4284.96-4321.44
Fresh Issue (in ₹ Crore)	3600.00
OFS (in ₹ Crore)	684.96-721.44
Issue open date	21.10.2024
Issue close date	23.10.2024
Tentative date of Allotment	24.10.2024
Tentative date of Listing	28.10.2024
Total number of shares (lakhs)	300.28-287.52
No. of shares for QIBs (50%) (lakhs)	150.14-143.76
No. of shares for NII (15%) (lakhs)	45.04-43.13
No. of shares for S-HNI (33%)(lakhs)	15.01-14.38
No. of shares for B-HNI (66%)(lakhs)	30.03-28.75
No. of shares for retail investors (35%) (lakhs)	105.10-100.63
No of shares for Employee Reservation (lakhs)	NA
Minimum order quantity	9
Face value (in ₹)	10.00
Amount for retail investors (1 lot) (in ₹)	12843-13527
Maximum no. of shares for Retail investors at Lower Band	135 (15 lots)
Maximum no. of shares for Retail investors at Upper Band	126 (14 lots)
Maximum amount for retail investors at lower band - upper band (in ₹)	192645-189378
Minimum no. of shares for sHNI (2 Lakhs) at upper band	135 (15 lots)
Maximum no. of shares for sHNI (10 Lakhs) at upper band	657 (73 lots)
Minimum number of shares for bHNI at upper band	666 (74 lots)
Exchanges to be listed on	BSE & NSE

Promoters

- HITESH CHIMANLAL DOSHI
- VIREN CHIMANLAL DOSHI
- PANKAJ CHIMANLAL DOSHI
- WAAREE SUSTAINABLE FINANCE PRIVATE LIMITED

Objects of the Offer

The net proceeds of the Fresh Issue are proposed to be utilised in the following manner:

- ◆ Part finance the cost of establishing the 6GW of Ingot Wafer, Solar Cell and Solar PV Module manufacturing facility in Odisha, India("Project").
- ◆ General corporate purposes.

BRIEF FINANCIALS

PARTICULARS (Rs. Cr) *	Q1FY25	FY24	FY23	FY22
Share Capital	263.14 ¹	262.96 ¹	243.36	197.14
Net Worth	4471.71	4074.83	1825.41	427.35
Revenue from Operations	3408.90	11397.61	6750.87	2854.26
EBITDA	639.99	1809.57	944.13	202.53
EBITDA Margin (%)	18.30	15.56	13.76	6.88
Profit/(Loss) After Tax	401.12	1274.37	500.27	79.65
EPS (in Rs.)	14.98	48.05	21.82	3.84
Net Asset Value (in Rs.)	169.94	154.96	75.01	21.68
Total Borrowing	261.23	317.32	273.48	313.08
P/E [#]	25.08 [^]	31.28	NA	NA
P/B [#]	8.84	9.70	NA	NA

*Restated consolidated financials; #Calculated at upper price band; ^Annualized; !ESOP Allotment

Profit & Loss Statement

Particulars (In Crores)	FY2022	FY2023	FY2024
INCOME			
Revenue from operations	2854.27	6750.87	11397.61
Other income	91.59	109.49	235.15
Total income	2945.85	6860.36	11632.76
YoY Growth (%)	-	132.88%	69.56%
Employee benefit expenses	56.91	123.79	177.15
Employee Expenses-% of Revenue	1.93%	1.80%	1.52%
Cost of material consumed	1793.85	5897.32	8356.49
Cost of Material-% of Revenue	60.89%	85.96%	71.84%
Purchases of stock-in-trade	459.24	260.67	965.31
Changes in inventories of finished goods and work in progress	63.60	-1006.90	-561.99
Other manufacturing and Engineering, Procurement and construction project expenses	71.73	165.26	254.05
Sales, administration and other expenses	297.99	476.10	632.18
EBIDTA	202.53	944.13	1809.58
EBIDTA Margin (%)	7.10%	13.99%	15.88%
Depreciation and amortisation expense	43.27	164.13	276.81
EBIT	159.26	780.00	1532.77
EBIT Margin (%)	5.58%	11.55%	13.45%
Finance cost	40.89	82.27	139.91
Profit before tax and exceptional item	118.37	697.73	1392.86
Add/(less) : Exceptional items		-20.58	341.34
Profit before tax	118.37	677.15	1734.20
Tax expenses			
Current tax	33.90	167.71	539.47
Tax for earlier years	0.05	-0.26	0.00
Deferred tax (credit)/charge	4.78	9.43	-79.65
Total tax expenses	38.72	176.87	459.82
Profit for the year	79.65	500.28	1274.38
PAT Margin (%)	2.79%	7.41%	11.18%
Earnings per share			
Basic earnings per share (₹)	3.84	21.82	48.05

