WAAREE ENERGIES LIMITED

October 17, 2024

WAAREE
One with the Sun

SMC Ranking

★★½☆☆ (2.5/5)

Issue Highlights

Industry	Solar
Offer for sale (Shares)	4,800,000
Fresh Issue (Shares)	23,952,095
Net Offer to the Public	**28,752,095**
Issue Size (Rs. Cr.)	4102-4321
Price Band (Rs.)	1427-1503
Offer Date	21-Oct-24
Close Date	23-Oct-24
Face Value	10
Lot Size	9 Shares

Issue Composition

	In shares
Total Issue for Sale	28,752,095
QIB	14,376,048
NIB	4,312,814
Retail	10,063,233

Shareholding Pattern (%)

Particulars	Pre-issue	Post -issue
Promoters & promoters group	71.80%	64.30%
QIB	0.00%	5.00%
NIB	28.20%	27.19%
Retail	0.00%	3.50%
Total	**100.00%**	**100.00%**

*calculated on the upper price band

Objects of the Issue

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.

Book Running Lead Manager

- Axis Capital Limited
- IIFL Securities Limited
- Jefferies India Private Limited
- Nomura Financial Advisory and Securities (India) Private Limited
- SBI Capital Markets Limited
- Intensive Fiscal Services Private Limited
- ITI Capital Limited

Name of the registrar

- Link Intime India Private Limited

About the company

Waaree Energies Limited, founded in December 1990, is a prominent Indian manufacturer of solar photovoltaic (PV) modules. As of June 30, 2024, it holds the distinction of having the largest aggregate installed capacity in India, reaching 12 GW. This impressive growth is evident from its expansion from 4 GW in Fiscal 2022 to 12 GW by June 30, 2024, showcasing its efficient execution of expansion plans. Subsequent to this milestone, it has added another 1.3 GW of solar module manufacturing capacity in Noida, Uttar Pradesh, through its subsidiary, Indosolar Limited. Waaree Energies offers a diverse portfolio of solar energy products, including multicrystalline, monocrystalline, and TopCon modules. The TopCon category encompasses flexible modules, such as bifacial modules (Mono PERC) with and without frames, as well as building-integrated photovoltaic (BIPV) modules. The company operates five manufacturing facilities across India, spanning an area of 143.01 acres. Reflecting its strong market position, Waaree Energies boasts a substantial order book for solar PV modules. As of June 30, 2024, its pending order book amounted to 16.6 GW, comprising domestic, export, and franchisee orders. Additionally, its subsidiary, Waaree Solar Americas Inc., based in the United States, has secured orders for 3.75 GW.

Strength

Largest Solar PV Module Manufacturer in India: As of June 30, 2024, the company holds the position of the largest solar PV module manufacturer in India, boasting an impressive installed capacity of 12 GW. In Fiscal 2024, it achieved the second-highest operating income among all domestic solar PV module manufacturers. Demonstrating a rapid expansion trajectory, the company increased its capacity from 4 GW in Fiscal 2022 to 12 GW by mid-2024, underscoring its ability to execute growth plans efficiently. Recently, it commissioned an additional 1.3 GW at its Indosolar Facility. The company's ongoing capacity expansion aims to address the industry's supply-demand gap and capitalize on emerging market opportunities. Additionally, it has received an investment of Rs. 1923 crore under the Government of India's PLI Scheme and is developing a fully integrated 6 GW facility for ingots, wafers, solar cells, and PV modules, expected to be operational by Fiscal 2027.

Diverse Customer Base with Strong Order Book: The company's leadership enables competitive pricing, helping it build and sustain a broad, diverse customer base both domestically and internationally. From Fiscal 2022 to Fiscal 2024, its revenue from operations grew at a CAGR of 99.83%, reaching Rs. 11,397.61 crore. By June 30, 2024, it had served 1,067 domestic and 12 international customers, reflecting strong customer relationships. Direct sales to utilities and enterprises during Fiscal 2022, 2023, and 2024, and for the three months ending June 2023 and June 2024, were substantial, accounting for a significant portion of its revenue. As of June 30, 2024, the company's solar PV module order backlog stood at 16.66 GW, with 3.75 GW designated for its U.S.-based subsidiary, Waaree Solar Americas Inc., underscoring the strength of its diversified order book.

