

October 18, 2024

Scaling up further; Outlook remains robust...

About the Company: Waaree Energies (WEL), founded in 1990, is India's largest manufacturer of solar PV modules with the aggregate installed capacity of 13.3 GW. WEL currently operates five manufacturing facilities in Gujarat

- Company commands a market share of 21 % in domestic market and 40% share in the country's solar module exports. Order book stands at ~17 GW
- Revenue has zoomed 4x over the period FY22-24 to Rs 11398 crore in FY24 while EBITDA jumped sharply by 14x over the same period led by significant improvement in EBITDA margins (13.8% in FY24 vs 3.9% in FY22). Subsequently, PAT increased by 16x over the same period FY22-24 to Rs 1237 crore in FY24

Key triggers/Highlights:

- WEL is well positioned to capture industry tailwinds and growth prospects for solar energy in India and globally
- Global share of renewable electricity is expected to increase to 46% by CY30E from 30% in CY23. In all renewable electricity sources, solar is expected to contribute substantially to the growth over CY24-30
- Waaree is the largest solar PV module manufacturer in India with aggregate installed capacity of 13.3 GW, as of June 30, 2024. Waaree is in process of setting up a fully integrated 6 GW manufacturing facility for ingots, wafer, solar cells, and PV modules in Odisha. This capacity is expected to commence commercial operations in FY27E
- Company's total Solar PV module capacity will increase to 20.9 GW by FY27E. As of Q1FY25, company's order book stands at 16.6 GW
- Backward integration strategy will further enhance company's operations and increase profitability by integrating each stage of the production process to achieve cost savings and improve profit margins
- Company has successfully developed a global customer base, including customers in the United States, Canada, Italy, Turkey, Hong Kong and Vietnam

Our View & Rating

- Sales/PAT at WEL has grown at a CAGR of 100%/277% respectively over FY22-24, led by capacity scaleup and consistent improvement in EBITDA margin profile. WEL clocked EBITDA margins of 13.8% in FY24 with RoCE placed at 22%. At the upper end of the price band, WEL will command a valuation of ~35x P/E, ~22.4x EV/EBITDA & ~3.4x P/S on FY24 basis which is at a discount to its competitor i.e. Premier Energies
- We assign **SUBSCRIBE** rating on WAAENE given strong growth prospects amid industry tailwinds

Key risk & concerns

- Significant raw material procurement through imports, change in technology, increasing competition and Policy and regulatory uncertainty

Key Financial Summary

Key Financials (₹ crore)	FY22	FY23	FY24	2 years CAGR (FY22-24)
Net Sales	2,854.3	6,750.9	11,397.6	100%
EBITDA	110.9	834.6	1,574.4	276.7%
EBITDA Margins (%)	3.9	12.4	13.8	
Net Profit	75.6	482.8	1,237.2	304%
Reported EPS	3.8	21.8	48.1	
RoNW (%)	17.7	26.3	30.3	
RoCE (%)	8.2	26.3	21.6	
P/E	391.7	68.9	34.9	

Source: RHP, ICICI Direct Research; Valuation at upper limit of price band i.e. ₹ 1,503



IPO Details

Issue Details	
Issue Opens	21st Oct 2024
Issue Closes	23rd Oct 2024
Issue Size	~Rs 4,321.4 crore
QIB (Institutional) Share	50% of issue
Non-Institutional Share	15% of issue
Retail Share	35% of issue
Issue Type	Book Built Issue IPO
Price Band (Rs/share)	Rs 1,427-1,503
Market Lot	9 shares
Face value (Rs/share)	Rs 10
Listing Market Cap @ Upper price band	~Rs 43000 crore

Shareholding pattern

	Pre-Issue	Post-Issue
Promoters	71.8	64.3
Public	28.2	35.7
Total	100.0	100.0

Objects of the issue

Net proceeds of the fresh issue are proposed to be utilised for part financing the cost of establishing the 6GW of Ingot Wafer, Solar Cell and Solar PV Module manufacturing facility in Odisha

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Company Background

Waaree Energies Ltd. (WEL), founded in 1990, is India’s largest manufacturer of solar PV modules with the aggregate installed capacity of 13.3 GW. In 2007, WEL entered solar PV module manufacturing with an aim to provide quality, cost-effective sustainable energy solutions across markets. With largest solar PV module manufacturing capacity in India, it commands a market share of 21 % in domestic market and 40% share in the country’s solar module exports. WEL has significantly expanded its installed capacity from 4 GW in Fiscal 2022 to 13.3 GW in 2024. WEL had the second best operating income among all the domestic solar PV module manufacturers in India.

