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India | Equity Research | Sector Update

## Capital Goods

### Chasing the sun; powering the cell

India has taken a number of steps to develop its domestic solar manufacturing ecosystem. It had decided to allow the usage of setting up solar power in the country from an approved list of modules manufacturers (ALMM). But imposition had been delayed due to inadequate domestic solar manufacturing capacity. However, the Indian government has made it compulsory to source modules from the list since Apr'24. The government has now mandated the sourcing of cells too, effective 1 Jun'26. It has also ensured that the new utility scale being called for bids, 11 Dec'24 onwards, includes the mandatory clause of sourcing from the list. This move, along with other government initiatives already in play, is likely to benefit domestic cell manufacturers. **We reiterate BUY on Tata Power with target price at INR 541.**

#### ALMM for solar cell kicks in...

The government has introduced ALMM 'List II' for solar PV cells – effective 1 Jun'26. Basis the announcement, all solar PV modules used in ALMM-approved projects shall source their cells from ALMM List II. We believe, this is quite positive for solar cell manufacturers, as domestic cells would be used across most projects (versus only DCR projects earlier).

#### ...boosting domestic cell manufacturing...

This move should promote the manufacturing and adoption of high-quality, made-in-India solar PV cells, reducing the dependence on imported solar components. The current solar cell manufacturing capacity is ~12.5GW.

#### ...catering to the rising RE demand

India is seeing a heightened demand for solar modules with the share of RE poised to grow to 43% (currently at 14%) by 2030. Solar, being the cheapest source of energy, is likely to blaze a trail in energy transition. We estimate solar cell manufacturing capacity to increase to 63 GW by FY28E

#### Beneficiaries

Currently, only couple of players have operational cell manufacturing capacities in India. The government's announcement has taken into account significant solar cell capacities slated to be commissioned. We expect domestic manufacturers to benefit directly from this, along with Tata Power which also has its presence in cell manufacturing with a capacity of 4.9 GW.

**We reiterate BUY on Tata Power with target price at INR 541**

#### Other initiatives already in play

India's government has already taken a slew of steps on the supply and demand side, such as: 1) production linked incentives. 2) incentives by states. 3) custom duty of 40% on module and 25% on solar cell.

#### Exhibit 1: Valuation table of key beneficiaries

Companies	Market Cap (INR mn)	EV/EBITDA			P/E (x)		
		FY24	FY25E	FY26E	FY24	FY25E	FY26E
Premier Energies^	58,420	116	-	-	235	-	-
Waree Energies^	92,420	51	-	-	70	-	-
Tata Power*	13,70,000	15	13	11	51	44	37
Adani Enterprises^	29,20,000	30	36	40	85	70	84

Source: I-Sec research, Company data. \*I-Sec estimates. ^BBG estimates

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#### Tata Power (BUY)

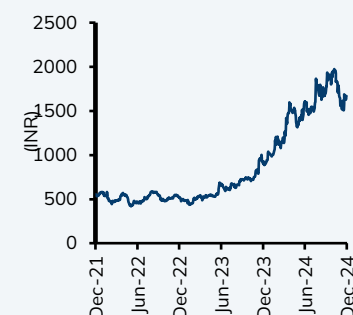
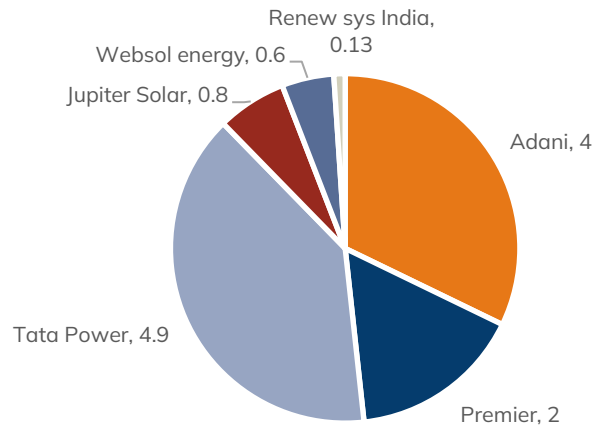


Exhibit 2: Cell manufacturing capacity as on FY24 (GW)



Source: I-Sec research, Company data

Exhibit 3: Cell manufacturing capacity to be installed

Cell Capacity (MW)	FY25E	FY26E	FY27E	FY28E	Planned Capacity
Adani (Mundra Solar)	6,000	10,000	10,000	10,000	10,000
Reliance	-	10,000	10,000	10,000	10,000
Tata Power Solar	4,900	4,900	4,900	4,900	4,900
Others	14,400	32,300	36,700	38,500	38,500
Total	25,300	57,200	61,600	63,400	63,400

Source: I-Sec research, Company data

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