Advanced Manufacturing Facilities with Global Accreditations: The company operates state-of-the-art manufacturing facilities, including a NABL-accredited laboratory and fully automated production lines that adhere to international industry standards. Its facilities in Tumb and Surat are ISO 9001:2015 certified, while the Tumb and Chikhli locations also hold ISO 45001:2018 and ISO 14001:2015 certifications. The Chikhli facility has additionally received IEC certifications from UL Solutions and complies with relevant BIS standards. The company's PV modules are also RoHS-compliant and meet the European Union Council Directive 2014/35/EU. Regular audits are conducted by an independent quality firm, and Bloomberg New Energy Finance has consistently rated the

company as a tier-1 PV module manufacturer from Fiscal 2018 to Fiscal 2024.

Extensive Pan-India Retail Network: The company's robust retail network spans across India, with 373, 253, 335, 284, and 369 franchisees recorded in 2022, 2023, and 2024, respectively, at various intervals. This expansive network enhances product visibility and accessibility by enabling direct customer interaction and distribution. Its well-established presence in major metropolitan areas, cities, and rural regions creates significant barriers for new competitors. The company also launched the "Waaree Prime" program, which incentivizes franchisees based on sales performance, fostering a service ecosystem that enhances customer satisfaction. Through partnerships with financial institutions, the company supports its franchisees with credit facilities, enabling them to expand their customer reach and operations. Moreover, a back-end office assists franchisees by generating leads, further aiding their business growth and the company's market expansion.

Strategy

Strategic Backward Integration for Enhanced Operations and Profitability: Waaree Energies Limited aims to enhance its operations and profitability by strategically implementing backward integration across its production processes. This approach will enable the company to streamline production, achieve cost savings, and improve profit margins. By increasing its backward integration, Waaree will control the quality and availability of essential materials, reducing reliance on external suppliers and improving its ability to negotiate favorable pricing with customers. To reduce dependence on imported solar cells, the company plans to expand its solar cell manufacturing capacity at its Chikhli Facility, expected to be operational by the end of Fiscal 2025. All solar cells produced will be used for its solar PV modules. Additionally, Waaree is setting up a fully integrated 6 GW facility for manufacturing ingots, wafers, solar cells, and solar PV modules, projected to start operations in Fiscal 2027.

Maintaining Leadership in Utility and Enterprise Module Sales through Capacity Expansion: With an installed capacity of 12 GW as of June 30, 2024, Waaree Energies Limited is a major player in India's solar PV module market. Following June 30, 2024, it has added 1.3 GW at its Indosolar Facility. Waaree is also developing a 6 GW fully integrated facility for ingots, wafers, solar cells, and PV modules, expected to be operational by Fiscal 2027. To support its largest export market, the United States, Waaree is establishing a manufacturing facility there to capitalize on the U.S. Inflation Reduction Act's incentives, including tax credits under Section 45X. This new facility will enhance access to U.S. customers and benefit from financial incentives aimed at promoting clean energy manufacturing. Waaree Solar Americas Inc., a subsidiary, has secured a five-year agreement to supply 3.75 GW of solar PV modules once the facility commences operations in Fiscal 2025.

Cost Comparison of Solar Module Facilities: The table below provides a cost comparison for Waaree's solar module facilities completed in the past three fiscal years:

Capacity (GW)	Location	Completion Date	Total Estimated Expenditure (Rs. crore)
2.75	Chikhli, Gujarat	March 19, 2022	245.45
1.37	Chikhli, Gujarat	July 31, 2022	121.86
2.38	Chikhli, Gujarat	December 1, 2022	170.00
3.17	Chikhli, Gujarat	June 24, 2023	234.70

Commitment to Technology Upgrades for High-Quality Module Production: The company is focused on upgrading its manufacturing technology to produce higher-efficiency modules, such as Mono PERC and TopCon. Its Chikhli facility is equipped with advanced technology to produce large PV silicon wafers, bifacial modules, and semi-flexible solar panels. By investing in modernization and preventive maintenance, Waaree aims to extend equipment lifespan, enhance efficiency, and minimize future capital expenditure.

Growing and Diversifying Export Markets: Waaree Energies has expanded its global customer base, selling products in the United States, Canada, Italy, Turkey, Hong Kong, and Vietnam. The company saw an 87% year-over-year increase in module exports, reaching a record 6,077 MW in Fiscal 2024. Export sales for the same periods were Rs. 657.82 crore, Rs. 4,616.54 crore, Rs. 6,569.10 crore, Rs. 2,441.21 crore, and Rs. 1,340.09 crore, comprising significant portions of total

revenue. While the U.S. remains Waaree's largest market, the company aims to diversify its exports, reducing potential revenue risks.

Leadership in Commercial, Industrial, and Residential Markets: As one of India's largest solar retailers, Waaree operates a robust franchise network of 369 distributors, targeting rooftop and MSME customers. This network enhances the company's market penetration, particularly in the rooftop solar sector, where India has made significant strides towards its solar energy goals.

