

August 2, 2019

IPO Note

Sterling and Wilson Solar Ltd

Leading solar EPC solutions provider

Rating



Sterling and Wilson Solar Ltd (SWSL), promoted by the Shapoorji Pallonji Group (SP - 49.1% stake post dilution), is the demerged Solar Engineering, Procurement and Construction (EPC) Division of Sterling and Wilson Pvt Ltd (SWPL). SWSL provides solar EPC (99% of FY19 revenue) solutions for utility-scale solar power projects from conceptualizing to commissioning stage along with operations and maintenance (O&M) services including for projects constructed by third-parties. SWSL has an international presence in 26 countries, which accounts for 69.8% of FY19 revenue. SWSL follows a hub-and-spoke business model (complete supply chain from India) which facilitates better geographic expansion and cost benefits. As of 31 Mar'19, order book stood at ₹7,740 crore (including LoI worth ₹3,908 crore). Operating in a highly competitive environment, SWSL with its strong parentage, geographic specific strategy and execution track record has been able to garner global market leadership position with a share of 4.6% in 2018 (based on annual installations of utility-scale photovoltaic (PV) systems of >5 Mega-Watt Peak - MWp) vs 0.3% in 2014 (IHS Markit).

Recommendation: At higher end of the price band of ₹780, the issue is priced at P/E of 19.6x (post dilution) on FY19 consolidated basis, which we believe is fairly priced. SWSL has no domestic listed peer. SWSL enjoys an asset light business model which requires low capex (lease equipment and customers look at real estate) and working capital requirement (short duration EPC contracts and advance payment from customers). Going ahead, SWSL is looking at geographic expansion and building its O&M, rooftop solar EPC and solar storage solutions. Being a market leader in the solar EPC space (global share 4.6% and India 16.6% - based on annual installations of utility-scale PV systems of >5 MWp), we believe SWSL is well placed to capitalise on the opportunities from the solar power sector. We suggest that investors can subscribe to the issue from a long term perspective.

Objects of the issue: The IPO consists entirely of an OFS of 4.01-4.03 crore shares (25.0% of post-dilution equity) by the promoters (please refer exhibit 1). The company will not receive any funds raised from the issue. The promoter selling shareholders shall utilise a portion of the net offer proceeds, towards funding full repayment of the loans due to SWSL and Sterling and Wilson International Solar FZCO (SW FZCO) from SWPL and Sterling and Wilson International FZE (a subsidiary of SWPL) respectively within 90 days from the date of listing of the equity shares.

Strong Parentage: SP Group has over 150 years of experience as an EPC solutions provider in 6 major business areas and operations across 45 countries. S&W has over 90 years of offering EPC solutions across various industries (co-gen solutions, transmission and distribution, renewables etc) in 34 countries. Even post the demerger, SWSL benefits from its parentage, SP Group and S&W, in terms of brand presence and stakeholder relationships will help in efficient execution of projects.

Market leadership to help leverage on growth opportunities: As of 31 Mar'19, SWSL for EPC has commissioned and contracted 205 solar power projects with an aggregate capacity of 6,870.12 MWp along with providing O&M services to 116 solar power projects (capacity 5,557.89 MWp). Over a span of 7 years, SWSL has become the largest solar EPC solutions provider in India (16.6% market share), Africa (36.6%) and Middle East (40.4%). Pedigree of the parentage and geographic presence could aid leadership position.

Financials: During FY19, revenue grew by 19.9% to ₹8,240 crore, EBITDA margin stood at 7.8% (stable vs last year) and net profit grew by 41.3% to ₹639 crore. Cash & equivalents stood at ₹455 crore and debt to equity at 2.6x (vs 0.9x in FY18). Short term borrowings increased to ₹2,228 crore (vs ₹184 crore last year) owing to demerger, higher buyer's credit and loans (working capital). Post IPO, the management plans to make the business debt-free.

Risk factors: 1) Delay in project completion and advance receipts from customers, 2) Slower than expected ramp-up of solar power demand, 3) 35.76% of SWSL's shares held by SPCPL shall be pledged in favour of HDFC Ltd pursuant to a financing facility that was availed by the promoter.

Financial Summary - Consolidated

Y/E March (₹ Cr)	Revenue	YoY (%)	EBITDA	EBITDA (%)	NPAT	YoY (%)	EPS (₹)	P/E (x)^	EV/EBITDA (x)^	RoE (%)
FY18#	6,872	-	538	7.8	452	-	28.20	27.7	23.4	118.0*
FY19	8,240	19.9	642	7.8	639	41.3	39.85	19.6	22.2	62.0*

^Note: Higher end of the price band (₹780) has been considered, *Taken as stated in the RHP (Calculated without taking into account the Capital reserve on demerger), #P&L for the period 9 Mar'17 to 31 Mar'18, Source: Company RHP, Centrum Wealth Research

Centrum Wealth Research is also available on Bloomberg: CBWM <GO>, Thomson Reuters, Capital IQ and Factset

Please refer to important disclosures/disclaimers inside

Issue Details

Price Band (₹)	775-780
Face Value (₹)	1.00
Pre Issue no of Eq. share (Cr)	16.04
No. of Eq. Sh. Fresh Issue (Cr)	Nil
No. of Eq. Sh. Offer for sale (Cr)	4.01-4.03
Post Issue no of Eq. share (Cr)	16.04
Size of Issue (₹ Cr)	3,125
M. Cap. post issue (₹ Cr)	12,428-12,508
Minimum Lot Size	19.00
Issue Opens	6-Aug-2019
Issue Closes	8-Aug-2019

