Annual Report Analysis (Consolidated)

Source: CRORES. All figures Crores. Pipeline: v5-Gemini — W1a → W3 → W1b+W2+W2F (parallel, notes-injected) → Merge.

Investor Snapshot

#	Analytical Point	Sentiment
1	**Dominant market position evidenced by a 25.8 GW capacity and a massive □61,500 Cr order book providing multi-year revenue visibility.**	□
2	**Explosive top-line performance with revenue surging 83.72% to □26,536.77 Cr, driven by aggressive domestic and global capacity additions.**	□
3	**Capital efficiency remains high with ROCE improving to 39.00%, significantly exceeding the cost of debt despite the capital-intensive nature of expansion.**	□
4	***Profit quality is weakened by high reliance on non-operating items, with government subsidies accounting for 11% of PBT and IRA credits contributing 349.92 Cr.***	□
5	***Liquidity is under severe strain as hyper-growth drives current liabilities to 6,421 Cr, resulting in a high dependency on external funding.***	□
6	***Cash conversion has collapsed to a 7-year low with CFO/PAT at 0.42x, indicating that paper profits are not translating into liquid capital.***	□
7	***Negative free cash flow of - 3,209 Cr persists as CFO only covers 33% of capex, yet the company continues to pay dividends, signaling aggressive capital allocation.***	□
8	***Inventory bloat is a growing concern as stock growth (117%) outpaced sales growth (84%), leading to 151 Cr in obsolescence provisions.***	□
9	***Critical governance failure identified via the disabling of administrative audit trail logs for 11 months, undermining internal control integrity.***	□
10	***Execution risk is heightened by leadership instability following the simultaneous end-of-year resignations of both the CEO and CFO.***	□
11	***Significant contingent liabilities, including a 792 Cr Enel arbitration and 294.78 Cr US EAPA provision, pose a material threat to the net worth.***	□
12	Stance: WATCH; monitor for CFO/PAT recovery to >0.8x and stabilization of inventory days below the 110-day threshold.	□

1. BUSINESS OVERVIEW (In Bullet Points)

- **Integrated Clean Energy Platform:** Waaree Energies has transitioned from a solar module manufacturer to "Waaree 2.0," an integrated platform operating across three layers: Solar Value Chain, Emerging Energy Solutions, and Power Infrastructure.
- **Solar Value Chain (Core):** Vertically integrated manufacturing including Polysilicon (strategic stake), Ingots-Wafers (under construction), Cells (5.4 GW operational), and Modules (~25.8 GW capacity). Solar PV modules remain the primary revenue driver (100% of standalone manufacturing turnover).

- **Emerging Energy Solutions:** Rapid diversification into Battery Energy Storage Systems (BESS) (5.15 GWh operational at Rola), Inverters (3 GW Phase-I operational), and Green Hydrogen Electrolysers (1 GW facility at Dungri).
- **Power Infrastructure:** Entry into high-margin adjacencies through acquisitions: Transformers (via 64% stake in Kotsons), Smart Meters (via 76% stake in Racemosa), and Transmission & Distribution (T&D) (via 55% stake in Associated Power Structures).
- **Industry Position:** Maintains status as the largest non-Chinese module manufacturer globally, supported by an unexecuted order book of **₹61,500 Crores** (up from ₹49,000 Cr in FY25), with 60% from overseas markets (primarily US).
- **Geographical Presence:** Revenue is diversified between **Domestic (73.78%)** and **Exports (26.22%)**. The company operates 13 manufacturing plants across 3 countries, including strategic assets in Texas and Arizona (USA).
- **Expansion & Backward Integration:** Aggressively pursuing supply chain independence through a **₹6,200 Cr Ingot-Wafer facility** in Nagpur (10 GW) and a planned 2,500 TPD Solar PV glass plant to control 23% of module costs.

2. MANAGEMENT COMMENTARY & OUTLOOK

- Management describes a deliberate structural change from a single-product company to an ecosystem player targeting a **$4 Trillion opportunity by 2035**, emphasizing energy independence and reducing dependence on Chinese imports.
- FY26 was defined by a major leadership transition with **Dr. Jignesh Rathod** assuming the CEO role and **Abhishek Pareek** as CFO, following the resignations of their predecessors at the end of the fiscal year.
- Operating **EBITDA guidance for FY27 is set at ₹7,000–7,700 Crores**, signaling high confidence in the ramp-up of newly commissioned cell and module capacities.
- The **Nagpur Ingot-Wafer Facility** is expected to be commissioned by **FY2028**, aimed at bridging the upstream gap currently filled by imports.
- US expansion is accelerating through the acquisition of Meyer Burger assets in Arizona, leveraging Inflation Reduction Act (IRA) incentives and FEOC-compliant supply chains.
- Management acknowledges a **US Customs and Border Protection (CBP)** investigation under the Enforce and Protect Act (EAPA) regarding component origins, having recognized a **provision of ₹294.78 Crores** for potential duties.
- Global module pricing remains under pressure due to overcapacity, necessitating a shift toward higher-efficiency TOPCon and HJT technologies to protect margins.
- Management Tone: The tone is aggressively confident and mission-driven, framing the company as a strategic national asset. While candid on regulatory hurdles like the EAPA investigation, the team is "all-in" on the integration thesis. The high-pressure environment is marked by record production (12.6 GW) alongside significant top-level leadership turnover and regulatory headwinds.

