

IPO Details

Opening Date	Sep 26, 2022
Closing Date	Sep 29, 2022
Stock Exchange	BSE SME
Lot Size	3000 Shares
Issue Price	₹ 38 per share
Issue Size	58,32,000 Equity Shares
Application Amount	₹ 1,14,000

IPO Objective

Funding Working Capital Requirement
General Corporate Purpose

Pre-Issue Shareholding

Category	No. of Shares	% of Total Shares
Promoter & Promoter Group	1,45,50,000	97.00%
Public	4,50,000	3.00%

Promoter of the Company

- 1 Mr. Manish Gupta
- 2 Mr. Vikas Jain

Competitive Strengths

- 1 Experienced key management personnel, project management and operations team with an excellent track record
- 2 Strong relationships with customers, employees and other key stakeholders
- 3 Strong growth and financial performance backed by an asset-light business model
- 4 A dedicated design and engineering team focused on innovation and developing efficient and cost-effective engineering solutions
- 5 Cordial relationship between management and labour
- 6 Ability to provide EPC as supplemental value addition to othesolar PV module manufacturing business

Company Background

- Company was incorporated in the year 2015 in Rajasthan.
- Company is engaged in the business of manufacturing Solar PV Panels and also trading of Solar Power Conditioning Unit and Lead Acid Batteries.
- Company also takes in hand EPC projects.
- Company has its manufacturing unit at Khasra 766/2, Village Bagwada, Tehsil Amer, Near Daulatpura Toll Tax Jaipur – 303805.
- Company has formed a wholly owned subsidiary in the name of Insolation Green Energy Private Limited (“IGEPL”) in FY 2020-21
- Company is also setting up a new manufacturing unit in the name of its subsidiary.
- As on the date of filing of prospectus, the company had 146 employees on its payroll.

Financial Summary

	(In Lacs)		
For the Period Ended	Mar-22	Mar-21	Mar-20
Total Assets	6,668.03	5,045.04	2,642.44
Net Assets	2,211.97	1,519.77	830.05
Total Borrowings	2,862.26	2,091.33	1,235.10
Total Revenue	21,539.13	16,272.93	8,879.37
Profit After Tax	692.20	689.72	309.25

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Company Overview

Insolation Energy Limited was incorporated in the year 2015 and is engaged in the manufacturing of Solar PV panels and also trading of Solar Power Conditioning Unit and Lead Acid Batteries. Company has its manufacturing unit at Khasra 766/2, Village Bagwada, Tehsil Amer, Near Daulatpura Toll Tax Jaipur – 303805. Company has formed a wholly owned subsidiary in the name of Insolation Green Energy Private Limited (“IGEPL”) in FY 2020-21. Company is also setting up a new manufacturing unit in the name of its subsidiary.

Analysis

Being incorporated in the year 2015, the company has a decent track record of existence and has been operating in the renewable energy sector which has a very bright prospect in the coming future.

Within a short span of time, the company has been able to generate good amount of revenues and is also planning to expand its manufacturing capacity through its subsidiary company which would further help the company to generate additional revenues. Currently the company is operating at a capacity of 84% of its total installed capacity. A summary of the same is given in the table below –

S. No.	Financial Year	Location	Name of the Product	Unit	Rated Installed Capacity	Effective Installed Capacity	Capacity Utilized	Capacity Utilized (%)
1	2019-20	Daulatpura	Solar PV Module	MW	80	60	43.86	73.10%
2	2020-21	Daulatpura	Solar PV Module	MW	200	100 <i>(Capacity was increased by 40MV form 22nd December, 2021)</i>	60.31	82.24%
3	2021-22	Daulatpura	Solar PV Module	MW	200	100	83.58	83.58%

The company works in 2 shifts and it makes the total installed capacity to 400 MW. The manufacturing only takes for Solar PV Panels and the other products i.e. Power PCU and Batteries are traded. The company is also involved in Engineering, Procurement and Construction, popularly known as EPC.

