

Not Rated
Issue Details

Listing	NSE & BSE
Open Date	06/08/2019
Close Date	08/08/2019
Price Band	775-780

The company was incorporated on March 9, 2017 as Rashmika Energy Private Limited. The Promoters of the company are Shapoorji Pallonji and Company Pvt. Ltd (“SPCPL”) and Khurshed Yazdi Daruvala. The Solar EPC Division of Sterling and Wilson Private Limited (“SWPL”) was demerged into the company on April 1, 2017. Thereafter, to reflect the association of the company with the Sterling and Wilson group, the name of the company was changed to Sterling and Wilson Solar Private Limited.

Shareholding Pattern (%)

	Pre	Post
Promotes	100.00	75.02
Public	-	24.98
Total	100.00	100.00

❖ Business Overview: -

Sterling and Wilson Solar Limited (“SWSL”) is a global pure-play, end-to-end solar engineering, procurement and construction (“EPC”) solutions provider. It was the world’s largest solar EPC solutions provider in 2018, based on annual installations of utility-scale photovoltaic (“PV”) systems of more than 5 mega-watt peak (“MWp”), according to IHS Markit. The company provides EPC services primarily for utility-scale solar power projects with a focus on project design and engineering and manages 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. Its customers include leading independent power producers (“IPPs”), developers and equity funds.

The company commenced operations in 2011 as the Solar EPC Division of SWPL and demerged from SWPL with effect from April 1, 2017. Over a span of 7 years, it became the largest solar EPC solutions provider in each of India, Africa and the Middle East, according to IHS Markit in 2018, and currently has a presence across 26 countries. As of March 31, 2019, it had 205 commissioned and contracted solar power projects with an aggregate capacity of 6,870.12 MWp. Its order book, which is the value of solar power projects for which it has entered into definitive EPC contracts minus the revenue already recognized from those projects, was Rs.3,831.58 crore as of March 31, 2019. The company offers a complete range of customized solutions for solar power projects.

The company adopts a consultative approach to its customers’ solar energy needs and capabilities, which enables it to provide customized solutions to meet their requirements. The company follows a “hub-and-spoke” business model where it manages the complete supply chain from India, including the design and engineering functions, and engages a few suppliers and third-party subcontractors and procure part of the raw

materials for its operations locally in each of its markets, where there is a cost advantage or to comply with local regulations.

The company seeks to leverage this business model to procure products and services solutions for its customers at competitive prices. In Fiscal 2018 and 2019, the revenue from operations outside India accounted for 59.11% and 69.82% of its total revenue from operations, respectively. The company often receives repeat orders from its customers and as of March 31, 2019, customers in India and outside India for whom it has executed more than one project constituted 83.26% and 64.35% of their total commissioned solar capacity, respectively.

The company's operations are supported by a competent and sizable design and engineering team who are responsible for designing solutions that are innovative and cost-effective, with an aim to increase the performance ratio of solar power projects. The design and engineering team of 154 employees continually seeks to improve the efficiency of their solutions and services. SWSL strategically focuses on markets that have conducive solar power policies and high solar resources, and invest in geographies with long-term solar opportunities. It adopts a disciplined expansion strategy that is customized for each market with a view to enhancing its bidding abilities in these geographies. To tap opportunities in the United States, it adopted a co-development business model to help it secure EPC rights through equity investments in relevant projects. In other markets, such as Australia and Kazakhstan, it has acquired local entities to help it establish a permanent presence in such markets. In addition, as part of its expansion strategy, the company conducts on-the-ground market diligence to evaluate each local opportunity and establish relationships with local suppliers and subcontractors. This helps it identify potential bids in advance and prepare for bids quickly when opportunities arise.

❖ **Key Strategies:**

1. Maintain market leadership through strategic expansion of overseas operations

Currently, SWSL has a presence across 26 countries, with its Subsidiaries and branch offices globally, and plans to continue expanding its operations through strategic expansion. It is focused on leveraging its global presence to continue to position itself as a credible and reliable EPC player and win repeat orders. The company aims to leverage the global presence of the SP Group and S&W to give it a head-start in expanding its

operations in new geographies. In particular, it expects to leverage its 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.

2. Grow the customer base and maintain relationships with other key stakeholders

As there is a substantial opportunity to grow the company's 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, its global presence (including through the broader network of the SP Group and S&W) and its relationships with key stakeholders in the solar power industry.

3. Focus on increasing operational and financial efficiency

SWSL plans to continue focusing on operational and financial efficiency by investing in its competent and sizable design and engineering team in India and their innovative engineering efforts. The company intends to continue to devote significant resources to recruit, train and retain a talented workforce and offer competitive compensation packages, training and career opportunities to attract and retain capable employees.