Shareholding Pattern (%)

	Pre Issue	Post Issue^
Promoters	100.0	75.0
Public + others	-	25.0

^ @ Higher Band of ₹780

Issue Structure (%)

	Portion (%)
QIB	75%
Non-Institutions	15%
Retail	10%

Global Co-Ordinators and BRLM

ICICI Securities Ltd
Axis Capital Ltd
Credit Suisse Securities (India) Pvt Ltd
Deutsche Equities India Pvt Ltd
IIFL Securities Ltd
SBI Capital Markets Ltd

BRLM

IndusInd Bank Ltd
YES Securities (India) Ltd

Source: Company RHP

Rating Scale

★ ★ ★ ★ ★	Avoid
★ ★ ★ ★ ☆	Neutral
★ ★ ★ ★ ☆	Subscribe for long term
★ ★ ★ ★ ☆	Subscribe
★ ★ ★ ★ ★	High conviction subscribe

Mrinalini Chetty, AVP Wealth Research

About the company

Sterling and Wilson Solar Ltd (SWSL), promoted by the Shapoorji Pallonji Group (SP - 49.1% stake post dilution), is the demerged Solar Engineering, Procurement and Construction (EPC) Division of Sterling and Wilson Pvt Ltd (SWPL). SWSL provides EPC services primarily for utility-scale solar power projects with a focus on project design & engineering and manage all aspects of project execution from conceptualizing to commissioning. It also provides operations and maintenance (O&M) services, including for projects constructed by third-parties. SWSL commenced operations in 2011 as the Solar EPC Division of SWPL and demerged from SWPL with effect from 1 Apr'17. The company is present in across 26 countries and is the largest solar EPC solutions provider in each of India, Africa and the Middle East according to IHS Markit in 2018 (please refer exhibits 16/17/18 for details).

The company adopts a geographic specific along with consultative approach to customers so as to understand requirements and offer customised solutions addressing the needs. Customers include leading independent power producers (IPPs) and developers such as Marubeni, EDF Renewables, Alten, Sunseap, Sao Mai, Enfinity, ACWA Power and BNRG Renewables and equity funds. SWSL is focusing on markets that have favourable solar policies and resources so as to tap opportunities and enhance bidding capabilities to add to its track record. For example, to tap opportunities in the US, it has adopted a co-development business model to help secure EPC rights through equity investments in relevant projects. In other markets, such as Australia and Kazakhstan, it acquired local entities to help establish a permanent presence in such markets.

SWSL has adopted a hub-and-spoke business model wherein it manages the complete supply chain from India, including the design and engineering functions along with engaging few suppliers and third-party sub-contractors. It procures part of the raw materials for operations locally in respective markets, where there is a cost advantage or to comply with local regulations. It seeks to leverage this business model to procure products and service solutions for customers at competitive prices. Given the strong parentage, SP Group and S&W, the company benefits from relationships with key stakeholders such as suppliers, project lenders and consultants. During FY19, for SWSL, the execution of repeat orders for customers with India and outside India stands at 83.3% and 64.4% of the total commissioned solar capacity, respectively.

SWSL operates an asset light business model, under which customers are responsible for sourcing and acquiring real estate while the company typically leases equipment required for its operations. The asset light business model generally entails low capital expenditure and fixed costs, thus offering flexibility and scalability to meet customer needs, provide customized solutions and respond quickly to market conditions. In addition, it also allows operating with low working capital requirements as the EPC contracts are typically of short duration (average 1 year). The company generally requires an advance payment from customers for certain deliverables and the EPC contracts include shorter payment cycles from customers compared to longer payment cycles from suppliers.

Exhibit 1: Details of selling shareholders

Selling Shareholders	Pre-Offer		OFS^ (In Cr.)	Post-Offer	
	Eq. Holding (In Cr.)	% of total Eq. Capital		Eq. Holding (In Cr.)	% of total Eq. Capital
Promoters					
Shapoorji Pallonji and Company Pvt Ltd	10.55	65.77	2.67	7.88	49.11
Khurshed Yazdi Daruvala	5.35	33.33	1.34	4.01	25.01
Aggregate	15.89	99.10	4.01	11.89	74.12

Source: Company RHP, Centrum Wealth Research, [^]Note: Higher end of the price band (₹780) has been considered

Key strengths:

- Largest global solar EPC solutions provider in a fast growing solar industry
- Comprehensive end-to-end EPC solutions provider with a global execution track record
- A dedicated design and engineering team focused on innovation and developing efficient and cost effective engineering solutions
- Strong relationships with customers and other key stakeholders
- Strong parentage and ability to leverage global "SP" brand
- Strong growth and financial performance backed by an asset-light business model
- Experienced key management personnel, project management and operations team with experience in the global solar EPC industry

Demerger

SWSL commenced operations in 2011 as the Solar EPC Division of Sterling and Wilson Pvt Ltd (SWPL) which has been demerged with effect from 1 Apr'17. SWSL, along with its subsidiary Sterling and Wilson International Solar FZCO (SW FZCO), have entered into Brand Sharing Agreements that allow SW FZCO and the company to use certain intellectual property belonging to the Shapoorji Pallonji group (SP Group) and benefit from its parentage (financial support, track record of project execution in bidding for large scale projects).

SWSL has also entered into a Framework Agreement with SWPL (11 Oct'18) wherein SWPL will execute all service contracts entered of SWSL that were entered into prior to the Demerger and transfer all related benefits to the company. SWPL has also agreed to provide certain shared services that would be required to operate the business, including human resources, information technology, common management and tax services. The company has the right to use Sterling and Wilson (S&W) group's brand and logos without payment and have a right of first refusal to provide EPC solutions for the solar component of any hybrid projects executed by SWPL under the Framework Agreement.