3. FINANCIAL ANALYSIS

3.1 Financial Statements

Source: Screener.in — all monetary values in Crores. Use these numbers directly.

Basis: CONSOLIDATED.

P&L Statement (□Crores)

Line Item	Mar 2026	Mar 2025
Sales -	26,537.00	14,444.00
Sales Growth %	84.00	27.00
Expenses -	20,628.00	11,723.00
Material Cost % -	68.00	71.00
Raw material cost	20,036.00	9,537.00
Change in inventory	-1,955.00	653.00
Manufacturing Cost %	0.00	2.00
Employee Cost %	2.00	2.00
Other Cost %	7.00	6.00
Operating Profit	5,909.00	2,722.00
OPM %	22.00	19.00
Other Income -	413.00	398.00
Exceptional items	-295.00	10.00
Other income normal	708.00	388.00
Interest	280.00	152.00
Depreciation	990.00	402.00
Profit before tax	5,052.00	2,565.00
Tax %	23.00	25.00
Net Profit -	3,884.00	1,928.00
Minority share	-173.00	-61.00
Exceptional items AT	-225.00	7.00
Profit excl Excep	4,109.00	1,921.00
Profit for PE	3,926.00	1,860.00
Profit for EPS	3,711.00	1,867.00
Profit Growth %	111.00	88.00
EPS in Rs	129.02	65.00
Dividend Payout %	2.00	0.00

Balance Sheet (□Crores)

Line Item	Mar 2026	Mar 2025
Equity Capital	288.00	287.00
Reserves	14,150.00	9,192.00
Borrowings -	3,213.00	1,199.00
Long term Borrowings	815.00	24.00
Short term Borrowings	1,676.00	915.00
Lease Liabilities	721.00	260.00
Other Borrowings	0.00	0.00
Other Liabilities -	12,465.00	9,028.00
Non controlling int	574.00	116.00
Trade Payables	3,108.00	2,548.00
Advance from Customers	0.00	0.00
Other liability items	8,784.00	6,363.00
Total Liabilities	30,115.00	19,706.00
Fixed Assets -	7,329.00	4,051.00
Land	0.00	717.47
Building	0.00	904.54
Plant Machinery	0.00	2,815.31
Equipments	0.00	67.68
Computers	0.00	9.72
Furniture n fittings	0.00	186.84
Vehicles	0.00	8.33
Intangible Assets	49.28	6.34
Other fixed assets	0.00	276.14
Gross Block	0.00	4,992.37
Accumulated Depreciation	0.00	941.42
CWIP	3,476.00	1,884.00
Investments	953.00	65.00
Other Assets -	18,358.00	13,706.00
Inventories	5,856.00	2,692.00
Trade receivables	2,492.00	1,185.00
Cash Equivalents	6,728.00	7,748.00
Loans n Advances	552.00	927.00
Other asset items	2,729.00	1,155.00
Total Assets	30,115.00	19,706.00

Cash Flow Statement (□Crores)

Line Item	Mar 2026	Mar 2025
Cash from Operating Activity -	1,627.00	3,158.00
Profit from operations	5,916.00	2,744.00
Receivables	-1,425.00	-223.00
Inventory	-3,164.00	-107.00
Payables	1,014.00	557.00
Operating Deposits	-41.00	0.00
Other WC items	476.00	930.00
Working capital changes	-3,140.00	1,157.00
Direct taxes	-1,149.00	-743.00
Cash from Investing Activity -	-3,953.00	-6,806.00
Fixed assets purchased	-4,882.00	-3,274.00
Fixed assets sold	46.00	1.00
Capital WIP	0.00	0.00
Investments purchased	-5,533.00	-5,128.00
Investments sold	4,688.00	5,151.00
Interest received	543.00	298.00
Redemp n Canc of Shares	0.00	0.00
Acquisition of companies	0.00	0.00
Other investing items	1,184.00	-3,854.00
Cash from Financing Activity -	2,573.00	4,036.00
Proceeds from shares	1,540.00	3,508.00
Proceeds from borrowings	7,669.00	809.00
Repayment of borrowings	-6,116.00	-187.00
Interest paid fin	-161.00	-71.00
Dividends paid	-58.00	0.00
Financial liabilities	-301.00	-23.00
Other financing items	0.00	0.00
Net Cash Flow	247.00	388.00
Free Cash Flow	-3,209.00	-114.00
CFO/OP	47.00	143.00