Cashflow Statement

Particulars (In Crores)	FY2022	FY2023	FY2024
Cash generated from operating activities	726.77	1660.58	2640.10
Income tax paid (net of refunds)	-25.92	-100.35	-335.08
Net cash generated from operating activities	700.86	1560.23	2305.02
Net cash used in investing activities	-674.86	-2093.82	-3340.25
Net cash used in financing activities	98.52	642.48	909.18
Net increase/ (decrease) in cash and cash equivalents	124.52	108.88	-126.05
Cash and cash equivalent as at 1 April	12.82	139.19	253.65
Less : Effect of Foreign Exchange in Cash and Cash Equivalent	1.96	5.61	-6.22
Cash and cash equivalent as at year end	139.30	253.68	121.39

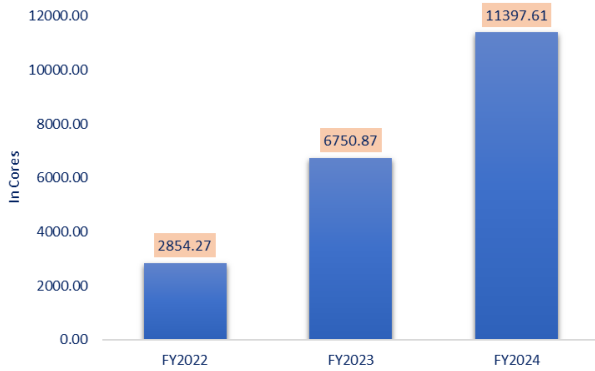
Balance Sheet

Particulars (In Crores)	FY2022	FY2023	FY2024
Assets			
Non-current assets			
Property, plant and equipment	564.83	991.22	1149.35
Capital work in progress	122.66	537.04	1341.29
Right-of-use assets	46.52	100.19	287.03
Investment property	0.35	0.35	0.35
Intangible assets	6.58	7.17	6.78
Intangible assets under developmen	1.10	0.15	0.15
Goodwill on consolidation	6.34	6.34	6.34
Financial assets			
Current investments	10.00	-	-
Trade receivables	4.49	-	-
Security deposit	5.42	9.90	23.11
Other financial assets	36.03	157.41	90.88
Deferred tax assets	18.03	14.28	83.21
Income tax assets (net)	1.48	0.07	0.09
Other non-current assets	69.40	112.87	312.07
Total non-current assets	893.21	1936.98	3300.65
Current assets			
Inventories	538.17	2708.80	2585.53
Financial assets			
Current investments	133.16	31.06	71.15
Trade receivables	92.52	312.61	971.39
Cash and cash equivalents	139.19	253.65	121.39
Bank balances other than cash and cash equivalents (iii) above	227.18	1482.86	3657.78
Loans	16.19	13.66	24.66
Other financial assets	45.59	53.49	76.38
Other current assets	152.20	620.00	504.34
Assets held for Sale	-	6.80	0.47
Total Current Assets	1344.19	5482.94	8013.08
Total assets	2237.40	7419.92	11313.73
Equity and liabilities			
Equity			
Equity share capital	197.14	243.37	262.96
Other equity	230.51	1595.04	3824.85
Equity attributable to owners of the parent company	427.65	1838.41	4087.81
Non controlling interest	12.21	23.44	60.68
Total equity	439.85	1861.85	4148.49
Liabilities			
Non-Current liabilities			
Financial liabilities			
Borrowings	188.97	145.83	102.60
Lease liabilities	42.70	38.05	207.47
Other financial liabilities	-	-	51.33
Long-term provisions	41.43	69.26	108.10
Deferred tax liabilities (net)	26.41	47.94	37.10
Other non-current liabilities	0.41	327.75	1235.49
Total Non-Current liabilities	299.91	628.83	1742.10
Current liabilities			
Financial liabilities			
Borrowings	124.11	127.65	214.72
Lease Liabilities	7.63	8.74	28.59
Trade payables			
Total outstanding dues of micro and Total outstanding dues of creditors other than micro and small	9.62	65.71	96.69
Supplier's credit / Letter of credit - Acceptances	57.71	585.78	538.59
Other financial liabilities	88.11	298.66	509.31
Provisions	1.65	27.90	224.51
Other current liabilities	663.94	2363.47	2142.37
Current tax liabilities (net)	19.73	85.41	289.82
Total Current liabilities	1497.63	5429.24	5423.14
Total liabilities	1797.55	5558.07	7165.24
Total equity and liabilities	2237.40	7419.92	11313.73