WEL currently operates five manufacturing facilities in India spread over an area of 143.01 acres. They operate one factory each located at Surat (0.23 GW), Tumb (1 GW), Nandigram (1.11 GW), Chikhli (9.66 GW) in Gujarat, India and the IndoSolar Facility (1.3 GW), in Noida, Uttar Pradesh. WEL 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.

Exhibit 1: Revenue Mix

Particulars	FY22	FY23	FY24	Q1FY25
Total Revenue	2,843.6	6,608.0	11,371.2	3,400.5
India (% of total)	76.9%	30.1%	42.2%	60.6%
Exports (% of total)	23.1%	69.9%	57.8%	39.4%
USA (% of exports)	98.3%	98.7%	99.6%	100.0%

Source: RHP, ICICI Direct Research

Exhibit 2: Plant wise capacities (GW)

Manufacturing Facilities	FY22	FY23	FY24	Q1FY25
Surat	0.5	0.2	0.2	0.2
Tumb	1.0	1.0	1.0	1.0
Nandigram	0.5	1.3	1.1	1.1
Chikhli	2.0	6.5	9.7	9.7
Indosolar	0.0	0.0	0.0	1.3
Total	4.0	9.0	12.0	13.3

Source: RHP, ICICI Direct Research

Exhibit 3: Company largest plant at Chikhli (Gujarat)

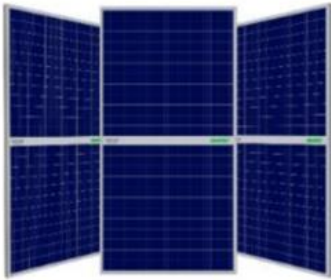


Source: RHP, ICICI Direct Research

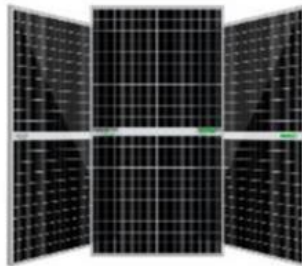
Exhibit 4: Product portfolio

PV Modules

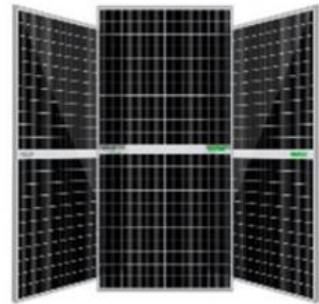
Poly Aditya Series 250Wp-350 Wp



Mono Perc Arka Series 315 Wp-400 Wp



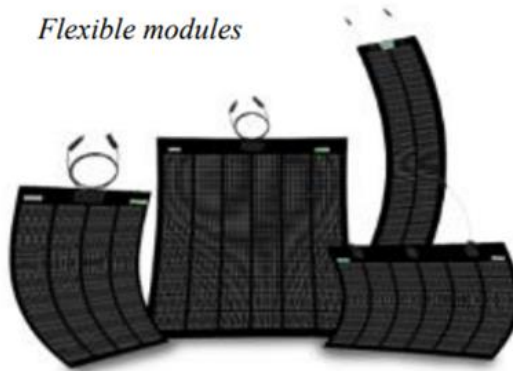
Bifacial AHNAY Series Bi-25-380 to Bi-68-665