The intention of the demerger was to make SWSL's balance sheet strong enough to bid for solar projects independently thereby reducing dependence on the SP Group and take advantage of the future growth opportunities in the solar industry.

Exhibit 2: Key operational performance indicators as of 31 Mar'19

Operational Indicators	India	South East Asia ⁽¹⁾	Middle East and North Africa ⁽²⁾	Rest of Africa ⁽³⁾	US and Latin America ⁽⁴⁾	Europe	Australia	Total
Total number of commissioned solar power projects (EPC)	160 ⁽⁵⁾	2	7 ⁽⁶⁾	4	4	-	-	177
Commissioned capacity (EPC) (MWp)	3,464.43 ⁽⁵⁾	50.9	1,455.10 ⁽⁶⁾	198.1	102.81	-	-	5,271.34
Total number of contracted solar power projects ⁽⁷⁾ (EPC)	18	2	6	2	-	-	-	28
Contracted capacity ⁽⁷⁾ (EPC) (MWp)	786.15	272	402.38	138.25				1,598.78
Letters of intent ⁽⁸⁾ (EPC) (₹ crore)	196	-	-	-	2,000	1,712	-	3,908
Total number of O&M projects	108	-	3	4	1	-	-	116
Capacity of O&M projects (MWp)	3,902.53	-	1,363.64	198.42	93.3	-	-	5,557.89
Branch offices ⁽⁹⁾	10	3	4	3	4	-	1	25
Subsidiary offices ⁽¹⁰⁾	3	2	6	1	3	1	1	17

Source: Company RHP, Centrum Wealth Research, MWp - Mega-Watt Peak

(1) Comprises of Vietnam and Philippines. Since 31 Mar'19, the company expanded operations in Malaysia.

(2) Comprises of United Arab Emirates, Morocco, Egypt and Jordan.

(3) Comprises of South Africa, Namibia, Zambia and Niger.

(4) Comprises of United States, Argentina and Chile.

(5) Includes 55 rooftop solar power projects with an aggregate solar power capacity of 31.92 MWp.

(6) Includes one rooftop solar power project of 2.60 MWp in Jordan.

(7) Represents the solar power projects for which SWSL has executed definitive EPC contracts for which it has not started construction or are under-construction.

(8) Represents solar power projects for which SWSL has won bids but has not executed definitive EPC contracts. Since 31 Mar'19, SWSL converted ₹2,196 crore of its letters of intent into definitive EPC contracts.

(9) Represents substantially all of the branch offices owned by SWPL.

(10) Represents offices of SWSL's Subsidiaries. Since 31 Mar'19, SWSL's subsidiaries opened one office in Malaysia.

Order Book

Under the EPC business, as of 31 Mar'19, SWSL had 205 commissioned and contracted solar power projects with an aggregate capacity of 6,870.12 MWp, that included 177 commissioned projects with an aggregate capacity of 5,271.34 MWp and 28 contracted solar power projects (which include solar power projects for which SWSL has executed definitive EPC contracts) with an aggregate capacity of 1,598.78 MWp. As of 31 Mar'19, order book was ₹3,832 crore and the company had received letters of intent (LoI) of ₹3,908 crore (of which, ₹2,196 crore were converted into definitive EPC contracts since 31 Mar'19) for solar power projects for which SWSL has won the bid, but has not yet executed definitive EPC contracts. In 2017, SWSL won the bid for the 1,177 MWp solar power project in Abu Dhabi, which is the world's largest single location solar PV plant (Crisil Research).

Under the O&M business, as of 31 Mar'19, the company provided O&M services to 116 solar power projects in India, Middle East & North Africa, US & Latin America and Rest of Africa, aggregating to 5,557.89 MWp, of which solar power projects having an aggregate capacity of 1,573.66 MWp were constructed by third-parties.

Exhibit 3: Key Performance Indicators

	2017	2018	2019
Particulars (Y/E March)	SWPL – Solar EPC Division (Prior to Demerger)	SWSL (Post-demerger)	
Bid conversion ratio (%)			
India	48.20%	31.53%	24.39%
South East Asia	-	-	47.72%
Middle East and North Africa	45.53%	14.80%	13.99%
Rest of Africa	22.82%	46.33%	13.73%
United States and Latin America	0%	4.59%	16.84%
Europe	-	-	34.26%
Bid conversion ratio total	37.61%	17.86%	21.59%
Order Book ⁽¹⁾ - EPC (₹ crore)			
India	1,262	1,815	715
South East Asia	-	-	609
Middle East and North Africa	6,082	4,014	1,545
Rest of Africa	-	1,169	931
United States and Latin America	-	334	31
Order book total	7,344	7,331	3,832
Lost time injury frequency rate⁽²⁾	0.3	0.22	0.18

Source: Company RHP, Centrum Wealth Research

(1) Order book is defined as the value of solar power projects for which SWSL has entered into definitive EPC contracts minus the revenue already recognized from those projects.

(2) Lost time injury frequency rate refers to the number of lost time injuries occurring in a workplace per one million hours worked.

Business

Solar EPC business

In the solar EPC business, SWSL offers a complete range of turnkey and Balance-of-System (BoS) solutions for utility-scale and rooftop solar power projects.

The solar EPC solutions include design, engineering, procurement, construction and project management. The company provides full range of EPC solutions or any combination of individual services, depending on customer's needs and market opportunity.

