



IPO note: Sterling and Wilson Solar Ltd. (SWSL) – Robust play on Solar EPC – “SUBSCRIBE”

Incorporated on March 9, 2017 Sterling and Wilson Solar Limited (“SWSL”) is a global pure-play, end-to-end solar engineering, procurement and construction (“EPC”) solutions provider and were 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 benefit from the brand reputation, industry relationships and project management expertise of the Shapoorji Pallonji Group (the “SP Group”) and the Sterling and Wilson Group (“S&W”). The SP Group is a global conglomerate and has over 150 years of experience as an EPC solutions provider in various industries across 45 countries. As of March 31, 2018, the total consolidated assets of Shapoorji Pallonji and Company Pvt. Ltd. (“SPCPL”), the flagship company of the SP Group was Rs.56,353.14 crore, which helps them meet certain financial requirements for bidding for solar power projects. They also benefited from global presence and stakeholder relationships of the SP Group. S&W has over 90 years of experience in offering EPC solutions with operations across 34 countries. In particular, before entering a new market, they typically leverage from the presence of the SP Group and S&W in that market to get a head start in establishing their operations. In connection with the Demerger, the company entered into a Framework Agreement with SWPL, pursuant to which SWPL will execute all their service contracts entered into prior to the Demerger from its branch offices and transfer all related benefits to the company.

SWSL 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. They also provide operations and maintenance (“O&M”) services, including for projects constructed by third-parties. As of March 31, 2019, they had 205 commissioned and contracted solar power projects with an **aggregate capacity of 6,870.12 MWp**. Currently they have **presence across 26 countries**. As at March 31, 2019 their **order book was Rs.3,831.58 crore and received letters of intent of Rs.3,908.16 crore** (of which Rs.2,195.93 crore were converted into definitive EPC contracts since March 31, 2019) for solar power projects for which they have won the bid, but have not yet executed definitive EPC contracts. SWSL is the sole EPC solutions provider for the **world’s largest single location solar PV plant of 1,177 MWp in Abu Dhabi**, according to CRISIL Research. SWSL is also the largest solar EPC solutions providers in each of India, Africa and Middle East in 2018 with 16.6%, 36.6% and 40.4% market share, respectively, according to IHS Markit.

The company operates an asset-light business model, under which their customers are responsible for sourcing and acquiring real estate while they typically lease equipment required for their operations. The asset-light business model generally entails low capital expenditures and fixed costs, and offers flexibility and scalability to meet their customers’ needs, provide customized solutions and respond quickly to market conditions. They are able to operate with low working capital requirements as their EPC contracts are typically of short duration. They typically require an advance payment from customers for certain deliverables and their EPC contracts include shorter payment cycles from their customers compared to longer payment cycles from their suppliers.

For FY19, the Company’s topline was well diversified. India accounted for 30 percent, Middle East and North Africa accounted for 48 percent, Rest of Africa accounted for 8.16 percent, South East Asia accounted for 9.62 percent, United States and Latin America accounted for 4.30 percent and Australia accounted for 0.08 percent of topline.

IPO note date	August 06, 2019
Issue date	August 06 - 08, 2019
Issue structure	QIB – 50% NIB – 35% Retail – 15%
Price Band	Rs. 775 – Rs. 780
Face value	Re. 1
Post Issue equity shares	16.036 crores equity shares
Post issue Market Cap	Rs. 12,508 crores
Pre/Post issue Promoter holding	100%/75.02 %
Issue size	Rs. 3,125 crores
Bid lot	19 Equity shares and in multiples thereof
Book Running Lead Managers	Axis Capital, ICICI Securities, Credit Suisse, Deutsche Equities
Registrar to the issue	Link Intime

