

## Subscribe for Long Term

Issue Details	
Price Band (Rs)	Rs. 775 - 780
Face Value (Rs)	1
Issue Size (Rs)	3125 Cr
Issue Type	Book Building
Minimum lot	19
Issue Opens	August 06, 2019
Issue Closes	August 08, 2019
Listing on	BSE, NSE

Indicative Timeline	On or before
Finalization of Basis of Allotment	August 14, 2019
Unblocking of Funds	August 16, 2019
Credit of shares to Demat Account	August 19, 2019
Listing on exchange	August 20, 2019

Other Detail	
GLOBAL CO-ORDINATORS AND BOOK RUNNING LEAD MANAGERS	ICICI Securities Limited, Axis Capital Limited, Credit Suisse Securities (India) Private Limited, Deutsche Equities India Private Limited, IIFL Securities Limited, SBI Capital Markets Limited
Book Running Lead Managers	IndusInd Bank Limited, and YES Securities (India) Limited
Registrar	Link Intime India Private Limited

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## Sterling and Wilson Solar Ltd

### Company Background

Sterling and Wilson Solar Ltd (SWSL) was Incorporated in 2017. The company started its operation as a Solar Engineering, Procurement, and Construction (EPC) Division of Sterling & Wilson Private Limited ("SWPL") in 2011 and demerged on April 1, 2017. SWSL is engaged in providing EPC solutions to the end-users. SWSL is focused on utility-scale solar power projects and manages the solar projects from conceptualizing to commissioning. It provides operations and maintenance services for the third-party projects as well.

According to IHS Markit, the company was the world's largest solar EPC solutions provider in 2018 based on annual installations of utility-scale PV systems. Currently, it has a wide presence across 26 countries. Sterling & Wilson offers customized solutions to its customers for solar power projects. The company follows a "hub-and-spoke" business model where India works as a hub for various services. The company aims to improve the performance ratio by offering cost-effective and innovative designing solutions supported by an engineering and competent design team. It has 154 employees in the design and engineering team.

### Issue Details

For listing benefits and providing a partial exit to existing stakeholders, SWSL is coming out with a maiden IPO of 40,064,103 equity shares of Rs.1 each (based on upper price band) via book building issue. The entire offer is an offer for sale by the existing Promoter stakeholders. The IPO includes an offer for by promoter Shapoorji Pallonji and Company Private Limited aggregating up to Rs.2,083Cr and by Khurshed Yazdi Daruvala aggregating up to Rs.1,042Cr. The total issue size 3125Cr. The issue constitutes 25 % of the post issue paid-up capital of the company. Being an OFS, company will not receive any proceeds from the issue.

### IPO share allotment pattern

Category	Allocation	Number of Shares at Rs.775	Number of Shares at Rs.780	Issue Size (Rs.Cr)
QIB	75%	30,241,935	30,048,077	2,344
Non-Institutional	15%	6,048,387	6,009,615	469
Retail	10%	4,032,258	4,006,410	313
<b>Total</b>	<b>100%</b>	<b>40,322,581</b>	<b>40,064,103</b>	<b>3,125</b>

Source: Company RHP, ACMIIL

### Outlook and Valuations

SWSL is Global solar EPC Leader providing comprehensive end to end EPC solutions. As of March 31, 2019, they had 205 commissioned and contracted solar power projects. Currently they have presence across 26 countries. The Company has strong order book of Rs.7739 Cr as on FY19. The company benefits from the brand reputation, industry relationships, and project management expertise with strong parentage of the Shapoorji Pallonji Group and the Sterling and Wilson Group. We believe with rising demand for solar power globally. The company is poised for bright prospect ahead. At the upper price band, the company's stock trades at 19.6x its FY19EPS of Rs.39.85/-, we recommend to **SUBSCRIBE** to the issue with a long-term perspective.

## Business Overview

SWSL is a global pure-play, end-to-end solar engineering, procurement and construction solutions provider. 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. They also provide operations and maintenance services, including for projects constructed by third-parties.

The company offers a complete range of customized solutions for solar power projects. Their customers include leading independent power producers developers and equity funds. The company adopts a consultative approach to their customers' solar energy needs and capabilities, which enables them to provide customized solutions to meet their requirements. The company follows a "hub-and-spoke" business model where they manage the complete supply chain from India, including the design and engineering functions, and engage a few suppliers and third-party subcontractors and procure part of the raw materials for their operations locally in each of their markets, where there is a cost advantage or to comply with local regulations. The company seek to leverage this business model to procure products and services solutions for their customers at competitive prices.

## Investment Rationale

### Largest global solar EPC solutions provider in a fast growing solar industry

SWSL is the world's largest solar EPC solutions provider with a market share of 4.6% in 2018 which increased from 0.3% in 2014, according to IHS Markit. They were 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. In 2017, they won the bid for the solar power project in Abu Dhabi, which is the world's largest single location solar PV plant.