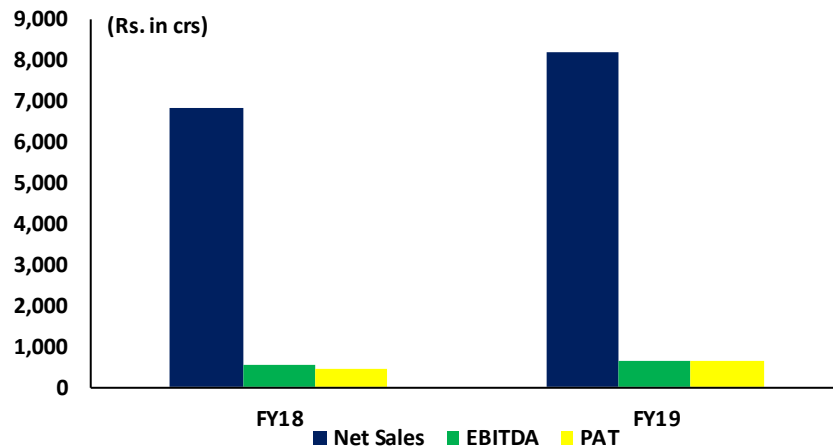
4. Focus on expanding O&M, rooftop solar EPC and solar storage solutions

The company plans to continue expanding its O&M operations to solar power projects that were not constructed by it. It is building a dedicated team for its O&M operations that is focused on adopting a targeted approach to winning contracts for O&M services. It also intends to continue developing its data analytics processes through the CMS and CMMS and leverage its experience of providing O&M services to understand solar modules and other equipment, which will help it improve its EPC and O&M services and win repeat orders. 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.

❖ Financial Performance:

The revenue of the company has witnessed a growth of 20% in FY19, increasing from Rs. 6,871 crores in FY18 to Rs. 8,240 crores. The EBITDA and PAT have increased from Rs. 538 crores and Rs. 451 crores in FY18 to Rs.642 crores and Rs.638 crores in FY19, respectively.

Revenue, EBITDA and PAT



Source: RHP, Ventura Research

❖ Key Risk and Threats:

Internal Risks

1. If solar photovoltaic (“PV”) and related technologies are regarded as unsuitable for widespread adoption, or if demand for solar power does not develop or takes longer to develop than anticipated, revenues may decline and the company may be unable to sustain its profitability.
2. Several key raw materials and components are sourced from a single or a limited group of local or global third-party suppliers, giving rise to supplier concentration risks. Any restrictions in supply or defects in quality could cause delays in project construction or implementation and impair the company’s ability to provide services to customers at a price that is profitable. This could have a material adverse effect on business and financial conditions and results of operations.
3. The company as well as the promoters may be involved in certain legal proceedings, which may materially and adversely affect business financial condition and results of operations.

External Risks

1. The business operates in many locations around the world and relies on global supply chains. The occurrence of various socio-political and/or environmental events may disrupt its operations, which may have a material adverse effect on the business, financial condition and results of operations.
2. The solar power industry is heavily influenced by government regulations and policies. Any changes in such regulations and policies, including any reduction, modification, delay or elimination of economic incentives in the solar power industry may have a direct impact on business and could have a material adverse effect on business, prospects, financial condition and results of operations.
3. Changing laws, rules and regulations and legal uncertainties, including adverse interpretation or application of tax laws and regulations, may materially and adversely affect business, prospects, future financial performance, the trading price of equity shares, financial condition and results of operations.
4. Any constraints in the availability of the electricity grid, including the company's inability to obtain access to transmission lines in a timely and cost-effective manner, could materially and adversely affect business, results of operations and cash flow

❖ Issue Structure & Valuation:

The proposed Sterling and Wilson Solar Ltd. issue is for an aggregate of 4,03,22,580 to 4,00,64,101 shares consisting of an offer for sale. This is being offered to the public in a price range of Rs 775 per share to Rs 780 per share. The minimum bid is of 19 shares and in multiples of the same thereafter. The valuation works out to be 23.5x EV/EBITDA FY19.

Category	No. of shares Offered	% of Shares Offered
QIB	300,48,076 to 302,41,935	75
Non institutional Bidders	60,09,615 to 60,48,387	15
Retail	40,06,410 to 40,32,258	10
Total	400,64,101 to 403,22,580	100

❖ SWOT Analysis:

<p>STRENGTH</p> <ul style="list-style-type: none"> ➤ The largest global EPC solutions provider based on annual installations of utility, with scale PV systems of more than five MWP in 2018, as per IHS Markit. ➤ Strong relationship with customers and key stakeholders. ➤ It has experienced strong growth and financial performance backed by an asset-light business model 	<p>WEAKNESS</p> <ul style="list-style-type: none"> ➤ Highly dependent on a few suppliers. ➤ Constraints in the availability of the electricity grid, including inability to obtain access to transmission lines in a timely and cost-effective manner, could materially and adversely affect business, results of operations and cash flows.
<p>OPPORTUNITY</p> <ul style="list-style-type: none"> ➤ A huge opportunity exists across the globe. ➤ Domestic and International Governments are focusing renewable sources of energy 	<p>THREAT</p> <ul style="list-style-type: none"> ➤ The company's business is subject to Government intervention and highly regulated. ➤ It needs to continuously invest in new technologies.

