



**SMC Ranking**

★ ★ ☆ ☆ ☆ (2/5)

**Issue Highlights**

Industry	Solar
Offer for sale (Shares)	40,064,103
<b>Net Offer to the Public</b>	<b>40,064,103</b>
Total Offer	40,064,103
Issue Size (Rs. Cr.)	3105-3125
Price Band (Rs.)	775-780
Offer Date	6-Aug-19
Close Date	8-Aug-19
Face Value	1
Lot Size	19

**Issue Composition**

	In shares
Promoters & promoters group	160,360,000
QIB	30,048,077
NIB	6,009,615
Retail	4,006,410

**Shareholding Pattern (%)**

Particulars	Pre-issue	Post-issue
Promoters & promoters group	100.00%	75.02%
QIB	0.00%	18.74%
NIB	0.00%	3.75%
Retail	0.00%	2.50%
<b>Total</b>	<b>100.00%</b>	<b>100.00%</b>

\*Calculated on the upper price band

**Objects of the Issue**

- To achieve the benefits of listing the Equity Shares on the Stock Exchanges.
- For the Offer of the Equity Shares by the Promoter Selling Shareholders.
- To enhance visibility and brand image.

**Book Running Lead Manager**

- Axis Capital Limited
- ICICI Securities Limited
- IIFL Securities Limited
- SBI Capital Markets Limited
- IndusInd Bank Limited
- YES Securities (India) Limited
- Credit Suisse Securities (India) Private
- Deutsche Equities India Private Limited

**Name Of The Registrar** Link Intime India Private Limited

**About the company:**

Incorporated on 2017, the company is engaged in providing solar engineering, procurement and construction (EPC) solutions to the end-users. It is focused on utility-scale solar power projects and manages the solar projects from conceptualizing to commissioning. It provides operations and maintenance (O&M) services for the 3rd party projects as well. It was previously named as Rashmika Energy Private Limited. Currently, it has a wide presence across 26 countries.

**Strength**

**Largest global solar EPC solutions provider in a fast growing solar industry:** The company was the world's largest solar EPC solutions provider, based on annual installations of utility-scale PV systems of more than five MWp, with a market share of 4.6% in 2018 which increased from 0.3% in 2014, according to IHS Markit. The total cumulative installed solar PV generation capacity could reach nearly 1,090 GWDC globally by 2022, compared to less than 100 GWDC at the end of 2012, and the levelized cost of electricity for solar PV projects decreased sharply between 2012 and 2018 and is expected to continue to decrease until 2030. Currently, the company has a presence across 26 countries with operations in India, South East Asia, Middle East and North Africa, rest of Africa, Europe, United States and Latin America and Australia. The company believes that its execution track-record, relationships with customers and suppliers, and its innovative and cost-effective engineering project designs make it well positioned to benefit from the positive trend and continue to expand its operations.

**Comprehensive end-to-end EPC solutions provider with a global execution track record:** The company is a global pure-play end-to-end solar EPC solutions provider. As of March 31, 2019, the company 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 the company have executed definitive EPC contracts) with an aggregate capacity of 1,598.78 MWp. As at March 31, 2019 its order book was Rs.3831.57 Crore and the company had received letters of intent of Rs. 39,08 Crore for solar power projects for which the company has won the bid, but has not yet executed definitive EPC contracts.

**A dedicated design and engineering team focused on innovation and developing efficient and cost effective engineering solutions:** The company's design and engineering team seeks to improve the efficiency of its solutions and services. The company also leverages its experience of providing O&M services to understand solar modules and other equipment, which help it to improve its services and win repeat orders. The company has installed a Computerized Monitoring System ("CMS") and are in the process of installing the Computerized Maintenance Management System ("CMMS") that the company share with SWPL under the Framework Agreement, to improve its 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.

**Strong parentage and ability to leverage global "SP" brand:** The Company benefits from the brand reputation, industry relationships and project management expertise of the SP Group and S&W. It has also benefits from global presence and stakeholder relationships of the SP Group and S&W.

**Strong growth and financial performance backed by an asset-light business model:**

The Company believe its strong growth and financial performance has been facilitated by its focus on risk management and reliance on clearly defined internal processes to manage its business. The company has a successful track record of winning competitive bids as indicated by its solar power project portfolio of 205 solar power projects, an order book of Rs. 3831.57 Crore and letters of intent of Rs. 3908 respectively, as of March 31, 2019. The company operate an asset-light business model, under which its customers are responsible for sourcing and acquiring real estate while the company typically lease equipment required for its operations.

