



Premier Energies Ltd

Industry: Solar Photovoltaic (PV) Manufacturing

Date: 26th August 2024

Rating
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Issue Highlights

Premier Energies IPO is a book-built issue of Rs 2,830.40 crores. The issue is a combination of a Fresh Issue and Offer for Sale (OFS).

- The Fresh Issue of 2.87 crore shares aggregating to Rs 1,291.40 Crores at the upper end of the price band at Rs. 450 per share
- The OFS consists of 3.42 crore shares aggregating to Rs 1,539.00 crores at the upper end of the price band at Rs. 450 per share

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

Particulars	Rs. Cr
Investment in Premier Energies Global Environment Private Limited for part-financing the establishment of the Project	968.60
General corporate purposes*	[•]
TOTAL	[•]

*To be finalised upon determination of the Offer Price and updated in the Prospectus. The amount to be utilised for general corporate purposes shall not exceed 25% of the Gross Proceeds.

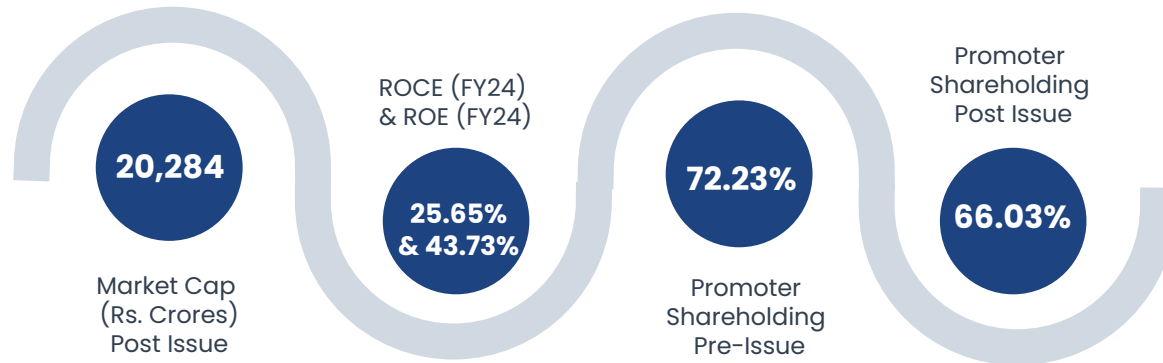


27th Aug 2024 ISSUE OPENS	to	29th Aug 2024 ISSUE CLOSES
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ISSUE DETAILS	
Price Band	₹427 to ₹450 per share
Face Value	₹1 per share
Total Offer Size	62,897,777 shares (aggregating up to ₹2,830.40 Cr)
Fresh Issue	28,697,777 shares (aggregating up to ₹1,291.40 Cr)
Offer for Sale	34,200,000 shares of ₹1 (aggregating up to ₹1,539.00 Cr)
Issue Type	Book Built Issue IPO
Minimum lot	33 shares
Listing on	BSE, NSE

Outlook

- Decent order book of Rs 5,926.57 Crores as of July 2024.
- Captured 15% market share in its core industry, becoming a top-three player.
- Healthy return ratios with ROE 43.73% and ROCE of 25.65%, above listed peers.
- Company to benefit from Govt. policies and renewable energy target of 500GW by 2030.



Indicative Timeline

On or before

Finalization of Basis of Allotment	Friday, August 30, 2024
Unblocking of Funds	Monday, September 2, 2024
Credit of shares to Demat Account	Monday, September 2, 2024
Listing on exchange	Tuesday, September 3, 2024

IPO Reservation

QIB Shares	Not more than 50% of the offer
HNI Shares	Not less than 15% of the offer
Retail Shares	Not less than 35% of the offer

Lot Size

Application	Lots	Shares	Amount
Retail (Min)	1	33	₹14,850
S-HNI (Min)	14	462	₹207,900
S-HNI (Max)	67	2,211	₹994,950
B-HNI (Min)	68	2,244	₹1,009,800
Retail (Max)	13	429	₹193,050

Company Overview

Premier Energies Ltd., founded in 1995, is one of India's leading integrated solar photovoltaic (PV) manufacturers, specializing in the production of high-efficiency solar cells and modules. With nearly three decades of industry experience, the company has evolved into a key player in the renewable energy sector, driving India's transition towards sustainable energy solutions. Premier Energies operates state-of-the-art manufacturing facilities in Hyderabad, Telangana, with a combined annual production capacity of 2 GW for solar cells and 4.13 GW for solar modules. The company's product portfolio includes advanced bifacial monocrystalline PERC cells and modules, which are designed to deliver superior performance and energy output. By integrating solar cell and module manufacturing, Premier Energies exercises full control over its supply chain, ensuring consistency in product quality and cost efficiency. Additionally, the company is actively involved in research and development, focusing on cutting-edge technologies such as TOPCon, which positions it at the forefront of innovation in the solar industry. Premier Energies also has a strong international presence, with significant exports to the United States and other global markets, underscoring its capability to meet the stringent quality standards required by international customers.