Solar PV Panel

Power PCU

Lead Acid Batteries


All these products are sold in the brand name of the company “INA”. The major revenue generating product of the company is its own manufactured product – “Solar PV Panel”. A summary of the break-up of the company’s sales from manufacturing and trading activities is given below –

(Amount in lakh)

Particulars	Consolidated		Standalone					
	For the year ended March 31, 2022		For the year ended March 31, 2022		For the year ended March 31, 2021		For the year ended March 31, 2020	
	Amount	%	Amount	%	Amount	%	Amount	%
Domestic Sales								
(A) Manufacturing Sales	20,734.91	96.30%	20,734.91	95.85%	14,426.90	87.99%	8,242.15	92.40%
(B) Trading Sales	704.18	3.27%	704.18	3.26%	1,718.69	10.48%	592.29	6.64%
Total Domestic Sales	21,439.09	99.57%	21,539.13	99.57%	16,272.92	99.25%	8,879.99	99.54%
Export Sales	-	-	-	-	-	-	-	-
Other Operating Revenues	93.37	0.43%	93.37	0.43%	122.95	0.76%	41.05	0.46%
Total	21,532.45	100.00%	21,532.45	100.00%	16,268.55	100.00%	8,875.49	100.00%

As evident from the table above, the company is primarily selling in the domestic market and is not exporting at all. However, the company is importing its materials from China and Europe.

To conclude, the company has fared very well in terms of revenue generation and expansion. The company is in a niche product segment which has a very bright future, but the competition is very high and also the revenue is majorly dependent on its single manufactured product.

Industry Charts

Exhibit 1: Indian installed renewable energy grew to 152.4 GW as of Jan'22 from FY 21.

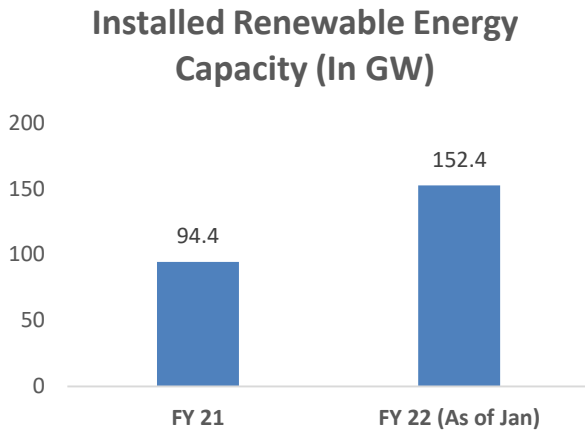


Exhibit 2: Electricity Generation from Renewable Energy Sector grew at a CAGR 14%

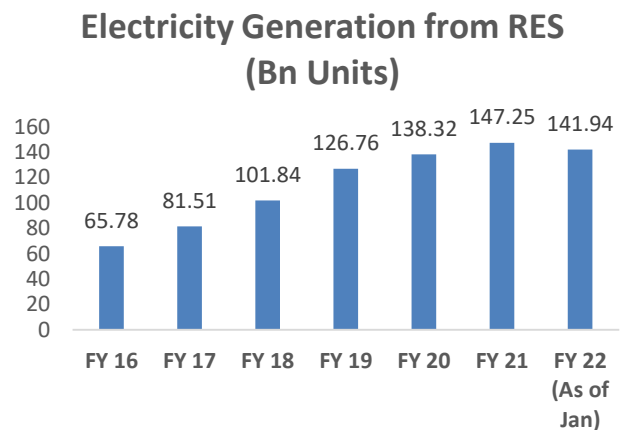


Exhibit 3: Installed Capacity of Different Renewable Energy Sector



(Source: ibef.org)

Investment Overview

Power Industry

The Indian renewable energy sector is the fourth most attractive renewable energy market in the world. India was ranked fourth in wind power, fifth in solar power and fourth in renewable power installed capacity, as of 2020.

Installed renewable power generation capacity has gained pace over the past few years, posting a CAGR of 15.92% between FY16-22. With the increased support of the Government and improved economics, the sector has become attractive from an investors perspective. As India looks to meet its energy demand on its own, which is expected to reach 15,820 TWh by 2040, renewable energy is set to play an important role.

As of April 2022, India's installed renewable energy capacity (including hydro) stood at 158.12 GW, representing 39.43% of the overall installed power capacity.

The country is targeting about 450 Gigawatt (GW) of installed renewable energy capacity by 2030 – about 280 GW (over 60%) is expected from solar.

The renewable energy capacity addition stood at 8.2 GW for the first eight months of FY22 against 3.4 GW for the first eight months of FY21.

Solar power installed capacity has increased by more than 18 times, from 2.63 GW in March 2014 to 49.3 GW at the end of 2021. In FY22, till December 2021, India has added 7.4GW of solar power capacity, up 335% from 1.73 GW in the previous year. Off-grid solar power is growing at a fast pace in India, with sales of 392,000 off-grid solar products in the first half of 2021.

Power generation from renewable energy sources (not including hydro) stood at 19.31 billion units (BU) in May 2022, up from 17.87 BU in May 2021.