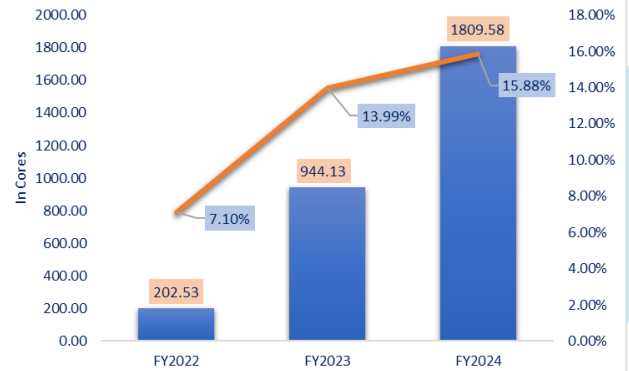


PERFORMANCE

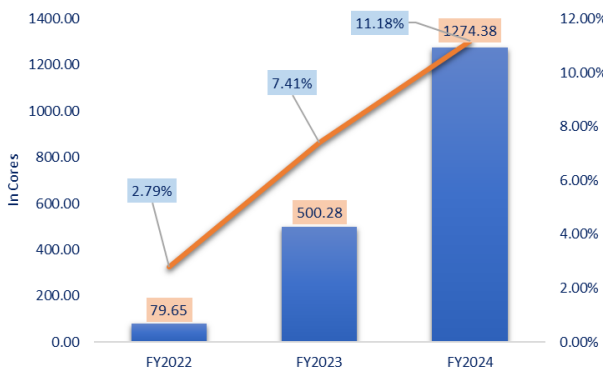
REVENUE SHOWS A SIGNIFICANT GROWTH OF 100% CAGR (2 YEARS)



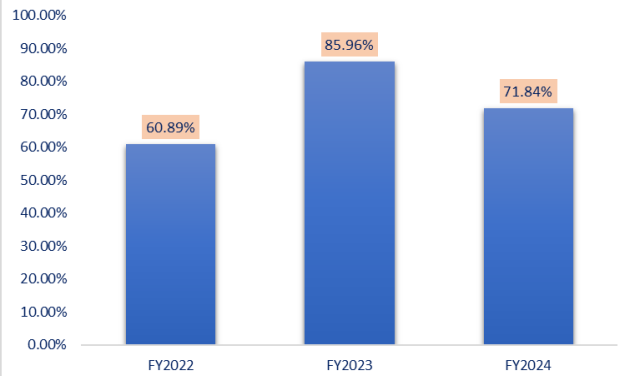
EBIDTA GREW BY 199% (2 YEARS CAGR) WITH INCREASING EBIDTA MARGIN