- **Turnkey EPC solutions:** These involve building solar power projects from concept designing to commissioning. SWSL provides end-to-end solutions to clients including design, engineering, procurement, construction, project management, testing & commissioning and connecting the solar power project to the electricity grid. Turnkey solutions are used by customers in India and outside India.
- **BoS and package BoS:** These comprise of all project design and execution services other than the procurement of modules and components, which are handled by the customer, and "package BoS" projects include additional civil, mechanical and electrical work solutions. BoS solutions are used primarily by customers in India and in US.

EPC contracts

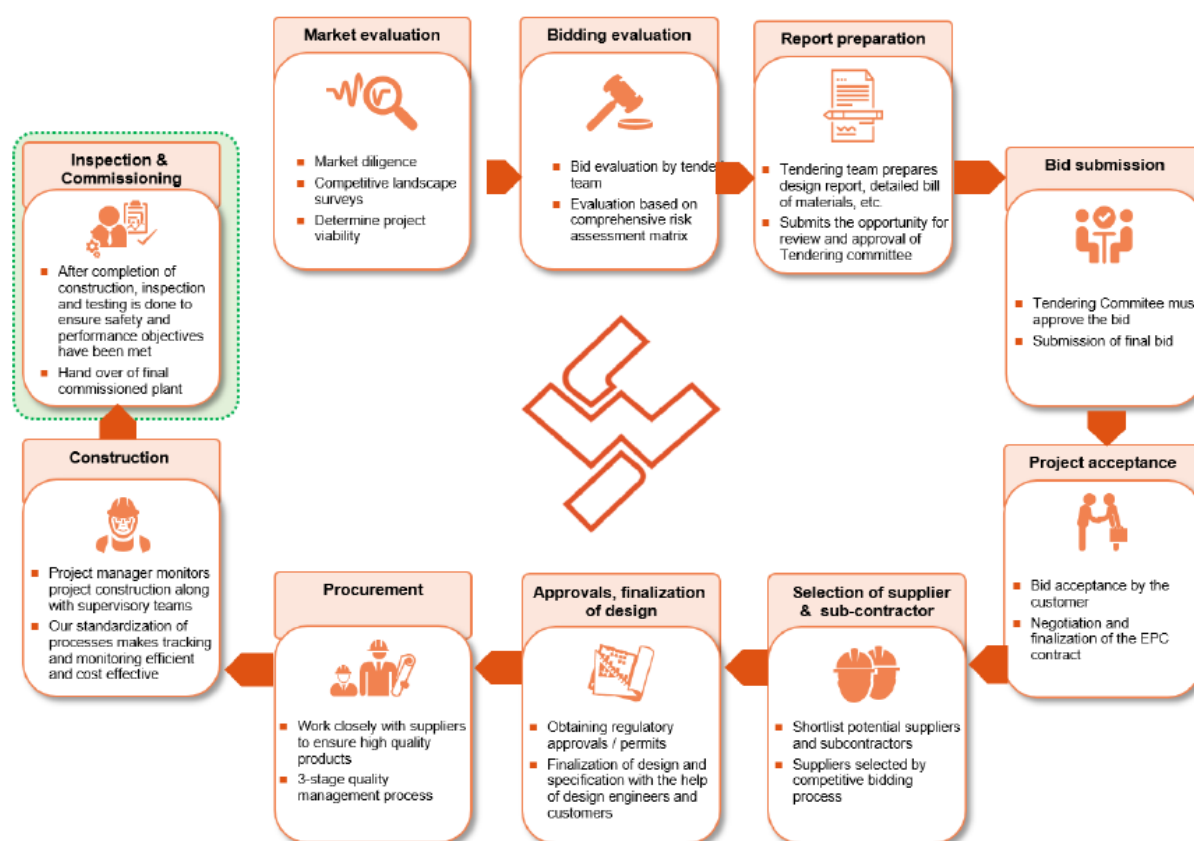
SWSL generally enters into fixed price EPC contracts and bills customers according to contractually agreed milestones that reflect key stages of execution. The company also receives an advance payment from customers at the time when it enters into the EPC contract and adjusts the advance received against milestone payments.

In general, EPC contracts typically include the following milestones:

1. commencement of work,
2. completion of design and engineering,
3. placement of orders for all necessary equipment and PV components,
4. supply of necessary equipment and PV modules at the project site,
5. mechanical and electrical erection of the module mounting structures,
6. installation of modules,
7. testing and commissioning of the project,
8. completion of civil works,
9. completion of punch list items, and
10. performance ratio tests.

Project lifecycle

Exhibit 4: Typical stages of an EPC project from bidding to commissioning



Source: Company RHP, Centrum Wealth Research

O&M business

The O&M contracts generally provide for standard services associated with O&M solar power projects and typically have a tenor of 2 to 10 years, but the company has O&M contracts for up to 20 years as well. It provides these services pursuant to the scope of services outlined in the underlying O&M contract with the customer. The scope of services typically includes preventive & predictive, corrective maintenance and repair services for solar power projects, such that the performance ratios are maintained. SWSL conducts regular project inspections through advanced drone-based thermography, thermal imaging, flash testing and cable fault locaters. It has installed a Computerized Monitoring System (CMS) and is in the process of installing the Computerized Maintenance Management System (CMMS) that it has licensed from SWPL under the Framework Agreement, to improve operational efficiency by providing real-time automated performance analysis through data mining, track key performance indicators, generate automatic performance reports, record management with best-in-class international quality standards and track assets.