Source: RHP, Ventura Research

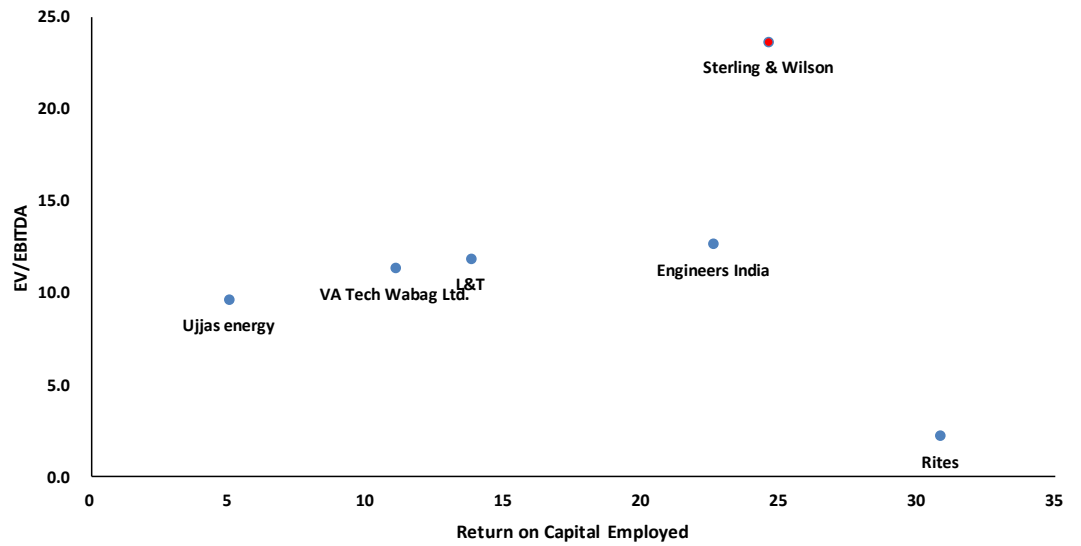
Profit and Loss (In Rs. crs)		
Particulars	FY18	FY19
Net Sales	6871.7	8240.4
Expenses	6334.0	7598.3
EBITDA	537.8	642.1
<i>EBITDA Margin %</i>	7.8	7.8
Other Income	12.7	209.5
PBDIT	550.5	851.6
Depreciation	3.2	7.8
Interest	18.6	84.7
Exceptional items	-	-
PBT	528.7	759.2
Tax Provisions	78.1	120.9
PAT	450.5	638.2
<i>PAT Margin %</i>	6.6	7.7

Source: RHP, Ventura Research

Balance Sheet (In Rs. crs)		
Particulars	FY18	FY19
EQUITY AND LIABILITIES		
Shareholder's Funds		
Share Capital	16.0	16.0
Other Equity	180.6	825.0
Non controlling interests	(2.72)	(3.5)
Total Equity	193.9	837.5
Non-current Liabilities		
Borrowings	0.0	0.0
Provisions	5.6	8.6
Total Non-current Liabilities	5.6	8.6
Current Liabilities		
Borrowings	184.1	2,227.8
Trade payables	3,739.8	1,912.5
Other financial liabilities	30.91	33.75
Provisions	55.2	76.9
Current tax liabilities	8.3	50.3
Other current liabilities	702.6	244.6
Total Current Liabilities	4,720.9	4,545.8
Total Equity and Liabilities	4,920.4	5,391.9
ASSETS		
Non-current Assets		
Property, Plant and Equipment	20.2	26.5
Capital Work in Progress	2.9	-
Goodwill	-	3.1
other Intangible assets	1.036	1.833
Loans	-	1.2
Non Current tax asset	1.0	-
Deferred tax assets (net)	11.0	32.1
Other non-current assets	5.4	2.4
Total Non -current assets	41.6	67.23
Current assets		
Investments	0.2	0.2
Trade receivables	1,821.5	1,900.2
Inventories	18.6	13.1
Cash and cash equivalents	104.1	454.5
Loans	9.4	1,953.4
Other financial asset	1,029.9	245.6
Current tax assets	0.9	0.8
other current assets	1,894.4	756.7
Total Currents assets	4,878.8	5,324.7
Total Assets	4,920.4	5,391.9

Source: RHP, Ventura Research

Peer Comparison



Source: RHP, Ventura Research

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