- **Integrated Solar Cell and Module Manufacturing:** With a combined annual installed capacity of 2 GW for solar cells and 4.13 GW for solar modules across its five manufacturing facilities in Hyderabad, Telangana. This integration allows the company to exercise greater control over its supply chain, ensuring consistency in quality and optimizing costs.
- **Advanced Technology Adoption:** The company manufactures advanced bifacial monocrystalline PERC cells using M10 wafers (182mm x 182mm), which are known for higher efficiency. The transition to monocrystalline PERC cells and plans to incorporate TOPCon technology reflects the company's commitment to staying at the forefront of technological innovation in solar cell manufacturing.
- **Scalability and Capacity Expansion:** Premier Energies is on track to commission a 1,000 MW TOPCon solar cell line in Unit II by Fiscal 2025, funded through a ₹669.4 Crore project finance arrangement with IREDA. This expansion will significantly enhance the company's production capabilities, allowing it to meet the growing demand for high-efficiency solar products in India and abroad.
- **First-Mover Advantage and Recognition:** The Unit II manufacturing facility is India's first LEED Gold-rated solar manufacturing facility, as certified by the U.S. Green Building Council (USGBC) in August 2022. This certification underscores Premier Energies' leadership in sustainable manufacturing practices.
- **Strategic Backward Integration:** The company's integrated structure has enabled it to tap into the market for DCR (Domestic Content Requirement) solar modules, which are increasingly favored under government initiatives like the PM-KUSUM and CPSU schemes. This backward integration reduces dependence on external suppliers and enhances Premier Energies' competitiveness in the domestic market.

- **Strong Order Book and Clientele:** As of July 31, 2024, Premier Energies boasts a robust order book valued at ₹ 5,926.57 Crores, including substantial orders for solar cells (₹ 1,891.12 Crores) and modules (₹ 3,823.17 Crores). The company's key customers include major industry players such as NTPC, TATA Power Solar, Panasonic, and Sembcorp, reflecting its strong market reputation and reliability.
- **Global Market Penetration:** Premier Energies was the largest Indian exporter of solar cells to the United States in FY24, capturing nearly 100% market share in a key global market.
- **Commitment to Sustainability:** Premier Energies has adopted several ESG initiatives, including a zero liquid discharge system that recycles 100% of the water used in manufacturing, with 91% recovered for reuse. Additionally, the company generates 10% of its manufacturing facilities' power consumption from 6.61 MW of solar panels installed on its rooftops. These initiatives have earned Premier Energies multiple awards, such as the Best Sustainability Practices – Silver Category by the Government of Telangana in 2022.
- **Experienced Leadership and Management Team:** The leadership is spearheaded by the company's Promoters, who have a combined experience of nearly 29 years in the solar industry, led by Chairman Surender Pal Singh Saluja and Managing Director Chiranjeev Singh Saluja, they have been pivotal in scaling the company's operations. The leadership team is supported by key managerial personnel with deep expertise in finance, strategy, and technology, which has been instrumental in driving the company's growth and innovation.
- **Strategic Investment and Financial Strength:** In September 2021, Premier Energies secured an investment of ₹ 177 Crores from South Asia Growth Fund II Holdings LLC and South Asia EBT Trust, highlighting investor confidence in the company's strategic direction. This financial backing supports ongoing expansion initiatives and positions Premier Energies for sustained growth.
- **Strong Market Position and Recognition:** According to F&S, Premier Energies is the second-largest integrated solar cell and module manufacturer in India, underscoring its significant market presence. The company's solar modules have been recognized as "top performers" by PV Evolution Labs in their PV Module Reliability Scorecard in 2023 and 2024, further establishing Premier Energies as a trusted brand in the solar industry.
- **Focus on Technological Innovation and R&D:** The company maintains a dedicated research and development team comprising 30 members who focus on solar cell process optimization. Premier Energies has equipped its R&D lab with advanced tools, including a spectroscopic ellipsometer and lifetime measurement tools, which facilitate continuous improvement in product efficiency and quality.