With a potential capacity of 363 GW and with policies focused on the renewable energy sector, Northern India is expected to become the hub for renewable energy in India.

(Source: ibef.org)

Addressable Market for Insolation Energy Limited

The company is operating from Rajasthan, which is amongst the major renewable energy hub of India. The company is currently supplying its product PAN India and has not yet targeted the export market. The company in coming times would like to increase its global presence along with increasing its presence in India.

Competition

Company operates in a highly competitive environment. The renewable energy segment has a lot of reputed brands having larger capital base than that of the company and also unorganized players. The industry has little barrier to entry which puts the company to a threat of competition from new entrants.

Peer Analysis

As Mentioned in the prospectus, the company has mentioned 3 listed company as its peer viz. Swelect Energy System Limited, Waa Solar Limited and Websol Energy System Limited. A summary on the key financial parameters of these companies is given in the table below –

Company	Insolation Energy Limited	Swelect Energy System Limited	Waa Solar Limited	Websol Energy System Limited
Net Profit (INR Cr)	6.92	33.79	4.94	9.67
EBITDA (INR Cr)	13.53	71.33	20.84	31.01
Return on Capital Employed	39.19%	6.54%	5.62%	7.03%
Return on Equity	31.29%	4.76%	2.88%	5.05%
EPS (INR)#	3.33	21.97	-	-
P/E* (Times)	11.43	15.75	-	-

*PE as on 23/09/2022

#EPS is based on Post-IPO

Promoters' Profile and Management Analysis

Mr. Manish Gupta



- **Mr. Manish Gupta** is the Promoter, Chairman and Whole-Time Director of the Company.
- He has more than 21 years in various sectors such as Steel, Industrial Pipeline Accessories, Real Estate, Health & Fitness, and Independent Solar Power Producer.
- He is graduated in Bachelor of Engineering from North Maharashtra University, Jalgaon.
- He created a robust supply chain network and a trusted customer base for his ventures.

Mr. Vikas Jain



- **Mr. Vikas Jain** is the Promoter and Managing Director of the company.
- He is having more than 20 years of experience in the line of business.
- He is an Engineering Graduate and acquires exceptional skills to build a technology driven enterprise.

Analysis on the Company's Promoter and Board of Directors

Mr. Manish Gupta is the Promoter, Chairman and Managing Director of the company. He has more than 20 years of experience in various industries and has been instrumental in setting up the company and making it amongst the larger solar panels producing company in Rajasthan. He holds high-level position in various organisations related to renewable energy.

Mr. Vikas Jain is the Promoter and Managing Director of the company. He has more than 2 decades of experience in the line of business in which the company operates. He is well educated and plays a vital role in Manufacturing, Innovation and Development department of the company.

Ms. Ekta Jain, Ms. Payal Gupta and Mr. Akhilesh Kumar Jain form a part of the Non-Executive Director of the company. They are well experienced in their respective fields of business, but being a non-executive director, they won't be taking a part in the day-to-day operations of the business.

To conclude, the company's promoters are the main driving force of the company and are very well experienced in the business line. The Non-Executive Directors and Independent Directors are well experienced and might help the company grow with their valuable inputs, though not taking part in day-to-day operations directly.

Financial Snapshot

(Amount in Lacs)

Particulars	As at 31st March, 2020	As at 31st March, 2021	As at 31st March, 2022
Profit and Loss			
Revenue from operation	8,875.49	16,268.55	21,532.45
Other income	3.88	4.38	6.68
Total Revenue	8,879.37	16,272.93	21,539.13
Expenses	8,199.00	15,058.25	20,186.21
Depreciation and Amortisation Cost	120.41	139.91	196.55
Finance Cost	108.40	148.05	227.06
Total Expenses	8,427.81	15,346.21	20,609.82
PBT	451.56	926.72	929.31
PBT Margin	5.09%	5.70%	4.32%
EBITDA	680.37	1,214.68	1,352.92
EBITDA Margin	7.67%	7.47%	6.28%
Net Profit	309.25	689.72	692.20
Net Profit Margin	3.48%	4.24%	3.21%
Balance Sheet			
Total Borrowings	1,235.10	2,091.33	2,862.26
Net Worth	830.05	1,519.77	2,211.97
Fixed Assets	787.07	1,007.81	903.85
Net Working Capital	634.65	1304.14	1654
Financial Measures			
Inventory Turnover Ratio	11.60	9.88	8.20
Receivables Turnover Ratio	10.95	16.59	13.04
Payables Turnover Ratio	18.74	13.74	16.44
Fixed Assets Turnover Ratio	11.28	16.14	23.82
Return on Capital Employed	37.85%	45.64%	39.19%
Return on Equity	37.26%	45.38%	31.29%
Debt-Equity Ratio	1.49	1.38	1.29