PAT SHOWS ROBUST GROWTH OF 300% CAGR (2 YEARS)



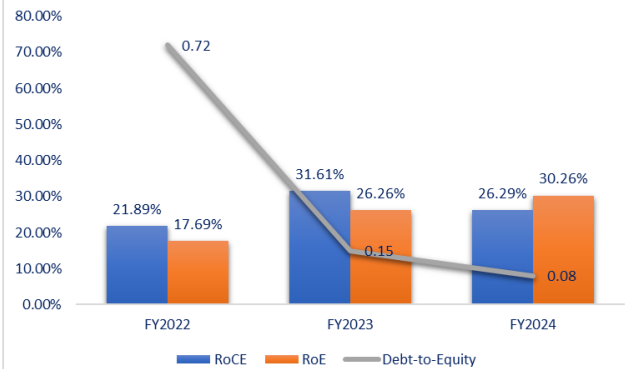
COST OF MATERIAL AS A % TO REVENUE IS DECREASING



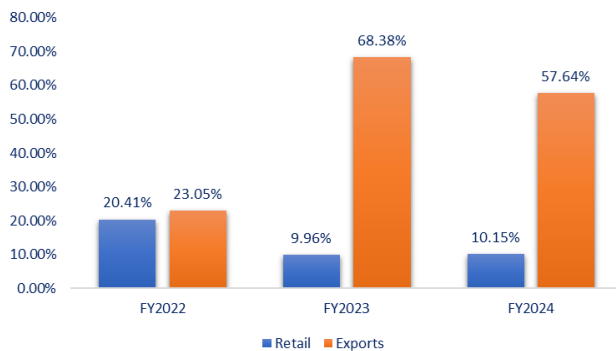
EMPLOYEE EXPENSE AS % TO REVENUE IS DECREASING



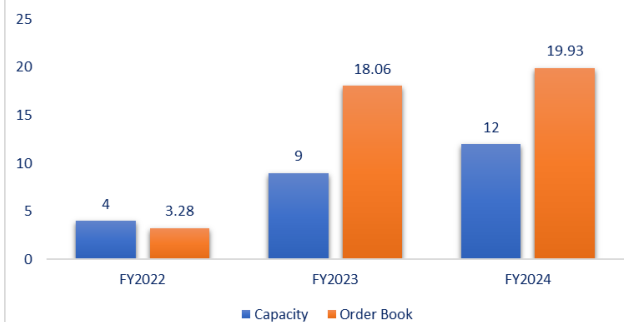
STRONG RETURN RATIOS



Retail vs. Export (Revenue %)



Steady growth in the order book with increasing capacity (GW)



INDUSTRY REVIEW

Outlook 2023 to 2028: global solar capacity additions;

- Investments in solar PV will likely increase as it is rapidly becoming the preferred and lowest-cost option for electricity generation globally.
- Generation should grow by an average of 25% between 2022 to 2030 to meet the Net Zero Emissions Scenario by 2050.
- This translates into over three times increase in annual capacity deployment until 2030.
- Globally, approximately 347 GW of solar PV capacity was added in 2023, taking the installed capacity to 1,411 GW, which is an approximately 33% increase over the previous year.
- China continued to lead the market with a total cumulative capacity of approximately 609 GW, whereas the US came in second with approximately 138 GW, followed by Japan at approximately 89 GW.

China Plus One strategy;

- China Plus One strategy encourages companies to diversify their operations by expanding outside of China while still maintaining a presence in the country.
- This strategy is becoming increasingly popular in the solar industry, as companies look to reduce their dependence on China and diversify their supply chains.
- Several factors are encouraging the China Plus One strategy for solar.
- Some of them are The rising cost of labour in China; the increasing complexity of the Chinese regulatory environment; the growing political risk in China; the increasing demand for diversification from investors; number of other countries that are emerging as potential destinations.
- Countries like India, Vietnam, Malaysia, and Thailand offer several advantages, including lower labour costs, favourable government policies, and access to new markets.
- India is one of the potential destinations 188 for solar manufacturing due to its low labour cost as well as favourable political and regulatory environment for manufacturing.