Risks

- **Geographical Concentration of Manufacturing Facilities:** All of the company's manufacturing facilities are concentrated in Telangana, India, which exposes the business to potential geographical risks. Localized disruptions due to factors such as economic conditions, natural disasters, or unforeseen events could lead to significant delays in manufacturing and shipping, adversely affecting operations and financial performance. Although the company has not experienced any material disruptions at its facilities in the past three fiscal years and the three months ended June 30, 2024, any future disruptions could severely impact the business.
- **High Working Capital Requirements:** The company's operations require significant working capital to manage the time lag between purchasing raw materials and realizing sales. For example, net working capital increased from ₹295.95 crores in FY24 to ₹462.99 crores in Q1FY25. Any inability to meet these requirements could result in financial strain, potentially leading to increased debt or the need for additional equity financing. A rise in inventory or creditor payable days, as experienced in past fiscal periods, could exacerbate these challenges.
- **Intense Market Competition:** The company faces intense competition from both domestic and international solar cell and module manufacturers. Competitors from countries with favorable trade agreements, such as ASEAN nations, pose significant threats to the company's market position.
- **Challenges in Winning EPC Project Bids:** The company's ability to secure engineering, procurement, and construction (EPC) projects depends on a competitive bidding process. Although the company bid for seven EPC projects in FY24, it won only one, valued at ₹141 crores. Similarly, the company submitted bids for four government tenders for solar modules but won only two, worth ₹2303.658 crores. Failure to win future bids could limit growth prospects and negatively impact financial performance.
- **Reliance on Non-Renewable Energy Sources:** The company's manufacturing processes for solar cells and modules currently rely heavily on non-renewable energy sources, despite having solar roofing capable of generating 6.61 MW of renewable energy. This reliance could lead to increased operational costs, especially if future regulations impose additional restrictions, taxes, or costs on the use of non-renewable energy.
- **Supply Chain Vulnerabilities Due to Import Restrictions:** The company imports a significant portion of its raw materials, including aluminum profiles, silicon wafers, and solar glass, primarily from China. For example, in FY24, imported materials from China constituted 48.47% of the total purchases. The imposition of import duties or restrictions on these materials, such as the Government of India's 25% basic customs duty on solar cells and the impending 10% duty on solar glass from October 1, 2024, could substantially increase production costs.

FINANCIALS

Income Statement (Rs. Cr)	FY24	FY23	FY22
Revenue from Operations	3,143.8	1,428.5	742.8
Other Income	27.5	34.7	24.2
Total Income	3,171.3	1,463.2	767.0
Expenses	2,665.7	1,350.2	713.1
EBITDA	505.6	113.0	53.9
Depreciation	96.0	53.2	27.6
EBIT	409.6	59.8	26.3
Finance Cost	121.1	68.6	43.0
PBT	289.5	-7.9	-15.6
Tax	57.9	5.4	-1.2
PAT	231.6	-13.3	-14.4
EPS (In Rs.)	5.5	-0.4	-0.4

Balance Sheet (Rs. Cr)	FY24	FY23	FY22
Equity And Liabilities			
Share Capital	196.1	196.1	196.1
Other Equity and Reserves	463.6	227.9	207.7
Borrowings	1,471.9	933.0	487.8
Other Liabilities	1,422.4	753.4	449.6
TOTAL EQUITY AND LIABILITIES	3,554.0	2,110.4	1,341.2
Assets			
Fixed Assets	1,203.0	591.9	478.4
CWIP	19.8	349.3	114.2
Cash & Cash Equivalents	402.8	193.4	159.5
Other Assets	1,928.4	975.8	589.1
TOTAL ASSETS	3,554.0	2,110.4	1,341.2

FINANCIALS

Revenue Bifurcation	FY24		FY23		FY22	
	Rs. Crore	%	Rs. Crore	%	Rs. Crore	%
Within India	2,704	86.0%	1,421	99.5%	736	99.1%
Outside India	439.7	14.0%	8	0.5%	6.8	0.9%
Total	3,144	100%	1,429	100%	743	100%