IPV 390 Wp-400 Wp Customized Wp



Flexible modules



Source: RHP, ICICI Direct Research

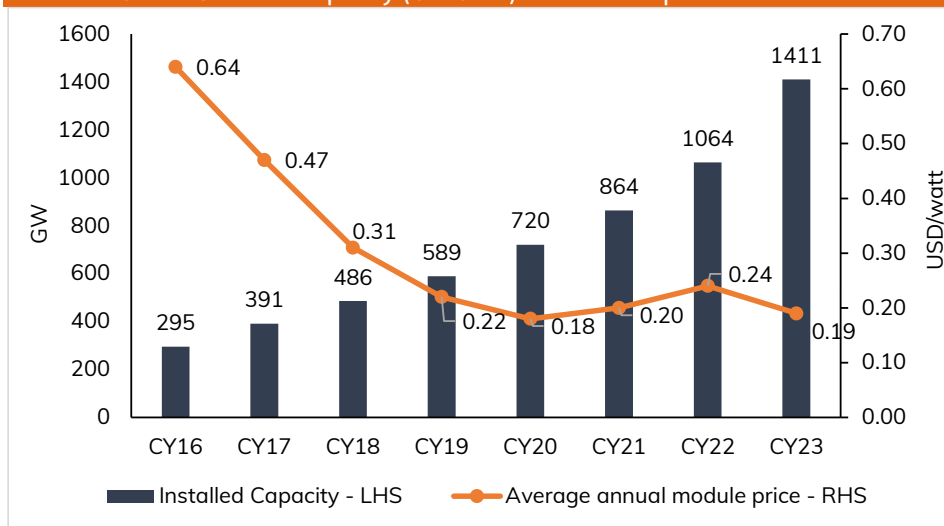
Industry Overview

Global solar PV Industry: Installed capacity has increased by ~25% CAGR over CY16-23; expected to grow ~14% CAGR over CY23-28E

Globally, Solar PV capacity has increased at ~25% CAGR over CY16-23, taking the total installed capacity to 1411 GW in CY23. In CY23, China continued to lead the market with total cumulative capacity of ~609 GW (~43% of total), whereas the Europe Union (EU) came in second with ~255 GW (~18% of total), followed by United States (US) with ~138 GW (~10% of total) and Japan at ~89 GW (~6% of total). India's solar PV capacity stood at ~73 GW in CY23 (~5% of total)

However, the rapid increase in capacities over the years have led to oversupply, causing module prices to plummet significantly. The module prices have declined from USD 0.64/watt in CY16 to USD 0.19/watt in CY23

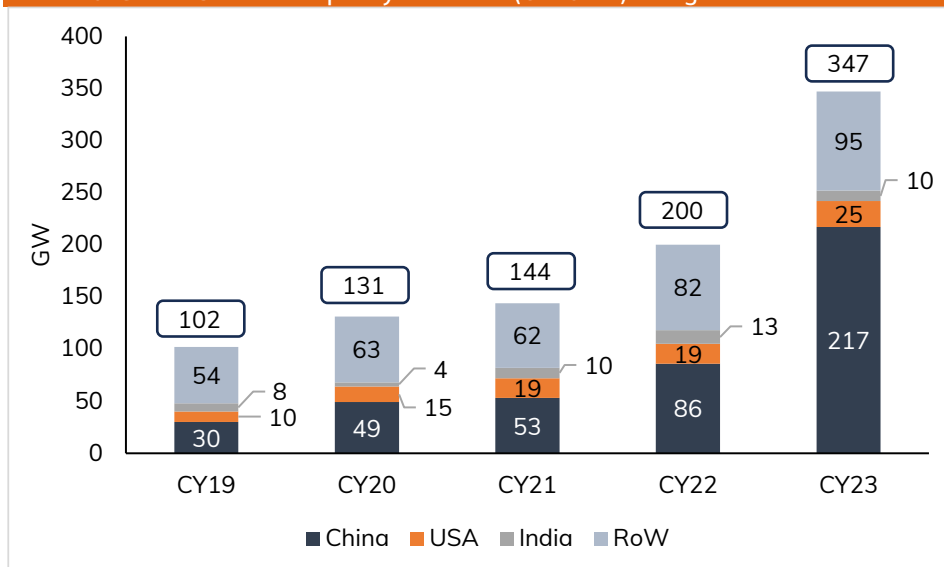
Exhibit 5: Global Solar PV capacity (CY16-23) and module price trend



Source: RHP, ICICI Direct Research

Globally ~347 GW of Solar PV capacity was added in CY23, of which 217 GW was added by China (~62% of total addition). EU and US added 51 GW and 25 GW of Solar PV capacity respectively in CY23, while India added 10 GW during the year