Business Strategy

➤ **Maintain market leadership through strategic expansion of overseas operations**

SWSL is aiming to maintain its market leadership position via strategic expansion, including through roll up acquisitions in the markets in which the company currently operates in and into new geographies that present attractive opportunities. SWSL will focus on market having conducive solar power policies and high solar resources. It also aims to establish permanent presence in regions that have continuous and large solar opportunities and leverage this regional presence to strategically access local geographies as needed. In particular, the company expects to leverage market leadership and customer relationships in Africa, and India to be attractively positioned to bid for African projects funded by India under the International Solar Alliance (ISA) treaty.

➤ **Grow the customer base and maintain relationships with other key stakeholders**

SWSL believes there is a substantial opportunity to grow customer base in existing and new markets through a combination of its strong track record and market leadership in the regions in which it operates, global presence (including through the broader network of the SP Group and S&W) and relationships with key stakeholders in the solar power industry. SWSL intends to continue collaborating with strategic partners and such key stakeholders to position itself as a reliable EPC player in the market that customers can depend on for developing their solar power projects. It also intends on leveraging from the hub-and-spoke business model by managing operations from India, which could provide a cost advantage over competitors.

➤ **Focus on increasing operational and financial efficiency**

SWSL plans to continue focusing on operational and financial efficiency by investing in its competent, sizable design and engineering team in India and their innovative engineering efforts. Through the geography specific market approach, building strong customer, stakeholder relationships and operational efficiency, SWSL intends to tailor the business model, and enhance its ability to bid for solar power projects independently and accordingly reduce dependence on the SP Group.

➤ **Focus on expanding O&M, rooftop solar EPC and solar storage solutions**

SWSL plans to continue expanding its O&M operations to solar power projects that were not constructed by it. The company is building a dedicated team for O&M operations that is focused on adopting a targeted approach to winning contracts for O&M services. It intends to first expand the O&M operations in the regions where it has EPC operations and enter markets that have conducive solar power policies with commissioned solar power projects. In addition, it plans to expand the rooftop solar EPC solutions which it started in FY16. It also intends to benefit from the evolving energy storage and ancillary service technologies and intends to leverage from SWPL's energy storage capabilities by offering solar + storage solutions.

Industry Overview

Renewable energy sources, such as solar energy, have become significant contributors to power capacity growth additions globally. The global energy landscape has been transforming, with a rapid uptake in renewable energy sources, such as solar energy, as a result of increasing cost competitiveness, improving technology and robust government approaches to climate change.

Exhibit 5: Share of solar PV and renewables in global power generation capacity annual additions

	% of annual additions (% of giga-watt alternating current ("GW _{AC} "))										
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Solar PV	9.8%	12.2%	11.8%	14.3%	21.4%	29.3%	25.3%	30.6%	33.7%	36.2%	38.4%
Renewables	30.7%	29.3%	32.5%	39.1%	41.0%	50.1%	47.1%	55.3%	59.5%	61.1%	65.0%

Source: Company RHP, Centrum Wealth Research

Notes: Autonomy scenario. Renewables include solar PV, concentrated solar power, onshore wind, offshore wind, geothermal, biomass and waste and ocean power

Exhibit 6: Annual solar PV installations

Annual Installations (GW)	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2018-2021 CAGR
India	0.8	1.2	1.1	3.0	5.5	7.8	10.7	12.9	14.1	15.0	11.7%
South East Asia	0.4	0.8	0.7	1.3	1.8	0.4	1.1	4.2	4.7	5.1	70.6%
Middle East & North Africa	0.1	0.3	0.4	1.1	1.8	3.4	4.6	5.6	5.3	8.4	22.2%
Rest of Africa	0.1	0.3	1.2	0.6	1.1	0.8	1.2	2.4	2.9	3.5	42.0%
Europe	17.8	11.2	7.5	8.4	6.8	7.4	10.6	18.5	20.7	23.4	30.0%
United States	3.5	4.9	6.5	8.4	16.1	10.6	10.4	13.2	15.9	16.7	17.4%
Latin America	0.2	0.3	0.7	1.8	1.8	3.3	6.0	7.4	7.9	7.0	5.4%
Australia	1.0	0.8	0.9	1.0	0.8	1.9	4.6	5.8	6.0	5.9	8.1%
Grand Total (excluding Rest of World)	23.9	19.8	19.0	25.4	35.7	35.6	49.1	70.0	77.7	84.8	20.0%
Rest of World	7.8	18.9	24.5	31.7	42.8	58.8	53.9	59.1	62.7	63.6	5.7%
Grand Total	31.6	38.6	43.6	57.1	78.5	94.5	103.0	129.1	140.4	148.4	12.9%

Source: Company RHP, Centrum Wealth Research

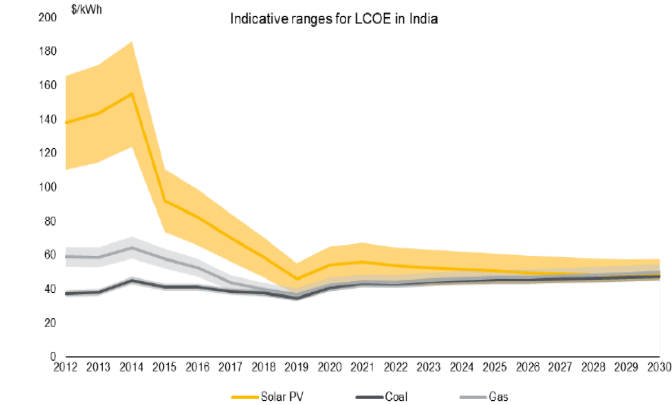
Notes: Egypt and Turkey are included within Middle East & North Africa; Bangladesh is included within South East Asia; Kazakhstan is included within Europe; Rest of World primarily constitutes China and Japan

The use of solar energy has become increasingly competitive over the years due to the declining costs associated with its use, making this a key factor driving the global growth of the solar industry. Solar energy has emerged as a low-cost source of energy and has become lower in cost than traditional energy sources, such as coal and gas, in some key markets.