Currently, SWSL has a presence across 26 countries. For the period from 2018 to 2021, annual solar PV installations could grow at a compound annual growth rate ("CAGR") of 11.7% in India, 70.6% CAGR in South East Asia, 22.2% CAGR in the Middle East and North Africa, 42% CAGR in the rest of Africa, 30% CAGR in Europe, 17.4% CAGR in the United States, 5.4% in CAGR Latin America, and 8.1% CAGR in Australia. On an aggregate this represents a cumulative 20.0% CAGR growth in annual solar installations.

### A dedicated design and engineering team

As of March 31, 2019, all of their design and engineering team is based in India, which provides SWSL a cost advantage over their competitors. SWSL is in the process of establishing an Innovation Center in Rajasthan, India, with an aim to facilitate the analysis of various developed and futuristic module technologies, robotics for module cleaning, inverter technologies and tracker systems, thereby, enabling them to stay in the forefront of technology adoption for their customers and developers.

### Strong relationships with customers and other key stakeholders

SWSL offers a complete range of customized solutions for solar power projects. Their customers include leading IPPs and developers such as Marubeni, EDF Renewables, Alten, Sunseap, Sao Mai, Enfinity, ACWA Power and BNRG Renewables, and equity funds. The company adopts a consultative approach to their customers' solar energy needs, which enables them to provide customized solutions to meet their requirements. The company often receive repeat orders from their customers and as of March 31, 2019 customers in India and outside India for whom they have executed more than one project constituted 83.26% and 64.35% of their total commissioned solar capacity, respectively.

### Strong Parentage and the ability to leverage the global "Shapoorji Pallanji" brand

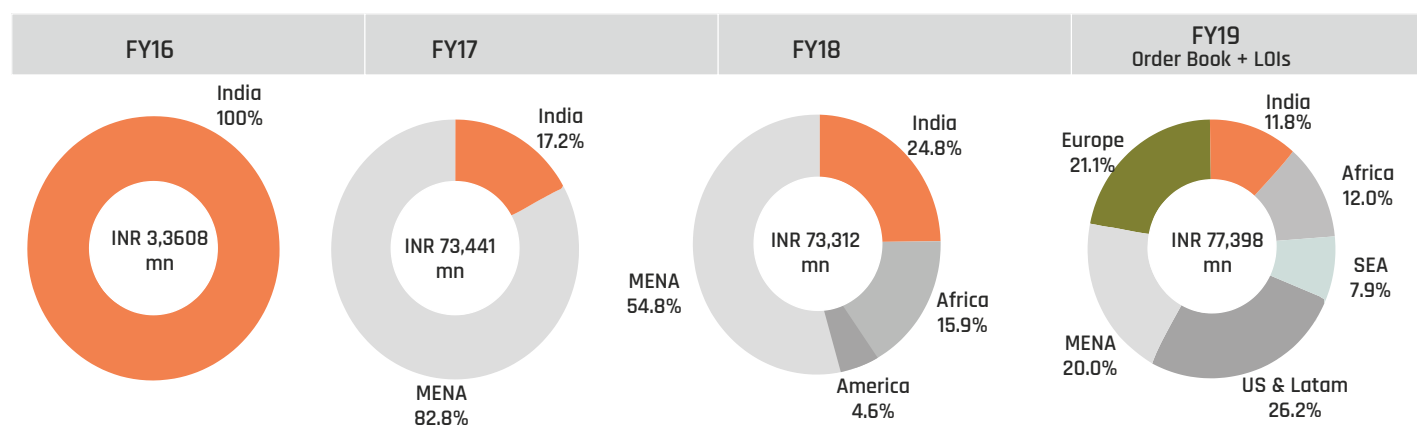
The company benefited from the brand reputation, industry relationships and project management expertise of the Shapoorji Pallanji (SP) and Sterling Wilson (SW) Group. The SP Group is a global conglomerate and has over 150 years of experience as an EPC solutions provider in 6 major business areas and operations across 45 countries. Currently, S&W has over 90 years of offering EPC solutions and has operations across various industries, including mechanical engineering and plumbing, co-gen solutions, transmission and distribution, turnkey data centers, diesel generators and renewables in 34 countries.

SWSL benefits from global presence and stakeholder relationships of the SP Group and S&W. In particular, before entering a new market, they typically leverage from the SP Group's and S&W's presence in that market to get a head start in establishing their operations. In addition, SP Group's and S&W's relationships with key stakeholders have helped them establish connections with major customers and market leading subcontractors, lenders, designers and consultants.