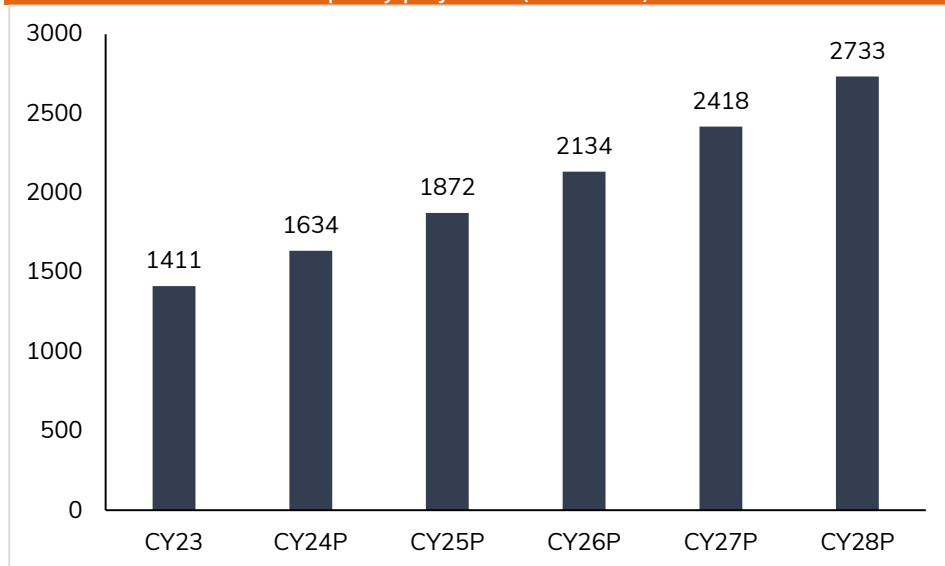
Exhibit 6: Global Solar PV capacity additions (CY16-23) – Region wise



Source: RHP, ICICI Direct Research

As per IEA analysis, the cumulative Solar PV capacity is expected to increase at ~14% CAGR over CY23-29E to 2733 GW by CY28, surpassing other sources of power (like hydropower, natural gas, coal) to become the largest installed electricity capacity worldwide

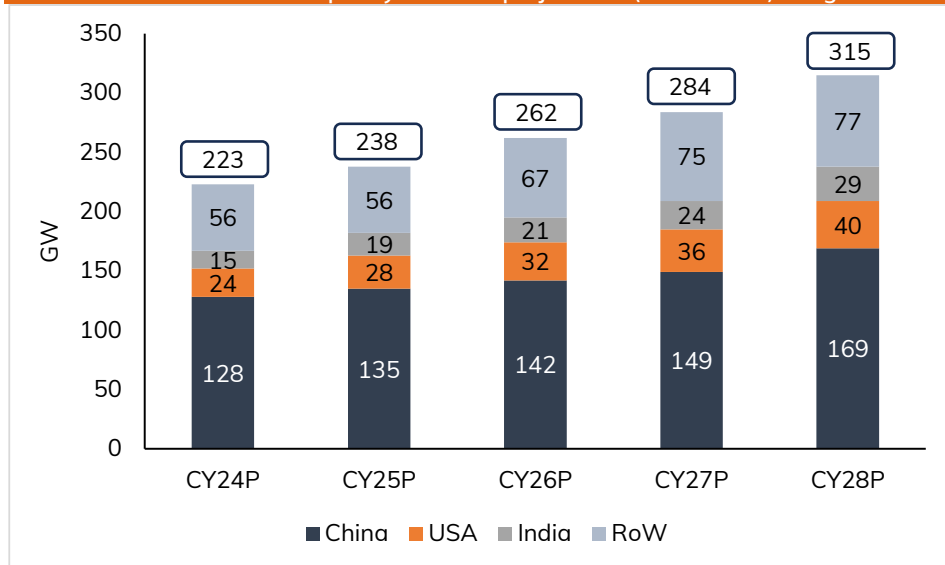
Exhibit 7: Global Solar PV capacity projection (CY23-28E)



Source: RHP, ICICI Direct Research

Of the total cumulative addition of ~1322 GW globally over CY24E-28E, China is expected to lead with ~723 GW of cumulative addition (~55% of total). US & India are expected to add cumulative capacities of 160 GW and 108 GW respectively

Exhibit 8: Global Solar PV capacity addition projections (CY24E-28E) – region wise