Notable Ratios and Key Performance Indicators

Particulars	FY24	FY23	FY22
EBITDA Margin (%)	16.08%	7.91%	7.26%
Net Profit Margin (%)	7.37%	-0.93%	-1.94%
ROCE (%)	25.65%	5.94%	3.63%
ROE (%)	43.73%	-3.18%	-4.66%
Return on Net Worth (RoNW%)	37.5%	-3.4%	-3.6%

Industry Outlook

India's manufacturing sector is rapidly evolving into a global hub, reflected by its substantial merchandise exports, which stood at USD 451 billion and USD 437 billion in FY2023 and FY2024, respectively. The sector contributes 17% to the nation's GDP and employs around 36 million people, with the Indian government targeting an increase to 25% of GDP by 2025. This growth is driven by various initiatives, including the Production Linked Incentive (PLI) schemes, GST implementation, and corporate tax reductions. The establishment of Project Development Cells (PDCs) within ministries further supports this ambition, facilitating swift investment in the manufacturing sector.

Parallel to its manufacturing prowess, India is also making significant strides in the power sector, positioning itself as the third-largest electricity producer and consumer globally, with an installed capacity of 442 GW at the end of FY2024. This capacity is projected to increase to 622 GW by FY2028, with renewables, particularly solar, playing a crucial role. India's renewable energy targets are ambitious, with plans to achieve 500 GW by 2030, 300 GW of which will be derived from solar power. Solar energy is pivotal in India's energy transition, supported by initiatives like the PM-KUSUM scheme, which aims to install 34.8 GW of solar capacity by 2026, and the Surya Ghar Muft Bijli Yojana, expected to generate 25-30 GW of rooftop solar installations over the next two to three years.

India's commitment to renewable energy is underscored by its goal to reach net-zero carbon emissions by 2070, with solar energy being a core pillar of this strategy. The country's solar potential is vast, estimated at 748 GWp, with an installed capacity of 73 GW as of December 2023, making India the fifth-largest solar energy producer globally. The solar sector is expected to continue its rapid growth, with installed capacity projected to reach 200 GW by FY2028. Solar power generation has increased fourfold since FY2018, contributing 116 billion units (BU) of electricity in FY2024, and its share in overall electricity generation is anticipated to exceed 15% by FY2028.

India's solar module manufacturing capacity has expanded dramatically, reaching approximately 72 GW by the end of FY2024, making it the third-largest solar module manufacturer globally, trailing only China and Vietnam. This capacity expansion represents a significant increase from just 4.2 GW in FY2017, reflecting a compound annual growth rate (CAGR) of 50.1%. The government's Production Linked Incentive (PLI) scheme has been a major driver of this growth, with two tranches allocated for integrated module manufacturing, totaling 48.3 GW.

The demand for solar modules in India is poised to continue its upward trajectory, with consumption growing at over 35% CAGR in FY2024. This trend is expected to accelerate further, with projections indicating that the market will grow to 58.0 GW by FY2028. This growth is driven by the country's ambitious target of achieving 300 GW of installed solar capacity by CY2030, as part of its broader energy transition goals.

India's solar cell manufacturing capacity, however, lags behind its module manufacturing capabilities, standing at 8.1 GW at the end of FY2024. Despite this shortfall, significant investments are being made to increase domestic cell manufacturing capacity, with more than 15 companies planning to establish integrated solar manufacturing plants, including solar cells, by FY2028. This expansion is expected to push the country's solar cell manufacturing capacity beyond 60 GW.

The market dynamics are also influenced by the practice of direct current (DC) overloading, where solar plants pair inverters with oversized DC module capacity to increase power generation during non-peak hours. This practice increases the demand for solar modules, further bolstering the manufacturing sector.

The Indian solar manufacturing sector is marked by a concentrated yet rapidly growing landscape. There are over 100 solar module manufacturers in the country, with the top 10 players controlling a cumulative manufacturing capacity of 50 GW by FY2024. Premier Energies, with an annual installed capacity of 4.13 GW, ranks as the fourth-largest module manufacturer in India. The top players include Waaree Energies, Renew Power, Tata Power Solar, Mundra Solar, Rayzon Solar, Vikram Solar, Goldi Solar, First Solar, and Emmvee Group.

This landscape is poised for further consolidation and expansion as more companies enter the market, supported by favorable government policies and the growing global demand for solar energy. The strategic importance of the solar manufacturing sector in India's broader energy transition and economic growth plans cannot be overstated, as it plays a crucial role in reducing the country's dependence on imported solar cells and modules, enhancing energy security, and contributing to the global fight against climate change.



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