Y/e 31 Mar (Rs. crs)	FY19	FY18*
Total Income	8,240	6,872
EBITDA	852	550
EBITDA (%)	10.34	8.00
PAT	638.2	450.5
PAT (%)	7.75	6.56
Equity Share Capital	16.03	16.03
EPS (Rs.)	39.85	29.97
P/E (x)at upper end price band	20	26.0
P/BV (x)	12	31
RoE (%)	62	118

Source: RHP, * denotes period from beginning March 09, 2017 to March 31, 2018

Investment recommendation and rationale

According to IHS Markit: a) Solar energy is one of the fastest growing forms of renewable energy. b) The total cumulative installed solar photovoltaic (PV) generation capacity could reach nearly 1,090 GW globally by 2022. c) The global annual solar PV installations has witnessed a CAGR of 21.8 percent from 31.6 giga – watts (“GW”) in 2012 to 103.0 GW in 2018. The global annual solar PV installations run rate could increase to 148.4 GW by 2021. SWSL IPO is valued at a P/E of 20x at FY19 EPS which is reasonable. With due consideration to factors like: a) largest global solar EPC solutions provider in a fast growing solar industry, b) comprehensive end-to-end EPC solutions provider with a global execution track record, c) a dedicated design and engineering team focused on innovation and developing efficient and cost effective engineering solutions, d) Company’s flexible Hub-and-Spoke business model facilitating geographic expansion to capture the global opportunities, e) strong relationship with suppliers due to global execution track record helps sourcing of raw materials at competitive prices, f) history of timely completion of projects globally, g) high percentage of repeat customers (outside India – 64. 4%, India – 83.3%), h) strong parentage and ability to leverage global “ Shapoorji Pallonji” brand, i) strong growth and financial performance backed by an asset – light business model, j) good anchor investment by marquee investors instills confidence in the Company, we recommend “SUBSCRIBE” to the issue.

Objects of the issue

Offer for sale of Equity Shares aggregating upto 3,125 Cr.

(Offer for sale of equity shares aggregating upto Rs.2,083.33 crores by Shapoorji Pallonji & Co. Pvt. Ltd. and upto Rs.1,041.67 crores by Khurshed Yazdi Daruvala)

Promoter Selling Shareholders shall utilize a portion of the net offer proceeds, towards funding full repayment of the loans due to the Company and Sterling and Wilson International Solar FZCO from Sterling and Wilson Private Limited ("SWPL") and Sterling and Wilson International FZE (a subsidiary of SWPL) respectively within 90 days from the date of listing of the equity shares

Promoters and key management background

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 pursuant to the Scheme of Arrangement, with the appointed date for the transfer of such Solar EPC Division being 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.

Khurshed Yazdi Daruvala is the Promoter, Chairman and a Non-Executive Non-Independent Director of the company. He has been part of the Sterling and Wilson group for about 25 years and has held the position of managing director of SWPL. He has been on the Company Board since April 25, 2018.

Pallon Shapoorji Mistry is the Non-Executive Non-Independent Director of the company. He is on the board of companies such as Shapoorji Pallonji and Company Pvt. Ltd., Afcons Infrastructure Ltd, Shapoorji Pallonji Infrastructure Capital Co. Pvt. Ltd., Shapoorji Pallonji Oil and Gas Pvt. Ltd. and SWPL. He has been on the Company Board since August 2, 2018.

Bikesh Ogra is the Non-Executive Non-Independent Director of the Company and global CEO. He joined the Sterling and Wilson group in 1996 and has over 22 years of experience in the EPC sector. He has been on the company Board since March 27, 2019.

Keki Manchersha Elavia, Arif Saleh Doctor and Rukshana Jina Mistry are the Independent Directors of the company.

Bahadur Dastoor is the Chief Financial Officer of the company. He has been part of the company since July 1, 2018. He has been associated with the Sterling and Wilson group since December 1, 2010.

Jagannadha Rao Ch. V. is the Company Secretary and Compliance Officer of the company. He joined the company on May 8, 2018. He has about 29 years of experience in secretarial and legal matters.



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