Declining module prices and tariffs;

- Module prices started to fall in 2023 owing to the ramp-up in the production of upstream components.
- Prices of modules fell to \$0.15-0.20 per watt-peak in April-November 2023 from \$0.23 per watt-peak in January 2023.
- This has eased some pressure on capital costs in Fiscal 2024.
- Global solar module prices have reached a historic low, standing at just \$0.09 per watt-peak in June 2024, which is expected to stimulate growth in solar power capacity.
- Prices are expected to remain stable over the medium term due to supply glut and relatively weak demand internationally.
- In line with this trend, domestic prices too fell to a \$0.14 per watt peak maintaining a steady premium over the landed cost of imported modules.
- Additionally, MNRE has reinstated the applicability of the Approved List of Module Manufacturers ("ALMM").
- As a result, only ALMM-enlisted manufacturers can supply cells and modules to government and government-assisted projects.
- Projects under open access and rooftop solar by private parties are also brought into the ambit of ALMM.
- Therefore, the fall in prices across the value chain is expected to be arrested in Fiscal 2025.

Outlook of solar energy capacity additions in India;

- Fiscal 2025 is projected to witness 16 GW to 18 GW of solar projects, including 3.1 GW to 3.3 GW of open-access projects.
- The large base will be on account of the execution of pipeline projects which were affected in Fiscal 2023 and Fiscal 2022, due to supply chain issues.
- The imposition of duty on imported solar modules has also led to an increase in the pricing of imported modules.
- The projects were also delayed due to land and transmission line issues.
- The commissioning momentum, however, saw a revival in Fiscal 2024, with approximately 15 GW being commissioned during the year.
- The pent-up pipeline from previous years started coming to fruition combined with the temporary abeyance of ALMM, led to a high commissioning rate during the year.



COMPETITIVE STRENGTHS OF THE COMPANY

Largest solar PV module manufacturer in India well positioned to capture industry tailwinds and growth prospects for solar energy in India and globally;

- They are the largest manufacturer of solar PV modules in India with the largest aggregate installed capacity of 12 GW, as of June 30, 2024.
- For Fiscal 2024, they had the second-best operating income among all the domestic solar PV module manufacturers in India.
- Over the years, they have significantly expanded their aggregate installed capacity from 4 GW in Fiscal 2022 to 12 GW, as of June 30, 2024, as evidenced by their ability to quickly complete their expansion plans efficiently.
- After June 30, 2024, they have commissioned 1.3 GW of Indosolar Facility.
- They believe that their extensive experience in the solar PV module manufacturing business, deep market penetration together with significant and regular capacity expansion of their solar PV module manufacturing as well as backward integration into the manufacturing of solar cells, position them well to capture the growing demand for solar energy products domestically and internationally.

Diversified base of global and Indian customers with a substantial order book;

- They believe that their leadership position enables them to offer competitive pricing for their products, which in turn facilitates access to a large and diversified customer base and revenue generation from such customers.
- They have over the years established relationships with a diversified set of customers globally and within India.
- Their revenue from operations increased at a CAGR of 99.83% from ₹ 28,542.65 million in Fiscal 2022 to ₹ 113,976.09 million in Fiscal 2024 and was ₹ 33,282.92 million and ₹ 34,089.01 million, respectively, for the three months ended June 30, 2023 and June 30, 2024.
- 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 they served 26, 33, 36, 20 and 12 customers outside India in the same periods, respectively.
- In Fiscal 2022, 2023 and 2024 and the three months ended June 30, 2023, and June 30, 2024, Direct Sales to Utilities and Enterprises was ₹ 15,963.38 million, ₹ 13,168.13 million, ₹ 35,814.16 million, ₹ 6,781.73 million and ₹ 13,409.85 million, respectively, and represented 55.93%, 19.51%, 30.05%, 20.38% and 52.28%, respectively, of their revenue from operations in such periods.