**Strategies**

**Maintain market leadership through strategic expansion of overseas operations:** The company aims to maintain its market leadership position through strategic expansion, including through roll up acquisitions in the markets in which the Company currently operates and into new geographies that present attractive opportunities. The company aims to establish a permanent presence in regions that have continuous and large solar opportunities and leverage this regional presence to strategically access local geographies as needed. The company 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.

**Grow its customer base and maintain relationships with other key stakeholders:** The Company intends to develop customer base by continuing to invest in its business development, tendering and marketing functions to optimize its ability to identify, evaluate and win new customers. The company also intends to continue building relationships with its existing customers and other key stakeholders, such as engineers, suppliers and consultants. The company intends to continue collaborating with strategic partners and such key stakeholders to position its selves as a reliable EPC player in the market that customers can depend on for developing their solar power projects.

**Focus on increasing operational and financial efficiency:** The company plans to continue focus on operational and financial efficiency by investing in its competent and sizable design and engineering team in India and on its 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.

**Focus on expanding O&M, rooftop solar EPC and solar storage solutions :** The company intends to first expand its O&M operations in the regions where it has EPC operations, and enter markets that have conducive solar power polices with commissioned solar power projects. The company also intends to continue developing its data analytics processes through the CMS and CMMS that it has licensed from SWPL and leverage its experience of providing O&M services to understand solar modules and other equipment.

**Risk Factor**

**Operate in a competitive industry:** The Company operates in a competitive industry and as such it may not be successful in bidding for and winning bids for solar power projects to grow its business globally, which may have a material adverse effect on its business, financial condition, results of operations and prospects

**If fails to accurately estimate costs under fixed-price EPC contracts:** The company may be unable to accurately estimate costs under fixed-price EPC contracts, fail to maintain the quality and performance guarantees under EPC contracts and it may experience delays in completing the construction of solar power projects.

**Depend on various subcontractors and suppliers:** The Company depends on various subcontractors and suppliers to procure materials and construct and provide its services and solutions.

**The industry is heavily influenced by government regulations and policies:** 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 their business.

#### Peer Comparison

As per the Company RHP, there are no listed entities in India whose business portfolio is comparable with that of its business.

#### Industry Update

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. According to IHS Markit, the share of solar photovoltaic (“PV”) generation capacity annual additions in global power generation capacity annual additions has increased from 9.8% in 2012 to 25.3% in 2018, and could increase to 38.4% in 2022. The cumulative annual solar PV installations in India, South East Asia, the Middle East & North Africa, the rest of Africa, Europe, the United States, Latin America and Australia increased from 64 GW in a three year period over 2013 to 2015 to 120 GW in a three year period over 2016 to 2018 representing a 87.7% increase. This is likely to increase by 232 GW in a three year period over 2019 to 2021 representing a further 92.9% increase. 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. The figure below depicts the year-on-year changes in LCOE of solar PV systems in India, in comparison with traditional energy sources, such as coal and gas.

#### Outlook

The company provides EPC services primarily for utility-scale solar power projects with a focus on project design and engineering and manage all aspects of project execution from conceptualizing to commissioning. Though the company is enjoying a 16.6% market share in solar power EPC projects in India, but the demand is very dull in the solar segment. Also its 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. They may be unable to accurately estimate costs under fixed-price EPC contracts, fail to maintain the quality and performance guarantees under their EPC contracts and they may experience delays in completing the construction of solar power projects, which may increase their construction costs and working capital requirements. The issue also looks pricey. A long term investor may opt the issue.

<b>EVENT</b>	<b>INDICATIVE DATE (On or about)</b>
FOR ALL BIDDERS	Monday, Aug. 6, 2019
Bid/ Offer Closing Date	Wednesday, Aug 8,19
Finalisation of Basis of Allotment with the Designated Stock Exchange	On or about Wednesday, Aug14, 19
Initiation of refunds for anchor investors/unblocking of funds	On or about Wednesday, Aug 16,19
Credit of Equity Shares to demat accounts of Allottees	On or about Friday, August 19, 2019
Commencement of trading of the Equity Shares on the Stock Exchanges	On or about Friday, August 20, 2019

## Annexure

### Consolidated Financials

#### Profit & Loss

Rs. in Cr.