Source: RHP, ICICI Direct Research

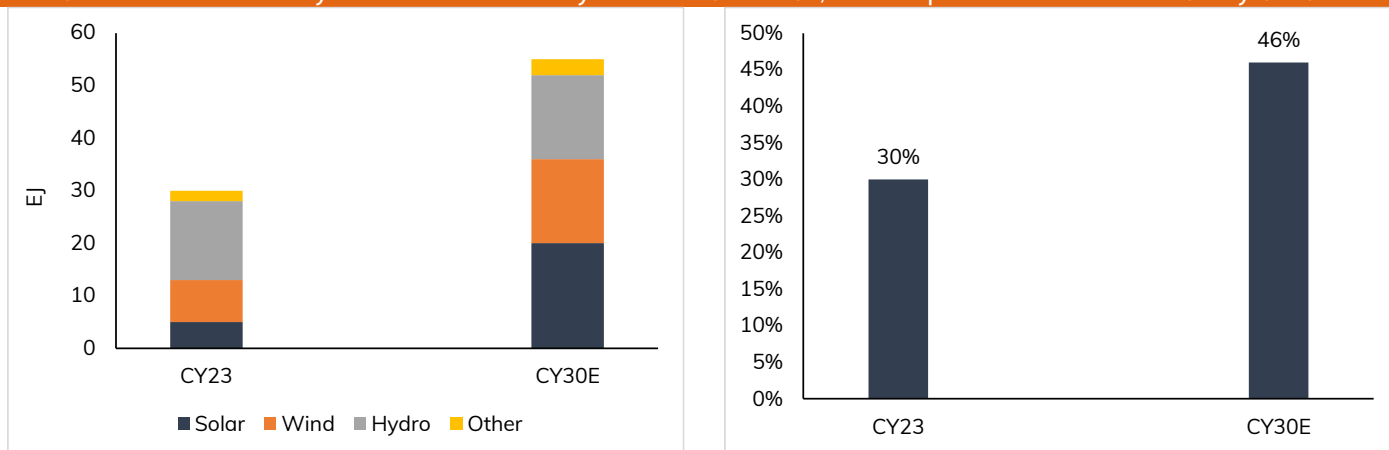
Investment Rationale

Renewable electricity consumption estimated to increase by 1.8x globally over CY23-30E

As per International Energy Agency (IEA), global renewable electricity consumption to increase sharply by ~1.8x over CY24-30E (as shown in Exhibit 9). Moreover, share of renewable electricity is expected to increase to 46% by CY30E from 30% in CY23

In all renewable electricity sources, solar is expected to contribute substantially to the growth over CY24-30.

Exhibit 9: Renewable electricity demand to increase by 1.8x over CY23-30E; share expected to increase to 46% by CY30E



Source: IEA, ICICI Direct Research

Exhibit 10: Company's strengths



Source: RHP, ICICI Direct Research

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

Waaree is the largest solar PV module manufacturer in India with aggregate installed capacity of 13.3 GW, as of June 30, 2024. Over the years, company has significantly expanded its aggregate installed capacity from 4 GW in FY22 to 12 GW, as of Q1FY25. Subsequent to June 30, 2024, company has commissioned 1.3 GW of solar module manufacturing facility at Noida, Uttar Pradesh through its subsidiary, Indosolar Limited

Currently, company operate four manufacturing facilities in India (Surat, Tumb, Nandigram and Chikhli), all in Gujarat. All the manufacturing facilities are supported by infrastructure for storage of raw materials, manufacture of products (PV modules), storage of finished goods, together with quality control mechanisms. Company's module manufacturing lines can produce both multicrystalline and monocrystalline modules

Company believes that its extensive experience in the solar PV module manufacturing business, deep market penetration together with significant and regular capacity expansion of its solar PV module manufacturing as well as backward integration into manufacturing of solar cells, position it well to capture the growing demand for solar energy products domestically and internationally.