According to IHS Markit,

- In India, the levelized cost of electricity (LCOE) (a measure used to calculate the average total cost of producing electricity over a 25-year system lifetime) of solar PV systems decreased sharply between 2012 and 2018, and is expected to continue to decrease until 2030. In comparison, other sources of energy in India, such as coal, have seen a general increase in costs in recent years.
- In the US, the LCOE of solar PV systems has also generally decreased between 2012 and 2018, and is expected to continue to decrease until 2030. In contrast, traditional sources of energy in the United States, such as coal and gas, have seen an increase in costs in recent years.

Exhibit 7: Changes in LCOE of solar PV systems in India



Source: Company RHP, Centrum Wealth Research
Notes: Real 2017 USD, Coal - scrubbed super critical, Gas - combined cycle steam turbine (CCGT)

Exhibit 8: Changes in LCOE of solar PV systems in US

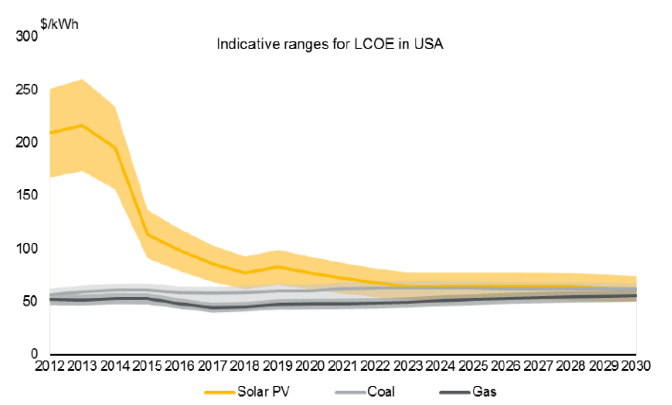
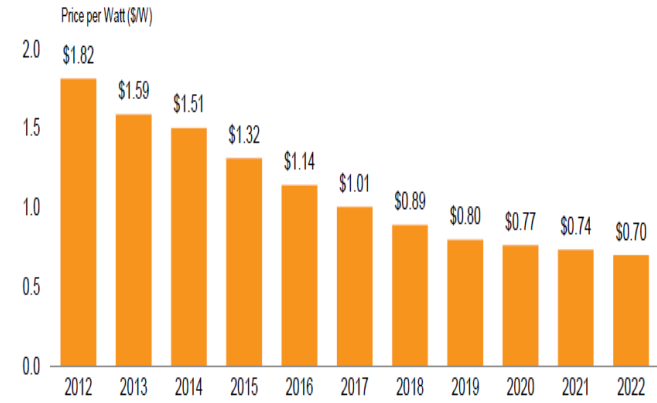


Exhibit 9: Average global total utility-scale PV systems cost



Source: Company RHP, Centrum Wealth Research

Exhibit 10: Average cost by major component

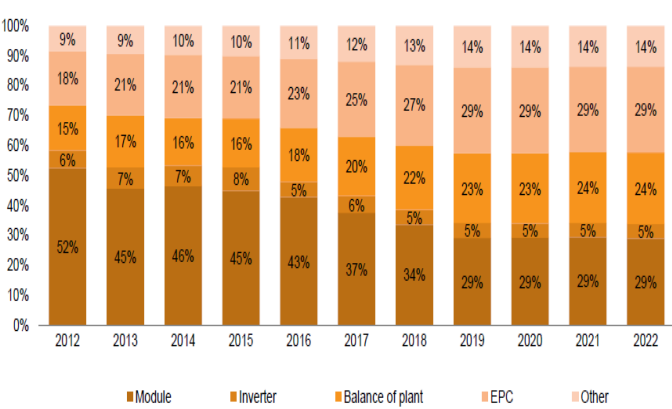
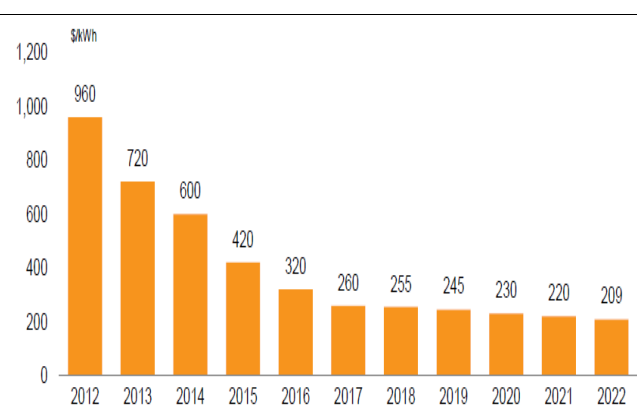


