

Investor's Delight: Swelect Energy Systems Ltd. (SESL) – "Accumulate on dips"

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"Play on Indian Solar Power Sector Opportunity"

Swelect Energy Systems Limited, formerly known as (Numeric power Systems Limited), has module manufacturing facility at Bangalore (HHV Solar Technologies Limited), and fully backward integrated facility near Salem that manufactures Solar Power Converter, Array Junction Boxes and Solar Module Mounting Structures. SESL also has a 100% owned subsidiary in Singapore for supporting the group's international business. In a very short time SWELECT has gained its strength in the solar energy space with the status as a complete product company and a leading PV project implementer. As an experienced Energy Systems Company, SESL successfully launched the Smart Grid projects and has over 20 sites of 40 -100 KW installations to its credit in a short time. Across India, the Company has over 1,500 rooftop installations and has commissioned successfully 2 sites of 1 MW SPV parks each under REC scheme and IREDA scheme. The 12 MW SPV Modular Park at Monjanur Village, Karur District, Tamilnadu, is part of its proposed 15 MW capacity that is aimed at selling part of the capacity to prospective Corporate entities from India and overseas. SWELECT has been ranked as No. 1 Rooftop Solar Company (source Soft Disk Awards 2011, 12, 13) for three consecutive years.

The government push for raising solar power generation capacity to 100,000 MW by 2022 is a golden opportunity for solar equipment manufacturers. The Narendra Modi government has reportedly raised the solar generation target five-fold from the earlier target of 20,000 MW in 2022 envisaged in the Solar Mission. Fuel shortage, volatility in prices, supply issues and policy paralysis plagued the thermal power generation sector the past couple of years. This brought into focus renewable energy sectors such as wind and solar which do not pose the fuel problems. India, which has about 300 days of sunshine annually, has the potential to host a solar power project almost anywhere. Solar PV installations in India crossed 2.6 GW at the end of FY14 with about 1.1GW of manufacturing capacity commissioned during the current financial year. The government's solar power push is now expected to bring more manufacturers to the market. The past year has seen a spate of new solar power projects such as the R808-crore 100 MW solar project in Rajasthan, partly funded by the International Finance Corp. Madhya Pradesh is setting up a 750 MW plant touted to be the world's biggest solar power unit with World Bank partly funding the asset. The ministry of new and renewable energy is rolling out a scheme for setting up 25 solar parks, including ones with ultra mega solar power projects of 500 MW or more. The ministry expects to commission the projects by FY19 and the plan will have an estimated central financial assistance of R4,050 crore. The scheme has got Presidential sanction last month, according to a senior ministry official. Till December 15, 2014, the country has a total commissioned solar manufacturing capacity of 3,002.66 MW, with Gujarat leading the state tally with operating capacity of 929 MW, followed closely by Rajasthan with 839.5

CMP	Rs. 519
Recommended Entry price	Rs. 450
Target Price	Rs. 700
Face Value	Rs. 10
Book Value	Rs. 678
Upside from CMP	35%
Sector	Renewable Energy & Foundry
BSE Code	532051
Bloomberg Code	NPS:IN
52 Week High	Rs. 549.4
52 Week Low	Rs. 167.65
Share Capital	Rs. 101 mn
Market Capitalization	Rs. 5,242 mn
Shareholding Pattern (%)	As on Sep. 2014
Promoters	64.11
FII's	0.01
DII's	0.05
Others	35.83

MW. At CMP, the stock trades at a P/E of 33x FY14 EPS. In Q2FY15, the Company witnessed an outstanding performance. On YoY basis, topline witnessed a whopping growth rate of 216 percent driven by robust growth in solar systems segment whereas on yoy basis it witnessed a growth of 16 percent to touch Rs. 181 mn. The Company reported PAT from loss making both on yoy and qoq basis to touch Rs. 15.89 mn.

We believe that the company is well placed to tap the opportunity presented in the renewable energy segment. With due consideration to factors like a) one of the leading players in solar systems, b) major beneficiary of the new government's increasing thrust on solar energy sector with planned capacity of 100,000 MW by 2022, c) strong client base, d) robust topline performance in Q2FY15, we recommend a "BUY" with a target price of 700 (1x at estimated FY16 Book Value).

Product range

Its product range includes:

- a) Solar PV Modules
- b) Solar Charge Controllers (PWM and MPPT)/Power Converters (DFC/AC)
- c) Solar Inverters (Stand alone/Off grid)
- d) Solar Grid Tie Inverters
- e) Grid Interactive Inverter systems for Mini & Smart grid applications
- f) Complete range of BOS (balance of Systems) for SPV projects
- g) SPV Hybrid systems with Energy Storage
- h) Rooftop and utility scale projects
- i) Module Mounting structures of all types
- j) Monitoring and most other balance of systems in SPV projects

Project capabilities of Swelect

- a) Rooftop and utility scale projects
- b) Design, Supply, Erection and Commissioning of SPV Farms
- c) Mechanical Balance of system and works
- d) Electrical Balance of system and works

IPP (Independent Power Producer)

- a) Swelect is an emerging IPP in the Solar PV energy space
- b) Is committed to install and commission SPV parks for energy sale to third party and Government through Power Purchase Agreement (PPA)

Special Engagements undertaken by the Company

- a) Power management services
- b) Power quality audit and energy audit

Wind Power

SWELECT had installed a 1.5 MW wind mill quite successfully and also commissioned an off-grid Solar-Wind Hybrid System. The R&D wing is actively engaged in developing different prototypes to revolutionize generation of alternate renewable and green energy.