(The data has been taken and calculated from the financials given in the prospectus)

Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA)

The EBITDA of the company has grown from Rs. 680.37 lacs in 2020 to Rs. 1,352.92 lacs in 2022 growing at a CAGR of 60.87%. The EBITDA margin in 2020 was 7.67%, 7.47% in 2021 and 6.28% in 2022. The EBITDA margins have fallen due to increase in cost of materials. As the company imports from China and Europe, the ongoing war increase the cost of raw materials for the company and has led to decrease in profit margin.

Net Profit

The net profit of the company has grown from Rs. 309.25 lacs in 2020 to Rs. 692.20 lacs in 2022 at a CAGR of 49.61%. The net profit margin in 2020 was 3.48%, 4.24% in 2021 and 3.21% in 2022. Again, due to increase in Raw Materials price because of increasing logistics cost and other reasons, the net profit margins have deteriorated.

Finance Cost.

The company has incurred finance cost mainly on the secured working capital and long term loans availed from the banks.

Financial Measures/Ratios

RoCE of the company in 2022 was 39.19% vs 45.64% in 2021 and 37.85% in 2020. The RoCE of the company has decreased from the levels of 2021, but the same is due to decrease in EBIT for the reasons already stated above. The ongoing inflation is expected to hurt in the nearest future and the RoCE might fall with the increase in capital base. The company is still posting healthy RoCE and in coming times is expected to maintain such margins.

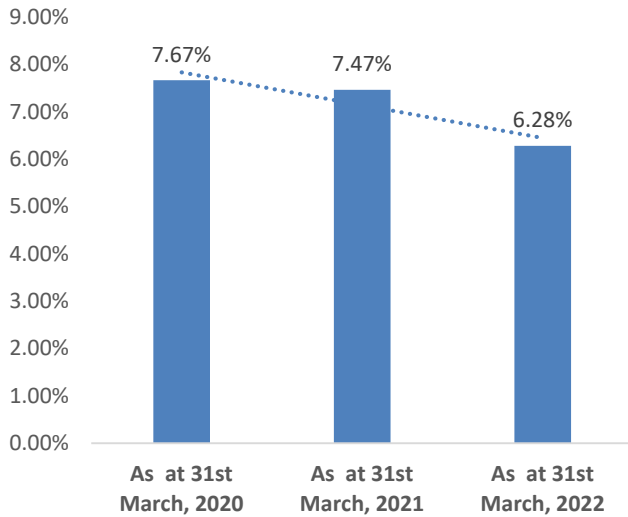
ROE of the company up in 2022 was 31.29%, 45.38% in 2021 and 37.26% in 2020. The ROE fell again due to increasing costs. The analysis and expectations of ROE can be set forth as that of RoCE.

The company's turnover ratio also has not followed any trend and has been fluctuating over the recent years as evident from the Turnover Ratios given in the table above.

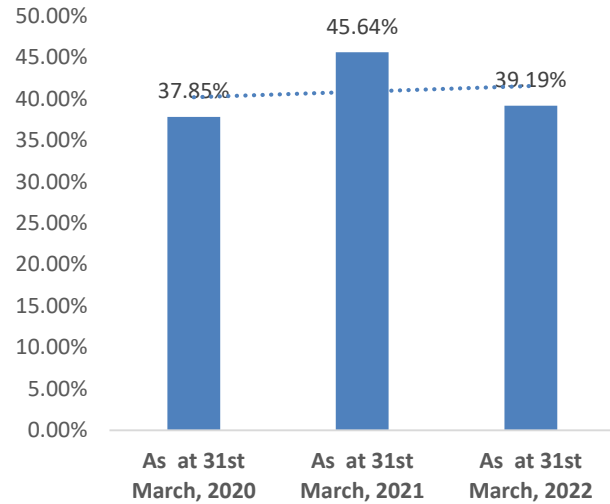
The company has a debt-equity ratio of 1.29 times which has come down from the levels of 2021 and 2020 and seems to further come down due to infusion of Equity Capital through IPO and repayment of term loans.

