

29 August 2024

Premier Energies – SUBSCRIBE

Investment Thesis

Premier Energies Ltd. (Premier Energies) is coming out with an initial public offering (IPO) on August 27, 2024. The issue comprises of fresh issue of 28,697,777 equity shares worth Rs.12,914.0mn at highest price band and offer for sale of 34,200,000 equity share worth Rs.15,390.0mn. Objective of the issue is to use fund for part-financing the establishment of a 4 GW Solar PV TOPCon Cell and 4 GW Solar PV TOPCon Module manufacturing facility in Hyderabad, Telangana.

Premier Energies is India's second-largest integrated solar cell and module manufacturer with an annual installed capacity of 2 GW for solar cells and 4.13 GW for solar modules. It has consistently expanding its capacity significantly over the past decades in line with market demand. Premier Energies' strategic focus on advanced manufacturing technologies, such as bifacial monocrystalline PERC and TOPCon cells positions it well to capture an increasing market share in India's rapidly growing solar industry. Its five state-of-the-art manufacturing facilities demonstrate its dedication to operational excellence and sustainable practices. With plans to further increase its capacity through a 1,000 MW TOPCon solar cell line and an additional 4 GW TOPCon module line, Premier Energies is poised to capitalize on the increasing demand for solar power driven by India's clean energy targets.

Premier Energies is at the forefront of technological advancements in the solar industry, leveraging cutting-edge technologies such as TOPCon and bifacial monocrystalline PERC cells. These innovations enable higher efficiency and better performance, distinguishing Premier Energies' products in a highly competitive market. Its ability to manufacture customizable solar modules, including bespoke solutions like solar tiles, demonstrates its flexibility and commitment to meeting diverse customer needs. By integrating advanced technologies into its manufacturing process, Premier Energies enhances the value proposition of its products, making them more attractive for both domestic and international clients. Additionally, its planned entry into ingot and wafer production represents a significant forward leap in vertical integration, further securing its supply chain and enhancing competitiveness.

Financials

- During the past 3 years, revenue of Premier Energies grew at a CAGR of 64.9% while PAT grew at CAGR of 114.4% in same period.

Consol. (Rs.Mn.)	FY21	FY22	FY23	FY24
Revenue	7,015	7,429	14,285	31,438
EBITDA	537	296	782	4,778
EBITDA Margin(%)	7.7%	4.0%	5.5%	15.2%
PAT	235	-144	-128	2,314
EPS (Rs.) #	0.8	-0.5	-0.4	7.9
P/E (x) *#	560.0	-915.7	-1026.5	56.8
RoE (%) #	10.4%	-6.3%	-5.3%	35.9%

* At highest price band # Post listing

IPO Details

Issue Open Date	27 August 2024
Issue Close Date	29 August 2024
Price Band (Rs.)	Rs.427 – Rs.450
Issue Size*	Rs. 28,304.0Mn
Issue Size (Shares)	62,897,777
Market Lot	33 Shares
Listing Exchanges	BSE and NSE
Face Value (Rs.)	Rs. 1/-

* At highest price band

Key Details

Fresh Issue*	Rs. 12,914.0Mn
Issue Type	Book Building
Book Running Lead Manager	Kotak Mahindra Capital, J.P. Morgan India and ICICI Securities
Issue structure	QIB: 20% Non Institutional: 15% Retail: 35% Anchor Investors: 30%
Credit of Shares to Demat Account	2 September 2024
Issue Listing Date	3 September 2024

* At highest price band

Key Business Highlights

- Premier Energies engaged in business of manufacturing integrated solar cell and solar panel. Its product portfolio includes Cell, Solar Module, Monofacial modules, Bifacial modules, EPC Solutions and O&M Solutions.
- Premier Energies has five manufacturing units, all of which are situated in Hyderabad, Telangana. Its clientele includes NTPC, TATA Power Solar Systems, Panasonic Life Solutions, Continuum, Shakti Pumps, First Energy, Bluepine Energies, etc.
- Premier Energies export its products to United States, Hong Kong, South Africa, Bangladesh, Norway, Nepal, France, Malaysia, Canada, Sri Lanka, Germany, Hungary, the United Arab Emirates, Uganda, Turkey, South Korea, China, Taiwan and Philippines.

