

IPO Note on Waaree Energies Limited

A) Introduction:

Waaree Energies Limited is one of India's leading solar photovoltaic (PV) module manufacturers and a key player in the renewable energy sector. The company has filed for an Initial Public Offering (IPO) to fuel its expansion plans and capitalize on the growing demand for clean energy solutions. This note provides an overview of Waaree Energies, highlighting its business model, financial performance, growth prospects, risks, and valuation considerations.

B) Company Overview

Founded in 1989 and headquartered in Mumbai, Waaree Energies has over three decades of experience in the solar industry. The company specializes in manufacturing high-efficiency solar PV modules and offers a comprehensive range of solar energy solutions, including:

- **Solar Modules:** Producing mono and polycrystalline modules with advanced technologies like PERC and bifacial modules.
- **Engineering, Procurement, and Construction (EPC) Services:** Providing end-to-end project solutions for solar power installations.
- **Solar Products:** Offering solar water pumps, rooftop solutions, and energy storage systems.

With a manufacturing capacity of over 2 GW (as of the latest available data), Waaree Energies has a significant domestic presence and exports to over 68 countries, contributing to a substantial portion of its revenues.

C) Business Model

Waaree Energies operates on a vertically integrated business model encompassing:

- **Manufacturing:** In-house production of solar modules using advanced technology to ensure quality and cost-effectiveness.
- **EPC Services:** Delivering turnkey solutions from design to commissioning, catering to utility-scale and rooftop projects.
- **After-Sales Support:** Providing maintenance and support services to enhance customer satisfaction and retention.

The company focuses on innovation and R&D to stay ahead in technology advancements, which is crucial in the rapidly evolving solar industry.

D) Financial Performance

| Particular (In Crores) | Mar-22 | Mar-23 | Mar-24 | 3MFY25 |
|-----------------------------|--------|--------|--------|--------|
| Revenue from Operations | 2854 | 6,751 | 11,398 | 3,409 |
| Cost of Material Consumed | 1794 | 5897 | 8356 | 1796 |
| Purchases of stock-in-trade | 459 | 261 | 965 | 206 |
| Changes In inventories | 63 | -1007 | -562 | 510 |
| Other Operating Expenses | 72 | 165 | 254 | 69 |
| Employee Cost | 57 | 124 | 177 | 63 |
| Other Expenses | 298 | 476 | 632 | 211 |
| EBITDA | 111 | 835 | 1,576 | 554 |
| EBIDTA Margin | 3.89% | 12.37% | 13.83% | 16.25% |
| Other income | 91 | 109 | 235 | 87 |
| Depreciation | 43 | 164 | 277 | 76 |
| Interest | 41 | 82 | 140 | 34 |
| Exceptional Items | 0 | -21 | 341 | 0 |
| Profit before tax | 118 | 677 | 1,735 | 531 |
| Tax | 39 | 177 | 460 | 129 |
| Net profit | 79 | 500 | 1,275 | 401 |
| NPM (%) | 2.68% | 7.29% | 10.96% | 11.47% |
| EPS | 2.75 | 17.40 | 44.38 | 13.96 |

E) Use of IPO Proceeds

The company intends to utilize the funds raised from the IPO for:

- **Capacity Expansion:** Increasing manufacturing capacity to meet growing demand.
- **Working Capital Requirements:** Enhancing liquidity for operational needs.
- **Debt Repayment:** Strengthening the balance sheet by reducing leverage.
- **General Corporate Purposes:** Investing in R&D and market expansion initiatives.

F) Growth Prospects

a) Industry Tailwinds:

- **Government Initiatives:** Supportive policies like the National Solar Mission aim to increase solar capacity, providing a favorable environment.
- **Renewable Energy Demand:** Growing global emphasis on clean energy to combat climate change boosts industry prospects.

b) Strategic Expansion:

- **Capacity Ramp-Up:** Plans to significantly increase manufacturing capacity to capture higher market share.
- **Backward Integration:** Initiatives to integrate backward into cell manufacturing to improve margins and supply chain efficiency.
- **Export Market Penetration:** Expanding footprint in key international markets to leverage global demand.

G) Risks and Concerns

- **Market Competition:** Entry of large conglomerates into solar manufacturing may intensify competition.
- **Regulatory Changes:** Alterations in government policies, subsidies, or trade tariffs can impact operations.
- **Supply Chain Dependencies:** Reliance on imported raw materials, particularly from specific countries, may pose risks due to geopolitical tensions.
- **Technological Obsolescence:** Rapid advancements in technology require continuous investment in R&D.

H) Conclusion

Waaree Energies Limited stands at a pivotal point, poised to capitalize on the renewable energy boom. Its established market presence, ambitious expansion plans, and industry growth drivers present a compelling case for long-term investors. However, potential investors should carefully consider the associated risks and conduct thorough due diligence.