Key Ratios (₹Crores)

Line Item	Mar 2026	Mar 2025
Debtor Days	34.00	30.00
Inventory Days	118.00	96.00
Days Payable	63.00	91.00
Cash Conversion Cycle	90.00	35.00
Working Capital Days	-26.00	-87.00
ROCE %	39.00	35.00

3.2 Financial Analysis Summary

- **Revenue** grew 83.72% YoY to **₹26,536.77 Cr**, primarily driven by the Solar PV Module segment; however, quality is impacted by **₹349.92 Cr** in U.S. 45X tax credits and **₹79.27 Cr** in Gujarat state incentives, without which **PAT** would be approximately 11% lower.
- **EBITDA** margin expanded to 22.3%, but **Other Expenses** were pressured by a 224% surge in freight and handling costs to **₹1,076.47 Cr**, representing 4% of total revenue compared to 2.3% in the prior year.
- **CFO** of **₹1,627 Cr** represents only 42% of **PAT** (and 28% of clean **EBITDA**), the lowest conversion in seven years, driven by a massive **₹3,140.00 Cr** working capital lock-up.
- **Inventory** levels ballooned by 117.5% to **₹5,855.64 Cr**, significantly outpacing **Revenue** growth (83.7%), with a rising risk of obsolescence evidenced by a **₹151.27 Cr** provision for slow-moving stock.
- **Trade Receivables** increased 110.3% to **₹2,492.32 Cr**, causing **Debtor Days** to deteriorate to 34 days, while unbilled revenue quadrupled to **₹38.37 Cr**, suggesting more aggressive revenue recognition under the **POCM** method.
- **Fixed Assets** and **CWIP** reached **₹10,805 Cr**, supported by **Capex** of **₹4,882 Cr**, resulting in a deeply negative **FCF** of **-₹3,209 Cr**, indicating the expansion is essentially funded by **Net Borrowings** rather than internal accruals.
- **Total Debt** rose to **₹3,213 Cr** (Consolidated borrowings of **₹2,491.53 Cr**), including a USD 50 Million SOFR-linked loan which introduces foreign exchange and interest rate volatility to **Finance Costs**.
- **Cash Conversion Cycle** deteriorated sharply to 90 days from 35 days as **Days Payable** reduced from 91 to 63, signaling less credit support from vendors while **Inventory** and **Receivables** absorbed liquidity.
- **Net Worth** faces an overhang from **Exceptional Items** of **₹294.78 Cr** (EAPA provision) and an unprovided **₹792 Cr** Enel ICC arbitration claim, totaling significant potential impairment to equity.
- **Internal Control** was compromised as the **Audit Trail** (edit logs) feature was not enabled for administrative database changes for 11 months of the year, undermining the forensic reliability of the **PAT** of **₹3,884.15 Cr**.
- **Other Assets** are heavily comprised of **₹737.39 Cr** in balances with government authorities (GST/Tax refunds) and **₹624.81 Cr** in capital advances, further straining liquidity.
- **Other Liabilities** include a surge in "Payables for Capital Goods" to **₹943.06 Cr**, showing the company is funding expansion through extended credit from equipment vendors.
- **Other Expenses** were significantly impacted by Legal & Professional fees, which surged 146% YoY to **₹121.57 Cr**, driven by ongoing regulatory investigations and arbitrations.
- The dominant financial theme of the year is **aggressive global scaling at the expense of cash quality**, characterized by high dependency on policy-driven subsidies, liquidity-straining inventory bloat, and critical internal control deficiencies.

3.3 Contingent Liabilities & Commitments

- **Capital Commitments:** Unexecuted capital contracts reached **□4,298.45 Cr** (vs. □1,118.03 Cr in FY25) for massive expansion projects.
- **Enel Arbitration:** The company is embroiled in an ICC arbitration with Enel Green Power over alleged breaches of a Share Purchase Agreement for a **□792 Cr** acquisition; no provision has been made.
- **EAPA Investigation:** Ongoing US Customs probe. While **□294.78 Cr** is provided, the final outcome could lead to higher penalties or loss of US market access.
- **Disputed Statutory Liabilities:** Totaled **□81.40 Cr** (tripled YoY), primarily involving Income Tax, VAT, and GST disputes.
- **Guarantees:** Guarantees given for others stood at **□533.80 Cr**.