Exhibit 11: Capacity breakup – plant wise

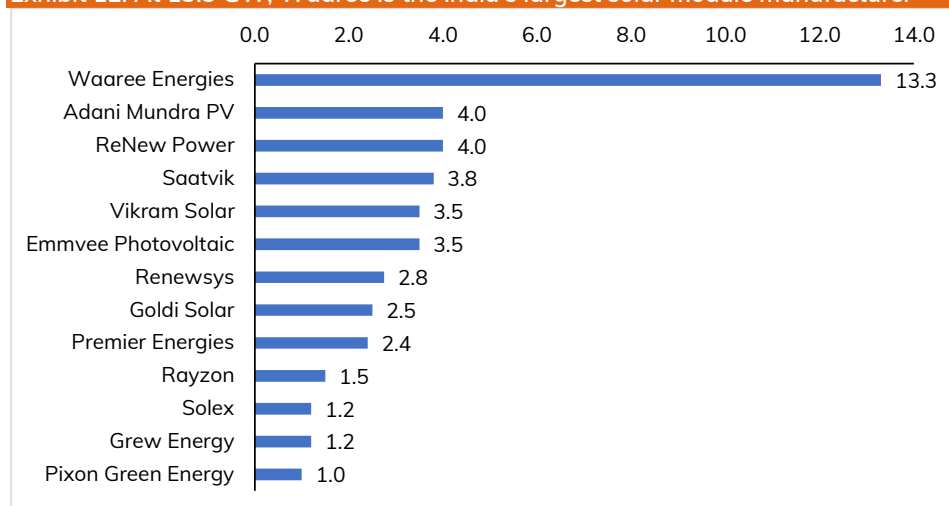
Manufacturing Facilities	FY22	FY23	FY24	Q1FY25
Surat	0.5	0.2	0.2	0.2
Tumb	1.0	1.0	1.0	1.0
Nandigram	0.5	1.3	1.1	1.1
Chikhli	2.0	6.5	9.7	9.7
Indosolar	0.0	0.0	0.0	1.3
Total	4.0	9.0	12.0	13.3

Source: RHP, ICICI Direct Research

Company is also one of the largest retail players in India with a pan-India franchisee network focused on the rooftop and MSME business verticals. As of June 30, 2024, company had 369 franchisees and distributors across India. The Government had proposed to achieve 100 GW of solar energy by FY22, of which 40 GW was proposed to be added under rooftop-based solar systems, which was extended to FY26. However, it is estimated that approximately 12.5 GW of rooftop capacity was installed till May 2024, with ~593 MW added in two months of FY25 against 620 MW in two months of FY24.

For FY24, Waaree had the second best operating income among all the domestic solar PV module manufacturers in India and is well positioned to capture industry tailwinds and growth prospects for solar energy in India and globally. Revenue has zoomed 4x over the period FY22-24 to Rs 11398 crore in FY24 while EBITDA jumped sharply by 14x over the same period led by significant improvement in EBITDA margins (13.8% in FY24 vs 3.9% in FY22). Subsequently, PAT increased by 16x over the same period FY22-24 to Rs 1237 crore in FY24.

Exhibit 12: At 13.3 GW, Waaree is the India's largest solar module manufacturer



Source: RHP, ICICI Direct Research

Expanding solar module capacity to ~21 GW with backward integration into solar cells, ingots-wafers

Waaree is in process of setting up a fully integrated 6 GW manufacturing facility for ingots, wafer, solar cells, and PV modules in Odisha with a total capex of ~₹ 8900 crore. This capacity is expected to commence commercial operations in FY27E. The project will be funded through a mix of debt (Rs 5518 crore), internal accruals (~Rs 610 crore) and IPO money (Rs 2775 crore)

Also, company is setting up a solar cell manufacturing capacity of 5.4 GW at Chikhli (expected to be operational by FY25E). Company is also in process of setting up a solar module capacity of 1.6 GW in US, which is also expected to commence operations in FY25E.

With all these expansions, company’s total Solar PV module capacity will increase to 20.9 GW by FY27E. As of Q1FY25, company’s order book stands at 16.6 GW