Advanced manufacturing facilities with global accreditations;

- For the Project, they have been awarded with an outlay of ₹ 19,232.40 million under the Scheme Guidelines for Implementation of the Production Linked Incentive Scheme (Tranche II) under National Programme on High-Efficiency Solar PV Modules ("PLI Scheme") awarded by the GoI to enhance their backward integration capabilities.
- The award under the PLI Scheme is subject to certain terms and conditions such as completion of the facility promptly with the scheduled commissioning date for commissioning of the full manufacturing facility by April 18, 2025.
- However, the Project is expected to be completed by Fiscal 2027.
- While they have applied for an extension in the scheduled commissioning by an additional 24 months with Solar Energy Corporation of India Limited, however, they cannot assure you that any extension or full extension will be given by the relevant authority.
- In the event there is a delay in the commissioning of the facility, it may attract a reduction of the PLI period from the maximum timelines.
- Further, in case they fail to meet the target capacity or minimum module performance, they may not receive the incentive under the PLI Scheme till the time they overcome the deficiency.

RISK FACTORS

Their business is dependent on certain key customers;

- Since they are dependent on some of their key customers for a substantial portion of their business, the loss of 34 any one of such key customers or a substantial reduction in demand from such key customers could have a material adverse effect on their business, results of operations and financial condition.
- In addition, as they generally have short to medium-term arrangements for the supply of their products to customers and their franchisees, there can be no assurance that their significant customers in the past will continue to place similar orders with them in the future.
- If they are unable to manage their relationship with their international customers, their financial results could be adversely affected, which may impact profit margins or make it increasingly difficult for them to conduct business in foreign markets.
- They intend to continue to expand their customer base within the international markets they currently export their products to, as well as in additional international markets.
- They cannot assure you that they will be able to maintain historic levels of business from their significant customers, or that they will be able to significantly reduce customer concentration in the future, all of which could have an impact on their business prospects and financial performance.

The proposed Project is dependent on various government subsidies. In the event such subsidies do not materialize or the state or central government does not approve the entire subsidy amount, they may have to raise additional working capital, which may materially impact their cash flows, financial condition and results of operations;

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- Further, in case they fail to meet the target capacity or minimum module performance, they may not receive the incentive under the PLI Scheme till the time they overcome the deficiency.

They, through their Subsidiary, Waaree Solar Americas Inc., are in the process of expanding their manufacturing operations in the United States. The proposed facility is to be funded through their internal accruals as well as financing agreements with lenders, which are yet to be finalized;

- Their Subsidiary, Waaree Solar Americas Inc. is in the process of expanding their manufacturing operations by establishing a new up to 3 GW manufacturing facility in the United States.
- Their Board of Directors according to the resolution passed at their meeting held on December 22, 2023, approved such expansion in the United States.
- Given that their manufacturing operations are currently based in India, venturing into the United States provides a different set of challenges such as regulatory approvals, supply chain disruptions, and other unforeseen circumstances which may result in cost escalation from regulatory compliance, construction challenges, or market fluctuations.
- They estimate that the cost of such proposed capacity expansion in the United States would be approximately USD 70 million.
- Further, the proposed facility is to be funded through their internal accruals as well as financing agreements with lenders, which are yet to be finalized.
- As of June 30, 2024, they incurred ₹ 412.88 million towards setting up their facility in the United States from internal accruals. The facility is expected to be operational by the end of Fiscal 2025.
- They have entered into a five-year binding agreement with a customer (whose consent they do not have for inclusion of its name in this Red Herring Prospectus) for the supply of 3.75 GW of solar modules for five years from the commissioning of the facility, currently estimated during Fiscal 2025.
- Under their agreement, in the event they enter into a contract with another customer at a favourable price, then in such an event, the price at which they provide their products to the existing customers has to be at the same price.