3.9 Earnings Quality & Forensic Checks

Read	Question	Verdict	Confidence	Checked
1	Is the growth real?	***WATCH***	high	6/?
2	Does profit become cash?	***FLAG***	high	5/?
3	Is the P&L being manufactured?	***FLAG***	high	6/?
4	Is value leaving to insiders?	***WATCH***	high	6/?
5	Can the balance sheet take a hit?	***FLAG***	high	5/?

Read 1 — Is the growth real? → WATCH

Signal	Prior	This year	Δ	Status	Quantified impact	Evidence
Trade receivables growth vs Revenue growth	Rs 1,053.15 Cr	Rs 2,492.32 Cr	Receivables increased 136.6% vs revenue growth of 83.7%	□WATCH	Rs 1,439.17 Cr increase in receivables outpaced sales growth, locking cash	Note Balance Sheet, p.187
Unbilled revenue	Rs 9.39 Cr	Rs 38.37 Cr	308.6% increase in unbilled recognition	□WATCH	Indicates more aggressive revenue recognition near year-end	Note 10
Revenue from related parties	Rs 5.76 Cr	Rs 30.27 Cr	Increased 425.5% YoY	□CLEAN	Remains negligible at 0.11% of total revenue	Note 47
Advances from customers (Contract Liabilities)	Rs 3,903.54 Cr	Rs 4,874.33 Cr	Increased 24.9% YoY	□CLEAN	Provides Rs 4,874.33 Cr of interest-free working capital funding	Note Note 32(iv)
Receivables ageing > 6 months (Undisputed)	Rs 22.60 Cr	Rs 83.93 Cr	Increased 271.4% YoY	□WATCH	Rs 83.93 Cr of older debt indicates potential collection friction	Note 10
Customer concentration	not disclosed	not disclosed	n/a	□ UNRESOLVED	n/a	Note Segment Note 46

Mechanism: While revenue grew 83.7%, trade receivables surged 136.6% and unbilled revenue tripled, suggesting a shift toward looser credit terms to drive top-line volume. The growth is further supported by a 24.9% increase in customer advances, which partially mitigates the receivables drag. **Aggregate impact:** The mismatch between receivables and revenue growth represents a Rs 1,439.17 Cr cash lock-up. **Direction:** deteriorating · **Watch next:** Trade Receivables Turnover Ratio · **Corroborates:** profit_to_cash

Read 2 — Does profit become cash? → FLAG

Signal	Prior	This year	Δ	Status	Quantified impact	Evidence
CFO vs Clean EBITDA	1.16	0.28	Conversion dropped from 116% to 28%	□ FLAG	Only Rs 1,626.95 Cr of CFO generated against Rs 5,908.64 Cr Operating EBITDA	Note Cash Flow Statement, p.188
Pre-tax operating conversion (CFO + tax paid) / EBITDA	1.43	0.47	Pre-tax conversion dropped from 143% to 47%	□ FLAG	Isolates the working capital drag of Rs 3,140.00 Cr	Note Cash Flow Statement, p.188
Inventory absorption of operating cash	Rs 106.58 Cr	Rs 3,163.53 Cr	Inventory cash outflow increased 29.7x	□ FLAG	Inventory growth (117.5%) significantly outpaced revenue growth (83.7%)	Note Note 8
Working-capital movement	Rs 1,157.00 Cr	-Rs 3,140.00 Cr	Swing of Rs 4,297 Cr into cash consumption	□ FLAG	Consumption of Rs 3,140.00 Cr in WC nearly neutralized operating profit	Note Cash Flow Statement, p.188
Cash tax paid vs book tax	Rs 742.80 Cr vs Rs 636.51 Cr	Rs 1,149.04 Cr vs				

Mechanism: Cash conversion collapsed in FY26 due to massive inventory stocking and a 136% jump in trade receivables, consuming Rs 3,140 Cr of working capital. This resulted in CFO representing only 28% of clean EBITDA. **Aggregate impact:** Working capital changes drained Rs 3,140.00 Cr of cash, leading to a negative Free Cash Flow of -Rs 3,209.00 Cr. **Direction:** deteriorating · **Watch next:** Inventory Days · **Corroborates:** bs_stress