### Established financial track record & Strong order book

Company has established a consistent track record of financial performance and growth. During FY16-19, company's revenue & profitability including other income has grown at a CAGR of 40% & 72% respectively. During the same period, reported operating margin was in a range of 8%. Further They have a successful track record of winning competitive bids as indicated by their solar power project portfolio of 205 solar power projects, an order book of Rs.3,831.58 crore and letters of intent of Rs.3,908.16 crore respectively, as of March 31, 2019. We believe this gives revenue visibility for next multi years.

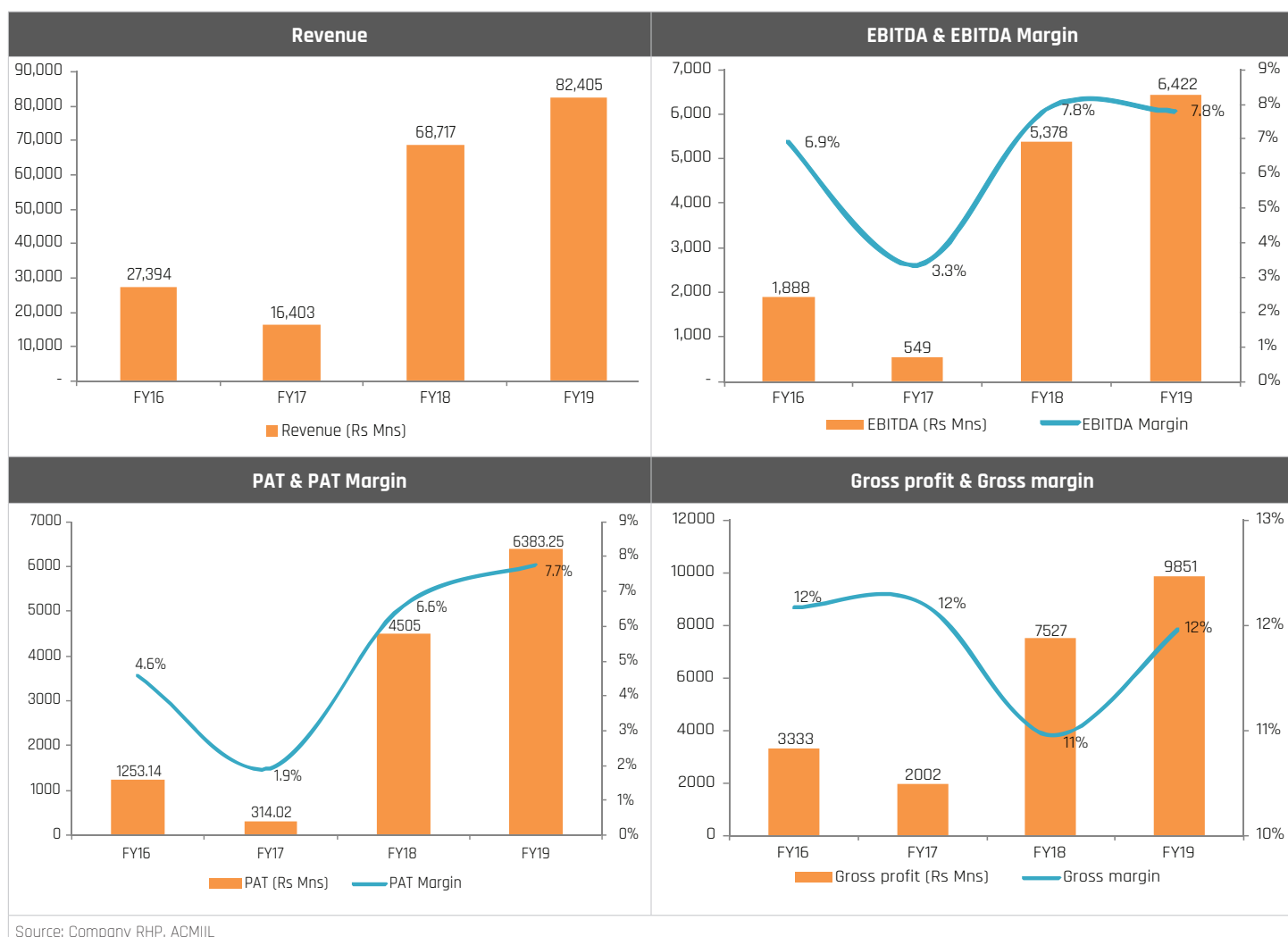
### Order Book break-up by geography over the years



Source: Company RHP, ACMIIL

### Risks and concerns

- If solar 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 SWSL's revenues may decline and may unable to sustain their profitability.
- Global business operations are subject to global and local risks related to economic, regulatory and, social and political uncertainties, any of which could have a material adverse effect on SWSL's business, financial condition and results of operations.