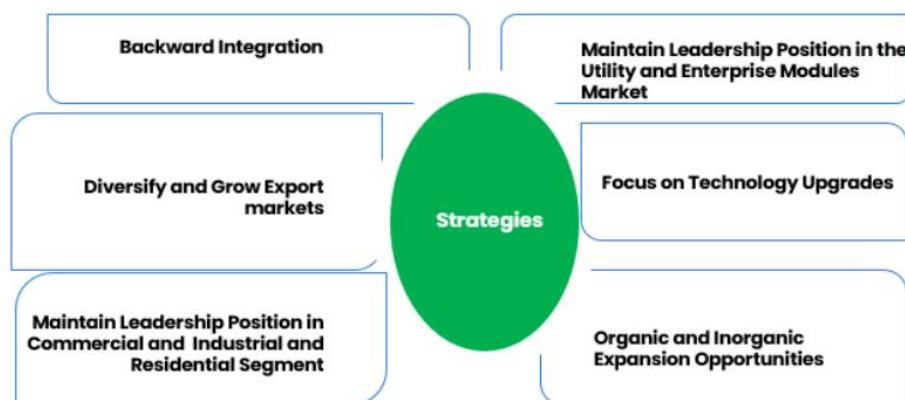
Backward integration strategy will further enhance company’s operations and increase profitability by integrating each stage of the production process to achieve cost savings and improve profit margins. By increasing backward integration measures, company will be in a position to control the quality and availability of materials which in turn will reduce reliance on external suppliers and enhance ability to negotiate more favourable pricing from customers. By vertical integration into activities such as cell assembly and module production, company intends to focus on reducing lead time in production

Exhibit 13: Capacity expansion plan

Particulars	Existing	Phase – I	Phase-II (Proposed)		Total
		(Ongoing)	Domestic	United States	
Solar PV module capacity (GW)	13.3	0.0	6.0	1.6	20.9
Solar cell capacity (GW)	0.0	5.4	6.0	0.0	11.4
Ingot-Wafer capacity (GW)	0.0	0.0	6.0	-	6.0
Commencement / Expected date of commercial operations		FY25	FY27	FY25	

Source: RHP, ICICI Direct Research

Exhibit 14: Business Strategy



Source: RHP, ICICI Direct Research

Focus on exports

Company has successfully developed a global customer base, including customers in the United States, Canada, Italy, Turkey, Hong Kong and Vietnam. Over the years, company has focused on increasing Export Sales. Further, net PV importers such as the United States have implemented several policies throughout time to reduce their reliance on China for PV products by introducing tariff barriers such as anti-dumping duties. The recently initiated anti-dumping investigation in the US against South East Asian imports is expected to be another key catalyst for Indian module manufacturers. Exports are expected to remain high between FY24 and FY28, reaching 25 GW, driven by domestic capacity additions of 60GW – 65GW

Risk and Concerns

Significant raw material procurement through imports

A significant part of company's materials used in the production of modules, particularly solar cells, is imported from China and other South East Asian jurisdictions. In FY24, company procured ~90% of its raw material through imports. Any restrictions, either from the Govt or any state or provincial government or governmental authority, or from restrictions imposed by any other applicable authorised bilateral or multilateral organisations, on such imports from China and other jurisdictions in which its principal suppliers are located, may adversely affect company's business operations and prospects

Change in technology

Solar PV manufacturing advancing towards more efficient and cheaper modules. Any changes in solar technology can shift demand towards newer products, rendering existing inventory less desirable. All technology know-how and even manufacturing lines and installation personnel for new PV cell and module lines, being set up currently, are coming mostly from Chinese suppliers. Therefore, maintaining high quality standards and keeping up with rapid technological advancements can be challenging for this industry. Solar cell manufacturing plant face significant technological risk of obsolescence as compared to solar panel manufacturing due to rapid advancements in solar cell technology

Policy and regulatory uncertainty

The solar energy segment is largely dependent on government policies. Government policies play a crucial role in shaping the solar module manufacturing landscape in India. Key policy measures include applicability of ALMM, safeguard duty, BCD and solar module manufacturing PLI scheme. Despite a very supportive government, the policy framework has been in flux with several amendments and reversals. Policy formulation and implementation is often hampered by shifting and conflicting priorities, poor design, disjointedness between different arms of the government and disregard for practical considerations

Increasing competition

There are multiple players in this sector who have announced their plans to setup manufacturing facilities in India. The domestic manufacturer may face competition not only in the domestic market but also with the global players with established manufacturing base like China and Southeast Asia. Hence domestic manufacturers face stiff competition from cheaper and better-quality modules imported from China. Domestic manufacturers do not enjoy economies of scale like leading Chinese suppliers. Huge supply glut in China has led to prices falling sharply across the value chain threatening competitiveness of local manufacturers despite high import duties