Read 3 — Is the P&L being manufactured? → FLAG

Signal	Prior	This year	Δ	Status	Quantified impact	Evidence
Exceptional items effect on PBT	Rs 4.02 Cr	Rs 294.78 Cr	73x increase in exceptional expense	□FLAG	Reduced PBT by Rs 294.78 Cr (5.8% of PBT)	Note P&L Statement, p.187
Other income as % of PBT	15.65%	14.02%	Slight percentage decline but absolute value grew 76%	□ CLEAN	Other income contributed Rs 708.15 Cr to PBT	Note P&L Statement, p.187
Government Grants as P&L Lever	not disclosed	Rs 349.92 Cr	New subsidy recognition (45X Credits)	□ WATCH	Added Rs 349.92 Cr to operating income (6.9% of PBT)	Note Note 32(iv)
Deferred tax movement	Rs 41.04 Cr (expense)	-Rs 25.95 Cr (credit)	Shift from expense to income	□ WATCH	Rs 25.95 Cr non-cash boost to PAT	Note P&L Statement, p.187
Provision for slow moving inventory	Rs 30.93 Cr	Rs 151.27 Cr	389% increase in write-downs	□ WATCH	Reduced PBT by Rs 151.27 Cr; signals technology obsolescence risk	Note Note 8
Depreciation useful-life policy	25 years	25 years	No change	□ WATCH	25-year life for solar modules is aggressive compared to tech cycle	Note Note 1(VII)

Mechanism: Reported PBT was suppressed by a one-time Rs 294.78 Cr EAPA provision, but simultaneously bolstered by Rs 349.92 Cr in policy-driven US manufacturing grants (45X credits). Inventory write-downs of Rs 151.27 Cr further suggest earnings quality is being tested by module price volatility. **Aggregate impact:** Exceptional items and government grants had a net positive impact of Rs 55.14 Cr on PBT. **Direction:** stable · **Watch next:** Exceptional Items

Read 4 — Is value leaving to insiders? → WATCH

Signal	Prior	This year	Δ	Status	Quantified impact	Evidence
Related party purchase trend (SGP Industrial Infra)	none	Rs 53.43 Cr	New material related-party vendor	□ WATCH	Rs 53.43 Cr of operational spend directed to a related entity	Note 47
Loans to Related Parties (Outstanding)	Rs 25.12 Cr	Rs 4.36 Cr	82.6% reduction in outstanding loans	□ CLEAN	Rs 20.76 Cr recovered from related parties	Note 47
Capital advances to related parties	Rs 147.75 Cr	Rs 42.75 Cr	Reduction of Rs 105 Cr	□ CLEAN	Rs 105 Cr in advances returned by Dhari Solar Park	Note 47
KMP remuneration vs PAT	not disclosed	Rs 13.39 Cr (calc)	n/a	□ CLEAN	Remuneration is <0.4% of PAT	Note Annexure VI
CSR spend and shortfall	0.06% of revenue	0.047% of revenue	Declining intensity	□ CLEAN	Total well-being cost is Rs 12.47 Cr (calc)	Note BRSR 1.C, p.109
Promoter pledge	none	none	No change	□ CLEAN	No equity encumbrance disclosed	Note Note 47(c)

Mechanism: Related party transactions are active but generally improving, with a material recovery of Rs 105 Cr in capital advances. However, the emergence of SGP Industrial Infra as a new Rs 53 Cr vendor warrants monitoring. **Aggregate impact:** Net related party exposure decreased significantly due to the Rs 105 Cr advance recovery. **Direction:** improving · **Watch next:** Capital Advances to Related Parties

Read 5 — Can the balance sheet take a hit? → FLAG

Signal	Prior	This year	Δ	Status	Quantified impact	Evidence
CWIP Ageing and Scale	Rs 1,883.99 Cr	Rs 3,476.15 Cr	84.5% growth in unfinished projects	□ WATCH	Represents 23% of Net Worth currently locked in non-productive assets	Note 2(b), p.187
Dividend vs Free Cash Flow	Rs 0 vs -Rs 114.00 Cr	Rs 58.00 Cr vs -Rs 3,209.00 Cr	Dividend paid despite deeply negative FCF	□ WATCH	Rs 58.00 Cr outflow during a period of high cash burn	Note Cash Flow Statement, p.188
Contingent Liabilities vs Net Worth	Rs 1,989.40 Cr	Rs 4,917.82 Cr	147% increase in off-balance sheet risk	□FLAG	Total commitments/ liabilities are 32.7% of Net Worth	Note Note 44
Audit Trail / Internal Control Failure	none	Administrative access logs disabled	—	□FLAG	Prevents verification of manual database edits for the entire FY26	Note 63
Borrowing terms and liquidity	Rs 939.46 Cr	Rs 2,491.53 Cr	165% increase in consolidated debt	□ WATCH	Rs 6,421.86 Cr of financial liabilities due within 12 months	Note Note 52(iii)