Scaling Operations through Expansion Opportunities: Waaree Energies plans to grow through organic and inorganic expansion. The company is acquiring a 36 MWp solar project from Dhari Solar Park Private Limited for a maximum of Rs. 125 crore. It also plans to enter the green hydrogen space by establishing a Gigawatt-scale electrolyser manufacturing facility. Waaree's diversification into new energy sectors is expected to drive future growth, optimize revenue streams, and leverage its expertise and brand reputation for sustained financial performance and long-term growth.

Risk factor

Key Customer Risk: The Company's business is highly concentrated and relies on a few key customers. Loss of these customers or revenue could significantly harm its financial performance.

International Market Risk: Export sales expose the company to risks and uncertainties of various international markets, especially the US.

Government Subsidy Risk: The project depends on government subsidies. If these subsidies are not received or are insufficient, the company may need to raise additional funds, impacting its financial condition and operations.

Import Risk: The Company imports raw materials from China. Trade restrictions or tariffs could negatively affect its business prospects and financial performance.

Peer comparison

Co_Name	Total Income	PAT	EPS	P/E	P/BV	BV	FV	Price	Mcap
Websol Energy	137.28	-94.28	1.87	-ve	30.08	39.58	10	1190.55	5168.93
Premier Energies***	3143.79	231.36	5.12	223.94	29.07	39.44	1	1146.55	51683.54
Waaree Energies Limited	11478.22	1337.23	46.55	32.29	5.30	283.78	10	1503.00	43178.66

***Peer companies financials are TTM based**
****Waaree Energies Limited financials are calculated on TTM**
***** Premier Energies financials are Annual based**

Valuation

Considering the P/E valuation, on the upper end of the price band of Rs.1503, the stock is priced at pre issue P/E of 29.60x on TTM EPS of Rs. 50.78. Post issue, the stock is priced at a P/E of 32.29x on its EPS of Rs. 46.55. Looking at the P/B ratio at Rs. 1503 pre issue, book value of Rs. 172.88 of P/BVx 8.69x. Post issue, book value of Rs. 283.78 of P/BVx 5.30x.

Considering the P/E valuation, on the lower end of the price band of Rs.1427, the stock is priced at pre issue P/E of 28.10x on TTM EPS of Rs. 50.78. Post issue, the stock is priced at a P/E of 30.66x on its EPS of Rs. 46.55. Looking at the P/B ratio at Rs. 1427 pre issue, book value of Rs. 172.88 of P/BVx 8.25x. Post issue, book value of Rs. 283.78 of P/BVx 5.03x.

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. Capacity additions picked up in the last two years in response to the easing of pandemic restrictions and increasing power demand.

Outlook

Established in December 1990, Waaree Energies Limited is an Indian company specializing in the manufacturing of solar photovoltaic (PV) modules. With a combined installed capacity of 12 GW, the company offers a diverse range of solar energy products, including Multicrystalline, Monocrystalline, and TopCon modules. Its product line also features flexible bifacial modules (Mono PERC) in both framed and unframed versions, as well as building-integrated photovoltaic (BIPV) modules. As of June 30, 2023, Waaree Energies boasts four manufacturing facilities in India, spread across 136.30 acres in Surat, Tumb, Nandigram, and Chikhli, Gujarat. However, it's important to note that the company's operations are dependent on government subsidies. Any reduction or discontinuation of these subsidies could necessitate additional fundraising, potentially impacting its financial health and operational activities. Furthermore, the company's business is highly concentrated, relying on a limited number of key customers. A loss of these customers or a decline in revenue could significantly harm its financial performance. Despite these factors, Waaree Energies may be an attractive option for long-term investors.

An Indicative timetable in respect of the Issue is set out below:

EVENT	INDICATIVE DATE (On or about)
BID/ISSUE OPENS ON	21-October-24
BID/ISSUE CLOSES ON	23-October-24
Finalisation of Basis of Allotment with the Designated Stock Exchange	24-October-24
Initiation of refunds (if any, for Anchor Investors)/unblocking of funds from ASBA Account	25-October-24
Credit of Equity Shares to Demat Accounts of Allottees	25-October-24
Commencement of trading of the Equity Shares on the Stock Exchanges	28-October-24

Annexure

Consolidated Financials

Profit & Loss

Rs. in Cr.