Financial summary

Exhibit 15: Profit and loss statement ₹ crore

(Year-end March)	FY22	FY23	FY24
Total operating Income	2,854	6,751	11,398
Growth (%)	NA	136.5	68.8
Raw Material Expenses	2,388	5,316	9,014
Employee Expenses	57	124	177
Other Expenses	298	476	632
Total Op. Expenditure	2,743	5,916	9,823
EBITDA	111	835	1,574
Growth (%)	NA	652.3	88.6
Depreciation	43	164	277
Interest	41	82	140
Other Income	92	109	235
PBT	118	698	1,393
Total Tax	39	177	460
Reported PAT	76	483	1,237
Growth (%)	NA	538.2	156.3
Reported EPS (₹)	3.8	21.8	48.1
Diluted EPS (₹)	3.8	21.6	43.1

Source: DHRP, RHP, ICICI Direct Research

Exhibit 16: Cash flow statement ₹ crore

(Year-end March)	FY22	FY23	FY24
Profit before Tax	118	677	1,734
Add: Depreciation & Interest	77	222	370
(Inc)/dec in Current Assets	(255)	(2,948)	(447)
Inc/(dec) in CL and Provisions	790	3,668	1,039
Others	(29)	(59)	(391)
CF from operating activities	701	1,560	2,305
(Inc)/dec in Investments	(582)	(3,615)	(5,902)
(Inc)/dec in Fixed Assets	(496)	(865)	(1,342)
Others	404	2,387	3,904
CF from investing activities	(675)	(2,094)	(3,340)
Proceeds from Issuance of Equity	-	-	-
Borrowings, leases & interest	99	643	910
Dividend paid & dividend tax	(0)	(0)	(1)
CF from financing activities	99	642	909
Net Cash flow	125	109	(126)
Opening Cash	13	139	254
Closing Cash	139	254	122

Source: DHRP, RHP, ICICI Direct Research

Exhibit 17: Balance Sheet ₹ crore

(Year-end March)	FY22	FY23	FY24
Liabilities			
Equity Capital	197	243	263
Reserve and Surplus	231	1,595	3,825
Total Shareholders funds	428	1,838	4,088
Total Debt	313	273	369
Deferred Tax Liability	26	48	37
Minority Interest / Others	97	459	1,612
Total Liabilities	864	2,618	6,105
Assets			
Gross Block	748	1,381	1,993
Less: Acc Depreciation	137	290	557
Net Block	611	1,091	1,436
Capital WIP	123	537	1,341
Total Fixed Assets	734	1,628	2,778
Goodwill & Investments	20	24	37
Inventory	538	2,709	2,586
Debtors	93	313	971
Other Current Assets	168	634	529
Cash	139	254	121
Total Current Assets	938	3,909	4,207
Creditors	535	1,432	1,475
Provisions	2	28	225
Other current liabilities	837	3,342	3,509
Total Current Liabilities	1,374	4,802	5,208
Net Current Assets	(435)	(893)	(1,001)
Others	129	285	486
Application of Funds	864	2,618	6,105

Source: DHRP, RHP, ICICI Direct Research

Exhibit 18: Key ratios

(Year-end March)	FY22	FY23	FY24
Per share data (₹)			
EPS	3.8	21.8	48.1
Cash EPS	6.0	29.2	58.8
BV	21.7	83.1	158.8
Cash Per Share	18.6	78.5	146.8
Operating Ratios (%)			
EBITDA Margin	3.9	12.4	13.8
PBT / Net sales	2.4	9.9	11.4
PAT Margin	2.7	7.2	10.9
Inventory days	68.8	146.5	82.8
Debtor days	11.8	16.9	31.1
Creditor days	68.4	77.4	47.2
Return Ratios (%)			
RoE	17.7	26.3	30.3
RoCE	8.2	26.3	21.6
Valuation Ratios (x)			
P/E	391.7	69.7	34.9
EV / EBITDA	348.3	44.6	22.4
EV / Net Sales	13.5	5.5	3.1
Market Cap / Sales	13.6	5.7	3.4
Price to Book Value	69.3	18.1	9.5
Solvency Ratios			
Debt/EBITDA	2.8	0.3	0.2
Debt/Equity	0.7	0.1	0.1
Current Ratio	1.3	1.8	1.8
Quick Ratio	0.4	0.5	0.7

Source: DHRP, RHP, ICICI Direct Research; Valuations at upper end of price band i.e. ₹ 1,503

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Avoid: Do not apply for the IPO

Subscribe only for long term: Apply for the IPO only from a long term investment perspective (>two years)



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