Mechanism: The balance sheet is under stress from a dual expansion: massive fixed asset growth (Rs 3,476 Cr CWIP) and a sharp rise in short-term liabilities (Rs 6,421 Cr due <12m). This is compounded by a critical internal control failure where audit trails for database changes were disabled, hindering the ability to verify transaction integrity. **Aggregate impact:** Total off-balance sheet commitments and short-term liabilities (Rs 11,339.68 Cr) now exceed 75% of Net Worth. **Direction:** deteriorating · **Watch next:** Audit Trail enabling in FY27 · **Corroborates:** profit_to_cash

Material notes captured

Note	Discloses	Prior	This year	Impact	Signal
63	***Audit trail (edit logs) feature was not enabled for certain changes made using administrative access rights to the database.***	none	Feature disabled	Significant internal control deficiency regarding financial record integrity	negative
44(b)	***Arbitration proceeding in the ICC with Enel Green Power over a Rs 792 Cr acquisition breach.***	not disclosed	Ongoing arbitration	Unprovided legal risk equivalent to 20% of annual PAT	negative
65	***Income Tax authorities conducted search/ survey investigations in November 2025.***	none	Search conducted	Potential for undisclosed tax liabilities and penalties	negative
68	Revenue includes accrual of incentives under Gujarat Electronics Policy	none	□79.27 Cr accrued	Revenue ↑ — policy-driven top-line boost	Neutral
69	Material regrouping between trade receivables and contract liabilities	none	□131.62 Cr	Profit ↑↓ — Potential masking of cash flow timing	Neutral

4. MANAGEMENT & GOVERNANCE

A. Auditor Report & Key Audit Matters

- **Audit Opinion Type: Unqualified**. The auditors (SRBC & Co. LLP) issued an unmodified opinion.
- **Key Audit Matters (KAMs):**
  - **EAPA Investigation Provisioning:** Significant management judgment in estimating the ₹294.78 Cr provision for US Customs potential duties and penalties (Note 66).
  - **Revenue Recognition (POCM):** For EPC contracts, the "cost-to-cost" method was flagged for subjective estimates of "total estimated costs" influencing profit timing.
  - **Inventory Valuation:** Assessment of NRV and adequacy of the ₹151.27 Cr obsolescence provision amid crashing global module prices.
- **Internal Control Deficiencies:**
  - **Audit Trail Failure:** The **Audit Trail (edit logs) feature was not enabled** for administrative access rights to the database (Note 63). One subsidiary failed to enable it until February 28, 2026, leaving 11 months without a verified trail.
- **Emphasis of Matter:** Income Tax Search/Survey conducted in November 2025 where final liability is uncertain (Note 65).
- **Auditor Fees:** Rose to **₹3.79 Cr** from ₹2.51 Cr, commensurate with 84% revenue growth and global expansion.

B. Related Party Transactions

Party	Relationship	Nature	Amount (₹ Cr)	Concern
SGP Industrial Infra	Common Director Interest	Purchases	53.43 Cr	***New material supply dependency***
Sudarshan Aluminium	Entity with Director Interest	Sales	30.27 Cr	Arm's length pricing risk
Related Parties (Loans)	Associates/Promoter Entities	Loans Given	4.36 Cr	***Residual cash leakage risk***
Dhari Solar Park	Associate Entity	Advances Returned	(105.00 Cr)	Recovery of capital advances
Promoters	KMP	Personal Guarantees	Not Quantified	**High alignment with lenders**

- **RPT Risk Checks:** Trade RPT volume is increasing while loan exposure decreased from ₹25.12 Cr to ₹4.36 Cr. Promoters inter-se transferred a massive portion of shares to Mr. Chimanlal Tribhovandas Doshi, centralizing family control.

C. Shareholding

- **Promoter and Promoter Group:** 64.19%
- **Public (MFs, AIFs, Individuals):** 35.81%
- **Pledged Shares: 0.00%**

D. Board Composition + KMP Compensation

- **Total Directors:** 8 | **Independent %:** 50.00% | **Women Directors:** 1 (Richa Manoj Goyal - Independent).

- **Hitesh C. Doshi (CMD):** □9.88 Cr (+154% YoY).
- **Viren C. Doshi (WTD):** □6.83 Cr (+107% YoY).
- **Hitesh P. Mehta (WTD):** □53.75 Cr (+92% YoY, heavily skewed by **□47.86 Cr in ESOPs**).
- **Doshi Family Dominance:** Two family members occupy top executive seats. Remuneration jumps for the family outpaced median employee increases (26.65%) but remained within EBITDA growth (117%).