Particulars	Period ended 30-Jun-24 (3 Months)	Period ended 31-Mar-24 (12 Months)	Period ended 31-Mar-23 (12 Months)
Revenue from operations	3408.90	11397.61	6750.87
Total expenditure	2856.42	9823.19	5916.23
Operating Profit	**552.48**	**1574.42**	**834.64**
OPM%	1.62	1.38	1.24
Other Income	87.51	235.15	109.49
Total Net Income	**639.99**	**1809.58**	**944.13**
Interest	33.70	139.91	82.27
PBDT	**606.29**	**1669.67**	**861.86**
Depreciation	75.77	276.81	164.13
Restated Profit before tax	**530.53**	**1392.86**	**697.73**
Add/(less) : Exceptional items	0.00	341.34	-20.58
Restated Profit /(Loss) before tax	**530.53**	**1734.20**	**677.15**
Tax	129.40	459.82	176.87
PAT	**401.13**	**1274.38**	**500.28**

Balance sheet is on next page

Balance Sheet

Rs. in Cr.

Particulars	As on 30-Jun-24	As on 31-Mar-24	As on 31-Mar-22
Non-current assets			
Property, plant and equipment	1145.39	1149.35	991.22
Capital work in progress	1610.17	1341.29	537.04
Right of use assets	443.17	287.03	100.19
Investment property	0.35	0.35	0.35
Intangible assets	6.66	6.78	7.17
Intangible assets under development	0.15	0.15	0.15
Goodwill on consolidation	6.34	6.34	6.34
Financial assets			
Current Investments	0.00	0.00	0.00
Trade receivables	0.00	0.00	0.00
Security deposit	21.84	23.11	9.90
Other financial assets	187.34	90.88	157.41
Deferred tax assets	78.76	83.21	14.28
Income tax assets (net)	0.15	0.09	0.07
Other non-current assets	209.50	312.07	112.87
Total non-current assets	**3709.82**	**3300.65**	**1936.98**
Current asset			
Inventories	2663.68	2585.53	2708.87
Financial Assets			
Current investments	12.06	71.15	31.06
Trade receivables	1090.53	971.39	312.61
Cash and cash equivalents	195.66	121.39	253.65
Bank balances other than (iii) above	3590.00	3657.78	1482.76
Loans	20.78	24.66	13.67
Other financial assets	55.82	76.38	53.49
Other current assets	651.12	504.34	620.03
Assets classified as held for sale	0.00	0.47	6.80
Total current assets	**8279.66**	**8013.08**	**5482.94**
Total Assets	**11989.48**	**11313.73**	**7419.92**
Non-current liabilities			
Financial liabilities			
Borrowings	93.48	102.60	145.83
Lease Liabilities	224.29	207.47	38.05
Other financial liabilities	48.79	51.33	0.00
Long-term provisions	120.37	108.10	69.26
Deferred tax liabilities (net)	36.84	37.10	47.94
Other non-current liabilities	964.02	1235.49	327.75
Total Non- Financial liabilities	**1487.78**	**1742.10**	**628.83**
Current liabilities			
Financial Liabilities			
Borrowings	167.76	214.72	127.65
Lease Liabilities	27.72	28.59	8.74
Trades Payable - MSME	59.16	96.69	65.71
Trades Payable - Other than MESE	1803.05	1378.54	1365.91
Supplier's credit / Letter of credit - Acceptance	388.18	538.59	585.78
Other financial liabilities	490.14	509.31	298.66
Provisions	207.97	224.51	27.90
Other current liabilities	2425.25	2142.37	2363.47
Current tax liabilities (net)	380.08	289.82	85.41
Total Financial liabilities	**5949.29**	**5423.14**	**4929.24**
Total	**7437.08**	**7165.24**	**5558.07**
Net worth represented by:			
Equity Share Capital	263.14	262.96	243.37
Other equity	4221.61	3824.85	1595.04
Non controlling interest	67.66	60.68	23.44
Net Worth	**4552.40**	**4148.49**	**1861.85**

RANKING METHODOLOGY

WEAK	★
NEUTRAL	★★
FAIR	★★★
GOOD	★★★★
EXCELLENT	★★★★★

E-mail: researchfeedback@smcindiaonline.com

Corporate Office:
11/6B, Shanti Chamber,
Pusa Road, New Delhi - 110005
Tel: +91-11-30111000
www.smcindiaonline.com

Mumbai Office:
Lotus Corporate Park , A Wing 401 / 402 ,
4th Floor ,Graham Firth Steel Compound,
Off Western Express Highway, Jay Coach Signal,
Goreagon (East) Mumbai - 400063
Tel: 91-22-67341600, Fax: 91-22-28805606

Kolkata Office:
18, Rabindra Sarani,
Poddar Court,Gate No.- 4, 5th Floor, Kolkata-700001
Tel: 91-33-39847000, Fax: 91-33-39847004

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