PEER COMPARISON

Name of the company	Total Income (in Cr.)	Face Value (Rs per share)	EPS (in Rs)	NAV (Per share Rs)	RoNW (%)	RoCE (%)	P/E*	P/B*
Waaree Energies Ltd.	11632.76	10.00	48.05	154.96	30.36	36.95	31.28	9.70
Websol Energy System Ltd.	26.81	10.00	(29.99)	NA	NA	(17.69)	NA	NA
Premier Energies Ltd.	3171.31	10.00	6.93	14.63	37.46	30.14	165.69	78.49

*P/E & P/B ratio based on closing market price as of October 15th, 2024, at the upper price and of IPO, financial details consolidated audited results as of FY24.

OUR VIEWS

- The company 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 operates in one of the most promising sectors globally- solar energy-and has maintained a steady focus on providing cost-effective, sustainable energy solutions.
- The company's rapid expansion is evidenced by its remarkable capacity growth, increasing production sevenfold over the past four years.
- In addition to its existing capacity, WEL is setting up an additional 6 GW facility in Odisha, which will further enhance its ingot wafer, solar cell, and PV module production.
- WEL is also India's largest exporter of solar modules, commanding a 44% share of India's exports in this sector.
- To mitigate potential risks related to export restrictions and customs seizures in the US, the company is establishing a 1.6 GW plant in the United States.
- With a robust order book of 16.6 GW, WEL is on a strong growth trajectory, underpinned by its focus on full vertical integration across the value chain.
- The company also plans to venture into green hydrogen and electrolyzer manufacturing, further expanding its clean energy portfolio.
- WEL has received global recognition, being ranked as a Tier-1 PV module manufacturer by Bloomberg New Energy Finance between Fiscal 2018 and 2024.
- Its products are backed by insurance from third-party providers, reflecting their high quality and reliability.
- Currently, WEL operates at around 45-50% capacity utilization, with plans to ramp this up to 70% over the next three years.
- The company's strong foothold in India is complemented by its growing presence in the US, which offers higher margins and has emerged as a key market.
- However, WEL faces certain risks. One of the major concerns is related to export seizures in the US due to labour violations, which could affect the company's supply chain.
- The ongoing protests at major US ports also pose a threat to its international operations.
- Additionally, the relatively new leadership team, with many top executives having only 6-9 months of tenure, raises questions about the company's governance and decision-making processes.
- Despite these risks, the chairman has reassured stakeholders that the recent appointments are part of a broader growth strategy.
- On the financial front, the company's Revenues from Operations have increased at a CAGR of 99.83% from ₹ 2,854.27 in FY2022 to ₹ 11,397.61 in FY2024, while the EBITDA margins have improved from 6.88% to 16.23% during the same period.
- The company's PAT increased from ₹ 79.65 in FY2022 to ₹ 1,274.38 in FY2024.
- The company has a healthy balance sheet with total borrowings at ₹ 317.32 Cr in FY2024 with a debt/ equity ratio of 0.08 x and an interest coverage ratio of 22.17 x.
- The company reported a Revenue from Operations at ₹ 3,496.41 Cr, EBITDA margins of 18.30% and PAT of ₹ 401.13 Cr for 3 months ended June 2024.
- WEL has demonstrated impressive growth, with its total income rising from Rs. 2,945.85 crores in FY22 to Rs. 11,632.76 crores in FY24, accompanied by a net profit surge from Rs. 79.65 crores to Rs. 1,274.38 crores over the same period.
- In the first quarter of FY25, the company posted a net profit of Rs. 401.12 crore on a total income of Rs. 3,496.41 crore, indicating continued strong performance.
- WEL is valued at a P/E ratio of 31.28x, which is attractive considering the company's size and growth potential.
- It is approximately twice the size of its nearest competitor, which positions it as a market leader in the solar PV manufacturing space.
- With its ambitious expansion plans, both in India and the US, along with the goal of achieving full integration across its operations, Waaree Energies Ltd. is well-positioned for sustained growth.

We recommend to **SUBSCRIBE** this issue for listing & long-term gains.

Sources: Company website and red herring prospectus

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Research Desk

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Analyst Certification

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