F. Capital Allocation & Capex

Action	FY 2026 (□Cr)	FY 2025 (□Cr)	% of CFO	Signal
Capex (Fixed Assets)	4,882.00 Cr	3,274.00 Cr	300.06%	
Dividends Paid	115.06 Cr	0.00 Cr	7.07%	□
Net Debt Change	1,553.00 Cr	622.00 Cr	95.45%	
Working Capital Investment	3,140.00 Cr	-1,157.00 Cr	193.00%	

- **CAPEX Analytical Notes:** Total debt rose by **□1,553 Cr** to fund a **□4,882 Cr** capex program. **CFO/Capex ratio of 0.33** indicates the company is only self-funding one-third of its expansion. Deployment efficiency is high, with 7.85 GW of new capacity driving an 84% revenue jump.

H. Risks

- **EAPA Investigation (High):** □294.78 Cr provision taken; final penalty could impair equity and US market access.
- **Enel Arbitration (High):** Potential cash outflow of **□792 Cr** for SPA breach; currently unprovided.
- **Audit Trail Failure (High):** Admin access lacks edit logs, meaning the integrity of financial data cannot be independently verified.
- **Subsidy Dependency (Medium): □460.96 Cr** (approx. 12% of PAT) is driven by US 45X and Gujarat grants.
- **Inventory Obsolescence (Medium): □151.27 Cr** write-down already taken; shift to TOPCon/HJT tech poses further risk.

5. SCORECARD & VERDICT

Part A: Scorecard

Dimension	Rating (1–5)	Delta	Key Evidence	One-line Rationale
Business Quality	4	↑	Order book □61,500 Cr; 25.8 GW capacity	Dominant market position and massive order visibility despite tech cycles.
Financial Health	2	↓	CFO < PAT; FCF -□3,209 Cr; Current liabilities □6,421 Cr	Hyper-growth is straining liquidity and creating high external funding dependency.
Earnings Quality	2	↓	CFO/PAT 0.42x; Audit trail disabled; 11% PBT from subsidies	Significant non-cash items and internal control failures weaken profit quality.
Management & Governance	3	↓	CEO/CFO resigned; Admin audit trail disabled; RPTs rising	Strong execution is overshadowed by leadership turnover and control lapses.
Capital Allocation	3	→	ROCE 39%; CFO/Capex 0.33	High-return capex but dividends paid despite negative FCF and high debt.

BUSINESS POSITIVES (for this company this year) * □**Explosive Revenue Growth:** Top-line surged 83.72% to □26,536.77 Cr driven by massive capacity additions. * □**Massive Order Book:** Unexecuted order book of □61,500 Crores provides revenue visibility for multiple years. * □**High Capital Efficiency:** ROCE improved to 39.00%, comfortably exceeding the cost of debt. * □**Vertical Integration:** Progress on the 10 GW Nagpur facility addresses the structural vulnerability of ingot/wafer imports. * □**Global Expansion:** US presence captures significant IRA incentives (□349.92 Cr recognized in credits).

BUSINESS NEGATIVES / CONCERNS (for this company this year) * □**Poor Cash Conversion:** CFO at □1,627 Cr is less than half of PAT, the lowest in 7 years due to working capital stress. * □**Governance Red Flag:** Audit trail (edit logs) for administrative access was disabled for 11 months, a critical control failure. * □**Significant Litigation:** Unprovided Enel arbitration (□792 Cr) and US EAPA provision (□294.78 Cr) threaten net worth. * □**Inventory Bloat:** Stock growth (117%) outpaced sales growth (84%), leading to □151 Cr in obsolescence provisions. * □**Leadership Turnover:** Simultaneous departure of both CEO and CFO at the end of the fiscal year creates execution risk.

OVERALL SCORECARD SUMMARY Waaree Energies is in a state of high-velocity expansion, exhibiting dominant market presence and strong paper profitability, yet its financial foundation is being severely strained by hyper-growth. While **ROCE** is high, the conversion of profit to cash is at a multi-year low, and the business is currently dependent on external debt and government subsidies to fund its massive capex program. Significant governance lapses, specifically the failure to maintain audit trails and the unprovided litigation risks, warrant extreme caution despite the robust order book. The trajectory is **Stable but Stressed**, as the transition to "Waaree 2.0" trades short-term liquidity and governance discipline for long-term scale.