Particulars	31-Mar-19	31-Mar-18	31-Mar-17
Revenue from operations	8,240.41	6,871.71	1,640.27
Total expenditure	7,598.31	6,333.96	1,585.39
<b>Operating Profit</b>	<b>642.10</b>	<b>537.75</b>	<b>54.88</b>
OPM%	7.79	7.83	3.35
Other Income	209.53	12.71	9.79
<b>PBDIT</b>	<b>851.63</b>	<b>550.46</b>	<b>64.67</b>
Depreciation	7.80	3.17	1.57
<b>PBIT</b>	<b>843.82</b>	<b>547.30</b>	<b>63.10</b>
Interest	84.65	18.62	2.80
<b>PBT</b>	<b>759.17</b>	<b>528.68</b>	<b>60.30</b>
Tax	120.94	78.14	28.85
<b>Profit After Tax</b>	<b>638.23</b>	<b>450.54</b>	<b>31.45</b>

**Balance sheet is on next page**

## Balance Sheet

Rs. in Cr.

Particulars	31-Mar-19	31-Mar-18	31-Mar-17
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	26.54	20.22	7.61
Capital work-in-progress	0.00	2.87	0.00
Goodwill	3.12	0.00	0.00
Other intangible assets	1.83	1.04	0.88
<b>Financial assets</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
Loans	1.17	0.00	0.00
Deferred tax assets (net)	32.12	11.02	11.11
<b>Non-current tax assets (net)</b>	<b>0.00</b>	<b>1.02</b>	<b>1.23</b>
Other non-current assets	2.45	5.40	0.00
<b>Total non-current assets</b>	<b>67.23</b>	<b>41.56</b>	<b>20.83</b>
<b>Current assets</b>			
Inventories	13.15	18.56	14.92
Financial assets			
(i) Investments	0.17	0.16	0.33
(ii) Trade receivables	1900.22	1821.47	648.01
(iii) Cash and cash equivalents	420.77	95.47	3.76
(iv) Bank balances other than cash and cash equivalents	33.77	8.67	7.10
(v) Loans	1953.39	9.36	2.80
(vi) Derivatives	3.95	0.00	0.00
(vii) Other financial assets	241.68	1029.88	329.62
Current tax assets (net)	0.84	0.90	0.00
Other current assets	756.75	1894.36	51.16
<b>Total current assets</b>	<b>5324.69</b>	<b>4878.82</b>	<b>1057.70</b>
<b>Total assets</b>	<b>5391.92</b>	<b>4920.38</b>	<b>1078.53</b>
<b>Non - current liabilities</b>			
Financial liabilities			
Borrowings	0.00	0.00	0.00
Provisions	8.61	5.57	3.19
<b>Total non - current liabilities</b>	<b>8.61</b>	<b>5.58</b>	<b>3.19</b>
<b>Current liabilities</b>			
Financial liabilities			
Borrowings	2227.77	184.14	315.13
Trade payables	1912.55	3739.79	462.60
Derivatives	0.00	10.42	19.45
Other financial liabilities	33.75	20.48	2.60
Other current liabilities	244.60	702.56	181.04
Provisions	76.85	55.20	37.91
Current tax liabilities (net)	50.26	8.34	0.00
<b>Total current liabilities</b>	<b>4545.79</b>	<b>4720.93</b>	<b>1018.73</b>
<b>Total</b>	<b>4554.40</b>	<b>4726.51</b>	<b>1021.92</b>
<b>NET Worth</b>	<b>837.52</b>	<b>193.88</b>	<b>56.61</b>
Net worth represented by:			
Equity Share Capital	841.01	196.59	0.00
Non-controlling interests	-3.49	-2.72	0.00
<b>Total Equity</b>	<b>837.52</b>	<b>193.88</b>	<b>0.00</b>
<b>Total Net Worth</b>	<b>837.52</b>	<b>193.88</b>	<b>0.00</b>

## RANKING METHODOLOGY

WEAK	★
NEUTRAL	★★
FAIR	★★★
GOOD	★★★★
EXCELLENT	★★★★★

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