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REWARDING RELATIONSHIPS

INITIAL PUBLIC OFFER (IPO)
26-08-2024

PREMIER ENERGIES LTD 27-08-2024 - 29-08-2024

Industry: Other Electrical Equipment
Recommendation: Subscribe for long term

Price Band: ₹427 - 450
Post Implied Market Cap: – ₹19,314 - ₹20,285Cr

Key Data

Issue Size (₹ Cr)	2,752 - 2,831
Fresh (₹)	1,291
OFS (₹)	1,539
No. of shares offered	6,44,56,279 - 6,29,09,198
Face Value (₹ /share)	1
Bid Lot	33

Indicative Timetable

Activity	On or about
Finalisation of Basis of Allotment	30-08-2024
Refunds/Unblocking ASBA Fund	02-09-2024
Credit of equity shares to DP A/c	02-09-2024
Trading commences	03-09-2024

Shareholding (No. of shares)

Pre-Issue	422,065,168
Post Issue (Lower price band)	452,321,448
Post Issue (Higher price band)	450,774,367

Shareholding Pattern

Promoter & promoter group:	
Pre Issue	72.23%
Post Issue	66.03%
Public - Others:	
Pre Issue	27.77%
Post Issue	33.97%

Issue Breakup

QIB	50%
NIB	15%
Retail	35%

Other Details

BRLMs: Kotak Mahindra Capital, J.P. Morgan India, ICICI Securities

Registrar: KFin Technologies ltd.

Listing: BSE & NSE

Research Analyst

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About the Company

Premier Energies Ltd (Premier) is India's 2nd largest integrated solar cell and module manufacturer, with 29 years of industry experience. As of March 31, 2024, it has an annual installed capacity of 2 GW for solar cells and 4.13 GW for solar modules, making it the leading solar cell exporter to the US. The company operates 5 manufacturing facilities in Hyderabad and manages its operations through 8 subsidiaries in India and overseas.

Investment Rationales

- **Integrated solar cell and solar module manufacturer:** Premier 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 as of March 31, 2024. Operating from five facilities in Hyderabad, the company plans to add a 1,000 MW TOPCon solar cell line by 2025. Its integrated structure positions it well to benefit from government initiatives like the PM-KUSUM Scheme and Grid Connected Solar Rooftop Programme, which emphasize the use of domestically produced solar modules.

- **Long track record in the solar module manufacturing sector:** The company which began solar module manufacturing in 1999, has expanded to a 4.13 GW annual capacity. This includes advanced TOPCon and HJT technology lines, with the latest units commissioned in 2023 and 2024. The company's automated production reduces errors, ensuring high-quality output. Premier has been recognized as a "top performer" in module reliability by PV Evolution Labs in 2023 and 2024. This recognition has strengthened its position as a supplier to IPPs and EPC players and as an OEM provider for companies like Panasonic, Luminous, and Axitec.

- **Experienced in solar cell line production:** In 2022, Premier transitioned from producing polycrystalline to monocrystalline PERC solar cells for higher efficiency. Now, the company is shifting to TOPCon solar cells, which offer even greater efficiencies of 24.5% to 25.2%. Leveraging its extensive experience in solar cell manufacturing, Premier Energies can bypass initial stabilization lead times for new production lines, giving it a competitive edge. The company's 30-member R&D team, equipped with advanced tools, plays a crucial role in optimizing solar cell processes and maintaining technical expertise.

- **Diversified customer base with customer relationships both within India and overseas with a robust order book:** Company leverages its significant annual installed capacity and strong market position to offer competitive pricing, attracting a large and diverse customer base both domestically and globally. The company serves customers across 23 states in India and has seen steady growth in its customer base, with key clients including Continuum, Shakti Pumps, and Arka Energy Inc. (U.S.A). As of July 31, 2024, Premier Energies had an order book of ₹ 5,926.56 cr, covering non-DCR and DCR solar modules, solar cells, and EPC projects. Notable contracts include a 350 MW module supply agreement and a significant order from NTPC for 611.04 MW bifacial solar modules. The company also secured long-term supply agreements, such as a 4-year deal with an Indian renewable power producer and a letter of understanding for 500 MW of solar cells with a U.S. customer.