Exhibit 11: Li-ion battery module price



Source: Company RHP, Centrum Wealth Research

Exhibit 12: Cumulative PV installations paired with battery energy storage

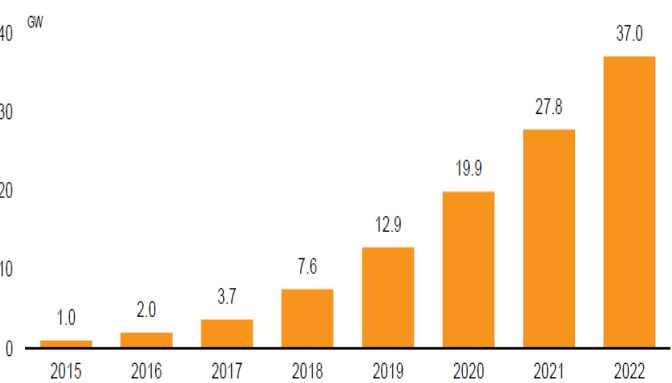
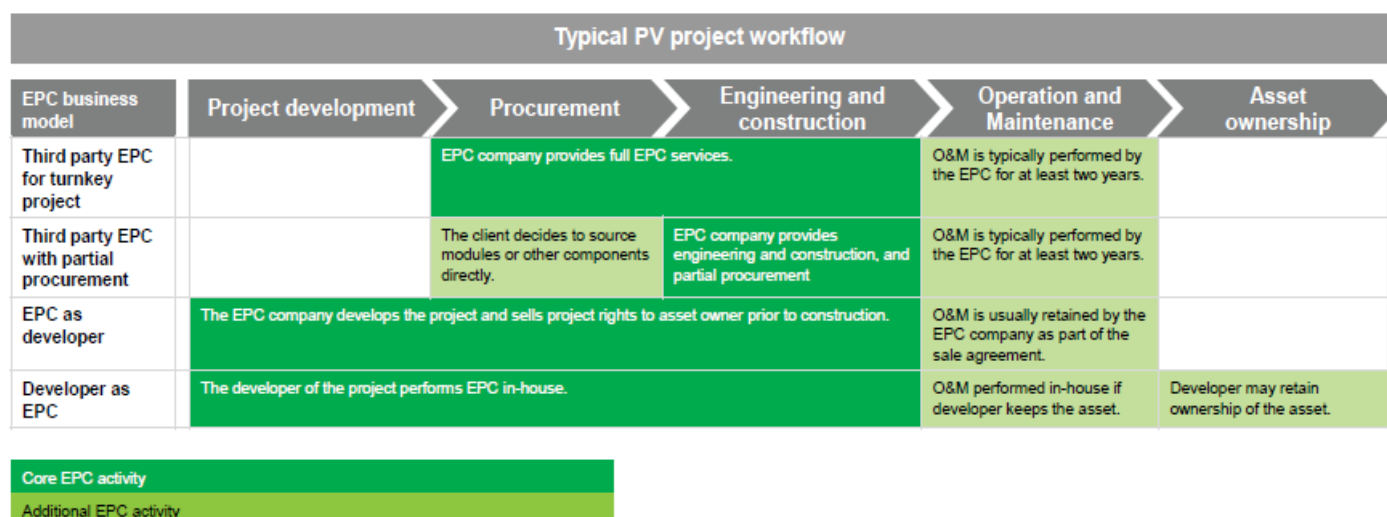


Exhibit 13: Different work streams and business modules for solar PV EPC players

Source: Company RHP, Centrum Wealth Research

Competition in the solar EPC industry

Exhibit 14: Share of annual installations of all utility-scale PV systems >5 MW with the largest market shares in 2018

	Country of headquarters	2014	2015	2016	2017	2018
Sterling and Wilson	India	0.3%	0.8%	1.0%	2.2%	4.6%
TBEA Sun Oasis	China	4.5%	4.5%	2.9%	2.9%	2.2%
Sungrow	China	0.9%	1.2%	1.2%	2.1%	2.1%
PowerChina (Power Construction Corp of China)	China	0.2%	1.5%	1.0%	1.8%	1.9%
Risen Energy	China	0.0%	1.7%	1.2%	1.1%	1.9%
Swinerton Renewable Energy	United States	0.6%	1.2%	2.6%	1.4%	1.4%
RCR Tomlinson	Australia	0.0%	0.0%	0.0%	0.0%	1.2%
Prodiel	Spain	0.0%	0.5%	0.3%	1.7%	1.2%
Black & Veatch	United States	0.2%	0.0%	0.6%	0.0%	1.2%
Grupo ACS	Spain	0.2%	0.0%	0.0%	0.0%	1.1%
Others		93.1%	88.6%	89.2%	86.8%	81.2%
Total		100.0%	100.0%	100.0%	100.0%	100.0%

Source: Company RHP, Centrum Wealth Research

Notes: Ranked in order of 2018 market share

Exhibit 15: Share of global (excluding PV projects installed in China) annual installations of all utility-scale PV systems >5 MW with the largest market shares in 2018

	Country of headquarters	2014	2015	2016	2017	2018
Sterling and Wilson	India	0.5%	1.8%	2.2%	6.4%	8.6%
Prodiel	Spain	0.0%	1.2%	0.6%	4.8%	2.7%
Swinerton Renewable Energy	United States	1.2%	2.6%	5.8%	3.9%	2.7%
RCR Tomlinson	Australia	0.0%	0.0%	0.0%	0.0%	2.7%
Risen Energy	China	0.0%	0.1%	0.1%	0.0%	2.6%
Black & Veatch	United States	0.5%	0.0%	1.3%	0.0%	2.2%
Grupo ACS	Spain	0.0%	0.0%	0.1%	0.0%	2.1%
First Solar	United States	12.6%	9.1%	6.4%	1.6%	2.0%
ACCIONA	Spain	0.2%	0.0%	1.1%	0.0%	2.0%
Mortenson Construction	United States	0.9%	1.6%	4.1%	2.6%	1.9%
Others		84.1%	83.5%	78.4%	80.7%	70.5%
Total		100.0%	100.0%	100.0%	100.0%	100.0%