Part B: Governance Check Matrix

#	Check	Status	Evidence
1	Audit opinion clean?	□	Unqualified opinion issued by SRBC & Co. LLP
2	Promoter pledge = 0?	□	0.00% pledged
3	KMP pay < 5% of PAT?	□	Total KMP rem. approx 0.4% of PAT (excluding ESOP distortion)
4	RPT quantum < 5% of revenue?	□	Trade RPTs approx 0.32% of revenue
5	Board > 50% independent?	□	4 out of 8 directors are independent
6	At least 1 woman director?	□	Richa Manoj Goyal (Independent)
7	No statutory dues outstanding?	□	Disputed liabilities tripled to □81.40 Cr
8	No fraud reported?	□	No fraud reported in CARO
9	Audit trail enabled?	□	Administrative access edit logs disabled (Note 63)
10	Frequent Auditor change	□	SRBC & Co. LLP continuing
Final line: "Total: 8/10 □— Governance Rating: 3"			

Part C: Investor Verdict

THESIS: Waaree is a high-growth solar titan transitioning to full vertical integration, currently sacrificing cash quality and governance discipline for global scale. **OVERALL STANCE:** WATCH **RATIONALE:** Explosive growth and a ₹61k Cr order book are currently offset by a collapse in cash conversion, critical internal control failures, and large unprovided legal risks. **RE-EVALUATE WHEN:** CFO/PAT returns above 0.8x AND the Enel/EAPA legal outcomes are finalized. **BULL CASE:** Successful commissioning of the Nagpur Ingot-Wafer facility by FY28 drives gross margins above 25% while US operations scale to 10 GW. **BEAR CASE:** US Customs imposes duties exceeding the ₹294 Cr provision and the Enel arbitration results in a full ₹792 Cr payout, necessitating a dilutive emergency equity raise. **KEY MONITORABLE:** Inventory Days: 90 days → Watch threshold: >110 days.

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7. YEAR-OVER-YEAR ANALYSIS

7.1 Changes

Metric / Theme	Summary A Status (FY25)	Summary B Status (FY26)	Forensic Takeaway
Cash Conversion Quality	High (CFO/Capex 1.19; CFO > PAT)	Low (CFO/PAT 0.42; CFO/Capex 0.33)	The company is reporting record paper profits that are failing to materialize into cash due to massive working capital absorption.
Capital Allocation Funding	Self-funded expansion through internal accruals and IPO proceeds.	Debt-funded expansion with ₹1,553 Cr net debt increase and negative FCF.	The funding model has shifted from disciplined self-sufficiency to high-leverage growth to sustain the "Waaree 2.0" integration.
Internal Control Environment	Historical inventory discrepancies noted; audit trails functional.	Critical failure: Administrative audit trails/edit logs disabled for 11 months.	The absence of edit logs for database changes during a year of hyper-growth creates a significant risk of unverified financial adjustments.
Margin Composition	Driven by operational scale and inventory write-down reversals.	Impacted by ₹461 Cr in US and State subsidies (11% of PBT).	Earnings quality is becoming increasingly sensitive to external policy incentives rather than core manufacturing efficiency.
Management Stability	Transition to professional CEO pivot; long-term KMPs in place.	Simultaneous resignation of CEO and CFO at fiscal year-end.	Abrupt top-level leadership turnover amid regulatory investigations suggests high internal friction or management instability.
Working Capital Velocity	Stable demand; flat inventory levels; high supplier advances.	Sharp deterioration; inventory bloat (+117%) and CCC rose to 90 days.	The aggressive production ramp-up has led to a liquidity-draining inventory build-up that significantly outpaces revenue growth.
Shareholder Returns	Zero dividends; focus on internal reinvestment.	₹58 Cr dividend paid despite deeply negative Free Cash Flow.	The decision to initiate dividends while simultaneously increasing debt to fund operations is a contradictory capital allocation signal.

7.2 Persistent Patterns

- **Massive Order Book Visibility:** The unexecuted order book remains a cornerstone of the thesis, growing from ₹49,000 Cr to ₹61,500 Cr, providing multi-year revenue safety.
- **Strategic Backward Integration:** A consistent push to control the value chain (Cells, Ingots, Wafers) to protect against Chinese import volatility.

- **Long-Tail Warranty Risk:** The recurring 25-30 year performance warranty remains a subjective, high-impact liability that relies on management's annual estimates.
- **Dominant Family Control:** The Doshi family maintains centralized strategic control, evidenced by board composition and significant jumps in promoter remuneration.
- **High Sensitivity to US Trade Policy:** Overseas revenue (26-30%) and US manufacturing incentives remain highly vulnerable to regulatory shifts and customs investigations (EAPA).
- **Related Party Transaction Complexity:** Ongoing RPT activity, including new supply dependencies and residual loan exposures, remains a persistent governance monitorable.
- **Aggressive Depreciation Policy:** The use of a 25-year useful life for rapidly evolving solar technology persists, potentially understating annual non-cash costs.

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