Risk

- Government regulation and policy dependency.
- High revenue dependency on limited customers.
- Competition intensive business.

MView

We believe Premier Energies Ltd IPO gives investors an opportunity to invest in India's second-largest integrated solar cell and module manufacturer. With a robust annual capacity of 2 GW for solar cells and 4.13 GW for modules, the company is well-positioned to capitalize on the growing demand for renewable energy. We think the company's planned expansion into TOPCon solar cells by 2025, coupled with its established expertise in high-efficiency monocrystalline PERC technology, underscores its commitment to innovation and market leadership. We also believe Premier's strong order book of ₹ 5,926.56 cr, including significant contracts with key players like NTPC and long-term supply agreements, further enhances its growth prospects. By looking at the financials the company has shown significant financial improvement, with revenues from operations soaring by 92.3% in FY 2023 and an impressive 120.1% in FY 2024. Whereas net profit surged to ₹ 231.40 cr in FY 2024 from loss of ₹ 14.4 cr in FY 2022. This financial volatility can be attributed to the company's expansion of its 750 MW cell line, a process that required 2 to 2.5 years to stabilize and achieve optimal efficiency, leading to saleable production. On valuation parse at the upper band of ₹ 450/-, the issue is asking for a market cap of ₹ 20285 cr. Based on FY 2024 annualised earnings and fully diluted post-IPO paid-up capital, the company is asking for a PE of 25.6x which seems reasonable looking at its financial performance and market expansion in the renewable energy sector. Given the company's strategic alignment with government initiatives promoting domestic solar production, alongside its diversified customer base and recognition as a top performer in module reliability, suggests a promising future. Hence, we recommend investors to "SUBSCRIBE" the Premier Energies Ltd IPO for a long term perspective. As the company is the 2nd largest solar cell manufacturer in terms of annual installed capacity in India, we believe the market could give a premium multiple towards its leadership position; this may result in delivering healthy listing gains over above 25% on its issue price.

CONSOLIDATED FINANCIAL TABLES

BASIC FINANCIAL DETAILS

Particulars ₹ (in Cr)	As at June 30		As at March' 31		
	2023 (03)	2024 (03)	2024	2023	2022
Equity Share Capital	33.40	26.30	26.30	26.3	26.3
Net worth	817.10	413.90	617.60	382.00	393.40
Total Borrowings	1,200.20	822.20	1,392.20	763.50	453.30
Revenue from Operations	1,657.40	611.00	3,143.80	1,428.50	742.90
Revenue Growth	171.20	-	120.10	92.30	-
EBITDA	369.70	76.70	505.30	112.90	53.70
EBITDA Margin (%) as stated	22.20%	12.40%	15.90%	7.70%	7.00%
Net Profit for the Year	198.20%	31.30	231.40	-13.30	-14.40
Net Profit Margin	11.90%	5.10%	7.30%	-0.90%	-1.90%
EPS	5.90	0.90	6.90	-0.40	-0.40
RONW (%)	24.30	7.60	37.50	-3.40	-3.70
Net Asset Value (₹) as stated	19.40	9.80	14.60	9.10	9.30
ROE (%)	26.5%	7.3%	43.7%	-3.2%	-4.7%
ROCE (%)	14.3%	5.1%	25.7%	5.9%	3.6%
Order Book (₹ Cr)	5,779.00	1,078.10	5,433.20	986.00	317.00

Source: Company RHP

COMPARISON WITH INDUSTRY LISTED PEERS ₹ (IN CR)

Companies	Total Incone (₹ in Cr)	Mcap (in Cr)	FV	EPS	NAV (₹ Per Share)	P/B	P/E	RoNW
Premier Energies	**3,171.31**	**20,285**	**1**	**17.58**	**59.96**	**7.5**	**25.6**	**37.46**
Websol Energy System	26.81	3,828	10	-29.99	-	35.5	-	-

Date as on 31st March 2024, Cline Mcap, PE, PB calculated as on 26-08-2024
Premier Energies, Revenue EPS/PE,PB, NAV calculated on annualised basis post money

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Msearch's Recommendation (Absolute Performance)
Buy: > 20% within the next 12 Months
Accumulate: 5% to 20% within the next 12 Months
Sell : < -20% within the next 12 Months

PRASHANTH TAPSE

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