Valuation

- Premier Energies has an order book of Rs.59,266mn as of July 31, 2024 which shows its strong market positioning and trusted relationships with key clients. This includes significant orders from major domestic players like NTPC and Continuum, as well as international agreements that highlight its expanding global footprint. With a balanced mix of orders across different product lines, including non-DCR and DCR solar modules, solar cells, and EPC projects, Premier Energies is well-positioned to navigate market fluctuations. As it continues to execute and deliver on these high-value contracts, its credibility and market influence will likely strengthen, further solidifying its status as a key player in the global solar industry.
- Premier Energies' vertical integration strategy enhances its cost efficiency and operational control, providing a significant competitive advantage. Its manufacturing capabilities span from solar cells to fully assembled modules, enabling tighter quality control and better cost management. With plans to extend this integration further into ingot and wafer production, Premier Energies is positioning itself to capture more value within the supply chain. This move not only reduces dependency on external suppliers but also addresses traceability concerns, particularly for international clients in regions like the US, where supply chain transparency is increasingly critical. By optimizing its manufacturing footprint and leveraging economies of scale, Premier Energies can offer competitively priced products, strengthening its market position against less integrated competitors who face higher input costs and supply chain uncertainties.
- Premier Energies' strategic move to expand its manufacturing footprint internationally, particularly in the US, is a significant growth driver. The company has signed a letter of intent with Heliene USA Inc. to develop a TOPCon solar cell manufacturing facility, marking its entry into one of the world's largest solar markets. The partnership will allow Premier Energies to leverage local expertise, navigate regulatory landscapes more effectively and access a new customer base that values domestic production.
- With India's second-largest integrated solar cell and module manufacturer, annual installed capacity of 2 GW for solar cells and 4.13 GW for solar modules, leveraging cutting-edge technologies such as TOPCon and bifacial monocrystalline PERC cells and vertical integration strategy enhances its cost efficiency and operational control, we are recommending **SUBSCRIBE** rating to the IPO of Premier Energies Ltd. (Premier Energies) for medium to long term perspective.

Risk & Concern

- High dependency on top clients as top-5 and top-10 clients contributed 43.4% and 67.0% of revenue in FY24.
- All the five manufacturing facilities of units of Premier Energies are located in Hyderabad, Telangana, which is exposing it to geographic risk.
- Premier Energies' business is dependent on the regulation and policy related to renewable energy sector, any change in regulation and policy may affect future growth.

Graphs & Charts

Figure 1: Net Sales Trend

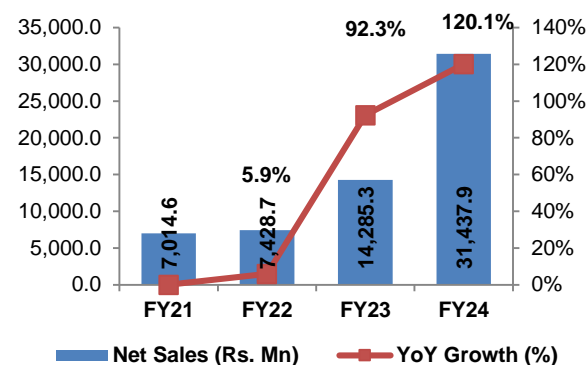


Figure 2: EBITDA & EBITDA Margin Trend

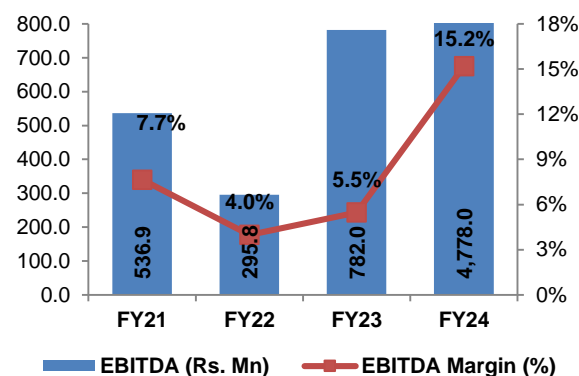


Figure 3: PAT Trend

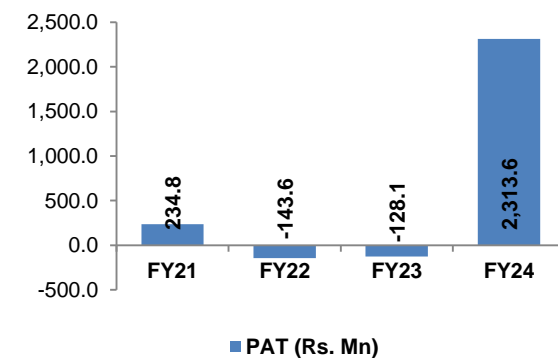
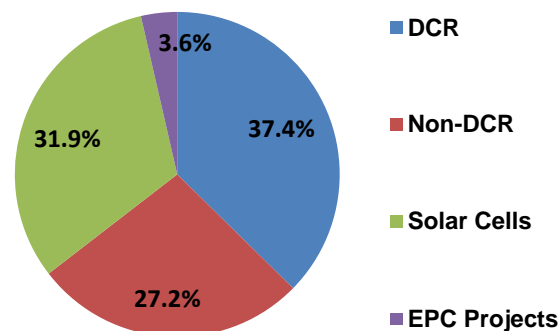


Figure 4: Segment-wise Orderbook (FY24)



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