Financial Charts

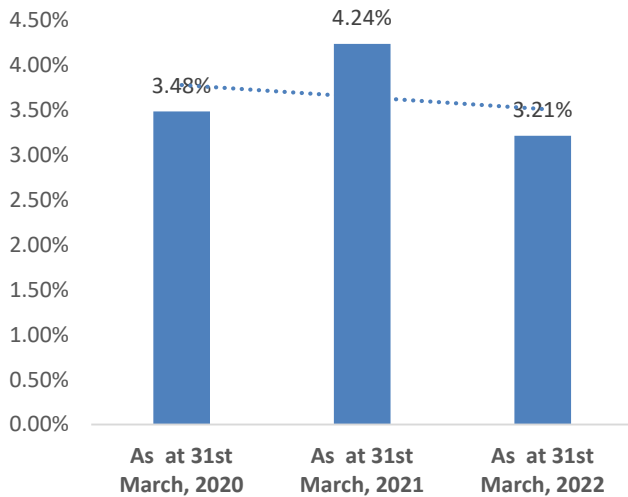
EBITDA Margin



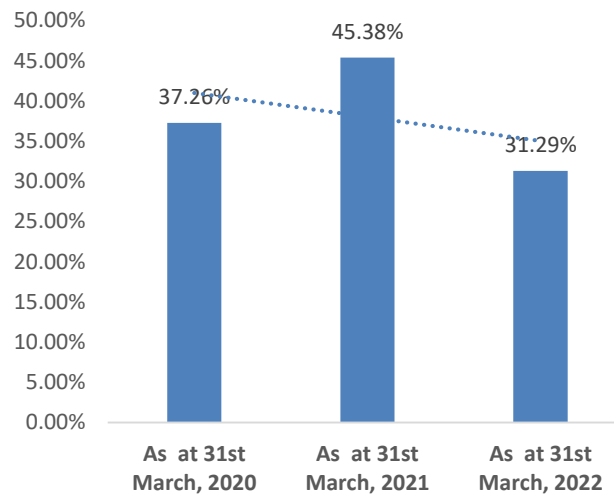
Return on Capital Employed



Net Profit Margin



Return on Equity



Key Risk Factors

1. Company and Group Company are involved in certain litigations including tax related litigations totalling to an amount of Rs. 1,710.43 lacs, which if determined against them, can affect financial conditions of the company. There is also an unquantifiable amount in litigation of the company.
2. As of March 31, 2022, the pending obligations against EPCG Licenses was Rs. 198.83 Lakhs, which will be adjusted at the time of the consequent exports as per the required timelines. Any failure to adjust would financially impact the company.
3. The government has increased custom duty on import of some materials and the company imports majorly from China which would further reduce the profit margins of the company.
4. The company is operating in a very competitive environment.
5. The company is exposed to foreign exchange fluctuations.

Track Record of Lead Manager

The lead manager to the issue is Holani Consultants and this is the 6th mandate in the last four fiscals. A table has been set below highlighting the details of the IPO of some of the companies handled by the Lead Manager in recent times –

Sr. No.	Company Name	Issue Size in Cr.	Issue Price/Share (In INR)	Listing date	CMP#
1.	E2E Networks Limited	21.99	57/-	15-05-18	199.90
2.	Lagnam Spintex Limited	24.60	41/-	18-09-18	75.00
3.	G. K. P. Printing & Packaging Limited	6.58	32/-	08-05-19	36.25
4.	Network People Services Technologies Limited	13.70	80/-	10-08-21	121.10
5.	Cool Caps Industries Limited	11.63	38/-	24-03-22	184.60

#CMP is taken as on 23rd September 2022

Out of the last 5 listings, 1 opened at discount, 1 at par, and the rest with premiums ranging from 4.94% to 49.12% on the day of listing.

Recommendation

Being incorporated in the year 2015, the track record of the company is decent. The industry in which the company is operating has a very good prospect. Over the years the company has posted good revenues and is also planning to increase its capacity through its subsidiary.

The company's management has a good outlook as they are well educated and very well experienced in their respective field of business.

The sector PE is around 54 times and the company is getting listed at a PE of around 11 times which makes it a fairly priced issue.

The profit margin of the company has decreased due to increase in cost of raw materials because of ongoing inflationary situations. Also with the impose of custom duty, the profit margins would further be affected.

To conclude, the company is operating in a niche product segment, has shown good strength in Revenues but has been affected by higher custom duty and bad geo-political situations. The profit margins might decrease in the short-term, but in the long-run, the company is expected to perform good and one **may apply** in the IPO.

Disclaimer

We are not SEBI registered and not a certified Research Analyst. The information provided here is for education purposes only. We will not be responsible for any of your profit/loss with these suggestions. Consult your financial advisor before taking any decisions.

We believe an SME company needs 2-3 years to show its true potential and therefore our recommendations are for Long-term investment and not for listing gains.