Solar Power

Major mile stones of the Company in the Solar power space:

The Company has been engaged in developing Solar Power Projects at various places,

- a) Has installed over 1500 rooftop projects across India,
First Company in South India to get REC accreditation for the 1.1 MW Solar Energy Project at Kuppepalayam in Coimbatore, TN.
- b) 1 MW Solar Energy Farm in Sivaganga, TN.

- c) 1 MW Engineering and Installation for a batteries manufacturing major in TADA, AP.
- d) 1 MW DC Side Installation and Commissioning for a leading foundry unit in Coimbatore, TN.
- e) 15 MW Modular Solar Park at Vellakoil in Karur District,

Leading customers of SWELECT in Solar Power area include:

- a) Private and Nationalized Banks (Over 500 sites)
- b) Leading steel foundries
- c) Engineering institutions
- d) Government Departments/Agencies
- e) Leading Business Houses

Salient features of the recently commissioned 15 MW Modular Solar Project at Vellakoil:

The power evacuation is through a 33 kV dedicated feeder connecting Periyar Nagar substation through a 33/110 kV Transformer. Distance about 13 km from site.

This project is one of the few truly modular energy parks with the composition of 5 x 33 kV bays to feed:

- 1 x 10 MW
- 1 x 2 MW
- 3 x 1 MW Energy generating systems

Of the 15 MW, 12 MW were commissioned on 28th March, 2014 and 3 MW on 11th April, 2014 (including 1MW for NRI of USA)

Swelect has plans to construct similar energy parks in the near future

Future Prospects and Business

Company will concentrate and accelerate the growth of business in the green energy space of Solar and Wind energy on own account and as Turn-Key Projects for several valued customers who have already approached the Company.

As a Channel partner of MNRE (Ministry of New and Renewable Energy), SWELECT has the distinct advantage of being in close proximity to customers for pre-sale guidance, project implementation, commissioning and post-sale service, so as to enable the customers to get the maximum benefit of their investment.

The Company is looking forward to attracting strategic investments and investing in new technology proposals which would help to the company's growth on a long term basis.

Awards and Credentials

- 1) Accreditation by MNRE (Ministry of New and Renewable Energy) as authorized channel partner for off-grid and decentralized solar applications under (Jawaharlal Nehru National Solar Mission) scheme.
- 2) Empanelment with Bureau of Energy Efficiency (BEE) as an Energy Service Provider
- 3) No. 1 Solar Solution Provider (Integrator) Company for the year 2013
- 4) SD Award 2013 for Leadership in Rooftop Solar Installations
- 5) Accreditation with IMS – Integrated Management System addressing ISO 9001, ISO 14001 and ISO 18000

Subsidiary Companies

HHV Solar Technologies Ltd. - The Company acquired 51% of the equity share capital of HHV Solar Technologies Limited (a branded Solar Module Manufacturing Company in Bangalore) on August

01, 2014. Hence HHV Solar Technologies Limited has become a 100% subsidiary of the Company, with effect from August 01, 2014.

HHV Solar has an installed capacity of 40 MW. SESL contemplates additional 20 MW capacity additions in the coming quarters to facilitate faster growth. In view of SWELECT's control over this Solar panel manufacturing subsidiary and by concerted efforts and impressive performance, SWELECT has become a full-fledged EPC Company, culminating in the Company commissioning the 15 MW Vellakoil Solar Farm in one of the shortest times. The first 12 MW has come up in just 72 days time after the basic land development activities.

Swelect owns subsidiary companies in Iron and Steel Foundry business viz;

- a) AMEX Alloys Pvt. Ltd., Coimbatore
- b) AMEX Irons Pvt. Ltd., Coimbatore

AMEX Alloys is enjoying near 100% export of its quality products (Valve castings) in Low Carbon Steel and Special Alloy Steel with customers in Germany, Spain, Italy, France, UK and USA. For the third time, the Company received Export Excellence Award adjudged by the Indian Foundry Association.

AMEX Irons has been producing Grey and SG Iron castings mostly for domestic market (BHEL/TAFE/JOHNSON Lifts etc.) and in the recent times, after SWELECT takeover, has successfully entered into the European markets as well.

	Name of the Subsidiary Company	Place of Incorporation
1.	Swelect Energy Systems Pte. Ltd.	Singapore
2.	Amex Alloys Pvt. Ltd.	Coimbatore, India
3.	Amex Irons Pvt. Ltd.	Coimbatore, India
4.	Swelect Solar Energy Pvt. Ltd.	Chennai, India
5.	Swelect Green Energy Solutions Pvt. Ltd.	Chennai, India
6.	BS Powertech Solutions Pvt. Ltd.	Chennai, India
7.	HHV Solar Technologies Ltd.	Bengaluru, India

Stock Holding Disclosure under SEBI regulations:

- a) **Analyst holding: No**
- b) **Company holding: No**
- c) **Directors holding: No**
- d) **Group/Associates Position: No**
- e) **Relationship with management: No**

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