Source: Company RHP, ACMIIL

## Financials

### Income statement

Particulars (Rs Mns)	FY16	FY17	FY18	FY19
<b>Revenue from Operations</b>	<b>27,394</b>	<b>16,403</b>	<b>68,717</b>	<b>82,405</b>
<b>Less: Expenses</b>				
Cost of construction materials, stores and spare parts	18,871	11,760	53,734	56,091
Changes in inventories of stock- in- trade	-13.34	-	119	13
Direct project costs	5204	2,641	7,336	16,450
Employee Benefit Expenses	330	600	986	1,779
Other Expenses	1115	853	1,164	1,650
<b>Total Expenses</b>	<b>25507</b>	<b>15,854</b>	<b>63,340</b>	<b>75983</b>
<b>EBITDA</b>	<b>1888</b>	<b>549</b>	<b>5378</b>	<b>6422</b>
EBITDA %	7%	3%	8%	8%
Less : Dep & Amortization	9	15.66	32	78
EBIT ( before Other income)	1878	533	5346	6344
Add : Other Income	70	98	127	2,095
EBIT ( After Other Income)	1949	632	5473	8439
Less : Finance cost	6	28	186	847
<b>PBT</b>	<b>1943</b>	<b>603</b>	<b>5287</b>	<b>7593</b>
Less : Tax paid/reversal	689	289	781	1,209
<b>Net Profit</b>	<b>1,253</b>	<b>314</b>	<b>4,505</b>	<b>6,383</b>
<b>PAT %</b>	<b>5%</b>	<b>2%</b>	<b>7%</b>	<b>8%</b>
Other comprehensive income for the year/period	-7	-43	17	49
Total comprehensive income for the year/period	1246	271	4522	6432
EPS (Rs)*	-	-	29.97	39.85

Source: Company RHP, Acmiil

\* the SWPL Solar EPC Division was not a legal entity for reporting purposes in the period FY15-16 & FY16-17. Accordingly, the SWPL Solar EPC Group does not have any issued capital and presentation of earnings per share in accordance with Ind AS 33, Earnings per share is not applicable.

## Balance Sheet

Particulars (Rs Mns)	FY16	FY17	FY18	FY19
Share Capital	-	-	160.36	160.36
Reserves	-	-	1,778	8,215
Total Shareholders Fund*	-769	566	1,938	8,375
<b>Non Current Liabilities</b>				
<b>Financial Liabilities :</b>				
<b>(i) Borrowings</b>	0.02	0.02	0.02	0.02
Long term provisions	11	32	56	86
<b>Total Non Current Liabilities</b>	<b>11</b>	<b>32</b>	<b>56</b>	<b>86</b>
<b>Current Liabilities</b>				
<b>Financial Liabilities :</b>				
(i) Borrowings	3	3,151	1,841	22,278
(ii) Trade payable	6,738	4,626	37,398	19,125
(iii) Derivatives	32	194	104	-
(iv) Other financial liabilities	21	26	205	338
Short term provisions	321	379	552	769
Other current liabilities	772	1,810	7,026	2,446
Current tax liabilities (net)	3	-	83	502
<b>Total Current Liabilities</b>	<b>7890</b>	<b>10187</b>	<b>47209</b>	<b>45458</b>
<b>Total Liabilities</b>	<b>7,132</b>	<b>10,785</b>	<b>49,203</b>	<b>53,919</b>
<b>Assets</b>				
<b>Non Current Asset</b>				
Tangible Assets	61	76	202	265
Capital work-in-progress	-	-	29	-
Goodwill	-	-	-	31
Other intangible assets	6	9	10	18
Long term loans & advances	-	-	-	12
Deferred tax assets (net)	10	111	110	321
Non-current tax assets (net)	5	12	10	0
Other Non current assets	-	-	54	25
<b>Total Non Current Assets</b>	<b>82</b>	<b>208</b>	<b>415</b>	<b>672</b>
<b>Current Asset</b>				
Inventories	13	149	186	131
Investments	-	3	1,59	2
Trade Receivables	4683	6,480	18,214.70	19,002
Cash & Bank bal	309	108	1041	4545
Short Term Loans & Advances	16	28	94	19534
Derivatives	0	-	-	40
Other financial assets	1832	3,296	10,298	2417
Current tax assets (net)	-	-	9	8
Other Current Assets	197	512	18944	7568
<b>Total Current Asset</b>	<b>7,050</b>	<b>10,577</b>	<b>48,787</b>	<b>53,247</b>
<b>Total Asset</b>	<b>7,132</b>	<b>10,785</b>	<b>49,203</b>	<b>53,919</b>

Source: Company RHP, ACMIIL

\* the SWPL Solar EPC Division was not a legal entity for reporting purposes in the period FY15-16 & FY16-17. Accordingly, the SWPL Solar EPC Group does not have any issued capital and presentation of earnings per share in accordance with Ind AS 33, Earnings per share is not applicable.

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# Asit C. Mehta

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