Source: Company RHP, Centrum Wealth Research

Notes: Ranked in order of 2018 market share

Exhibit 16: Share of annual installations in 2018 of all utility-scale PV systems > 5 MW in India for companies with the largest market shares in 2018

Sterling and Wilson	16.6%
L&T ECC Solar	5.0%
Mahindra Susten	4.3%
Tata Power Company	4.2%
ACME Solar	2.8%
Others	67.1%
Total	100.0%

Source: Company RHP, Centrum Wealth Research

Notes: Ranked in order of 2018 market share

Exhibit 17: Share of annual installations in 2018 of all utility-scale PV systems > 5 MW in Africa for companies with the largest market shares in 2018

Sterling and Wilson	36.6%
China Jiangxi	11.6%
GreenYellow	5.9%
Vinci Energies	4.9%
InnoSun	4.2%
Wartsila	3.6%
AEC Jabil	2.5%
Consolidated Power Projects	2.3%
Grupo ACS	2.3%
Caterpillar	1.5%
Others	24.6%
Total	100.0%

Source: Company RHP, Centrum Wealth Research

Notes: Ranked in order of 2018 market share

Exhibit 18: Share of annual installations in 2018 of all utility-scale PV systems > 5 MW in the Middle-East for companies with the largest market shares in 2018

Sterling and Wilson	40.4%
Acciona	7.1%
TBEA	5.7%
OHL	4.0%
TSK	4.0%
ET Solutions	3.9%
ib vogt	3.1%
Orad Solar Power	2.0%
Belectric	1.7%
Kawar Energy	1.0%
Others	27.1%
Total	100.0%

Source: Company RHP, Centrum Wealth Research

Notes: Ranked in order of 2018 market share

Financials - Consolidated

Income Statement

Y/E Mar (₹ Cr)	FY18#	FY19
Revenue	6,872	8,240
<i>Growth %</i>	-	19.9
Cost of Raw Materials	5,385	5,610
<i>% of sales</i>	78.4	68.1
Direct Project Cost	734	1,645
<i>% of sales</i>	10.7	20.0
Personnel expenses	99	178
<i>% of sales</i>	1.4	2.2
Other expenses	116	165
<i>% of sales</i>	1.7	2.0
EBIDTA	538	642
EBIDTA margin %	7.8	7.8
Depreciation	3	8
Interest	19	84.7
Other Income	13	210
PBT	529	759
Provision for tax	78	121
<i>Effective tax rate %</i>	14.8	15.9
Net Profit	451	638
Minority Interest (MI)	(2)	(1)
Net profit after MI	452	639
<i>Growth %</i>	-	41.3
PAT margin %	6.6	7.8

Source: Company RHP, Centrum Wealth Research
#P&L for the period 9 Mar'17 to 31 Mar'18

Balance Sheet

Y/E Mar (₹ Cr)	FY18	FY19
Share capital	16	16
Reserves & surplus	362	1,007
Shareholder's fund	378	1,023
Capital Reserve on Demerger@	(182)	(182)
Loan fund	184	2,228
Minority Interest	(3)	(3)
Total cap. employed	378	3,065
Net fixed assets	24	31
Investments	0.2	0.2
Deferred Tax Assets	11	32
Cash and bank	104	455
Inventories	19	13
Debtors	1,821	1,900
Loans & adv and OCA	2,941	2,960
Total current assets	4,885	5,328
Current liab. and prov.	4,542	2,327
Net current assets	343	3,002
Total assets	378	3,065

Source: Company RHP, Centrum Wealth Research, OCA – other current assets
@Shown as a separate line item to maintain consistency with the RoE calculation

Cash Flow

Y/E Mar (₹ Cr)	FY18	FY19
Net Profit Before Tax	529	759
Depreciation	3	8
Others	24	(51)
Change in working capital	(227)	(1,338)
Tax expenses	(77)	(106)
Foreign exchange translation	(1)	5
Cash flow from Ops	251	(723)
Capex	(18)	(9)
Other investing activities	(1)	(920)
Cash flow from Investments	(19)	(929)
Borrowings/(Repayments)	(131)	(752)
Interest paid	(10)	(71)
Others	(0.3)	2,796
Cash flow from financing	(141)	1,972
Currency translation difference	0.2	5
Net Cash Flow	92	325

Source: Company RHP, Centrum Wealth Research

Key Ratios^

Y/E Mar	FY18	FY19
Return ratios (%)		
RoE	118.0\$	62.0\$
RoCE	123.4*	41.2
Turnover Ratios (days)		
Inventory	1	1
Debtors	66	82
Creditors	112	125
Fixed asset turnover (x)	362.2	212.6
Solvency Ratio (x)		
Debt-Equity	0.9	2.6
Interest coverage	29.4	10.0
Per share (₹)		
EPS	28.2	39.8
BVPS	12.3	52.4
CEPS	28.4	40.3
DPS (₹)	-	-
Valuation (x)		
P/E	27.7	19.6
P/BV	63.6	14.9
EV/EBIDTA	23.4	22.2
EV/Sales	1.8	1.7

^ Note: Calculations based on higher end of the price band – ₹780

* Calculated as on closing basis i.e Mar'18

\$Taken as stated in the RHP, Calculated without taking into account the Capital reserve on demerger

Source: Company RHP, Centrum Wealth Research

Appendix

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