Waaree Energies Ltd — Feb 2025 Quarterly Analysis

1. VERDICT & BUSINESS QUALITY SNAPSHOT

Result: Strong Beat on Margins / Revenue Inline **One-line:** Waaree has fundamentally de-risked its margin profile by transitioning from a module assembler to an integrated manufacturer, with the 5.4GW cell plant and US factory now moving from "guidance" to "execution."

Dimension	This Quarter	Signal / Evidence	Sentiment
Beat/Miss vs Guidance / Prior Quarter	Strong Beat (Margins)	EBITDA margins expanded to 22.8% from 16.8% QoQ.	□
Earnings Quality	High (Core driven)	9M Cash Conversion Ratio at 109%; growth driven by operational efficiency and RM tailwinds.	□
Guidance Confidence	Strong	US factory operationalized on Jan 22; 1.4GW Cell plant near COD (10-15 days).	□
Management Credibility	Strong	Delivered on specific capacity timelines promised in the prior quarter.	□
Business Quality Signal	Improving	Pivot toward integrated manufacturing (Cells) captures a larger portion of the value chain.	□
Key Q&A Exchange	Q1: Margin expansion drivers	Mgmt attributed 500bps jump to lower input costs, retail mix, and order selection.	□
The Street's Primary Anxiety	US Policy / IRA Repeal	Analysts fear IRA removal; Mgmt claims US plant is profitable on "own merit."	□
Capital Cycle Stage	Investment	Aggressive capex into adjacencies (Battery, Hydrogen, Enel acquisition).	□
Margin / Return Ratio Trajectory	Improving	EBITDA Margin up 600bps QoQ; 9M ROE at 31.2% (FY24: 27.2%).	□
Pricing Power	Stable (Segmented)	Retail/DCR markets command premium; Utility pricing is competitive but stable.	□
FCF Conversion & Quality	Strong	9M Cash Conversion at 109% reflects efficient working capital management.	□
Competitive Moat Signals	Widening	Order book grew to 26.5 GW (+6.5 GW QoQ); largest retail network in India.	□
Balance Sheet Strength	Strong	Available funds of □15,300 Cr vs committed funds of □12,500 Cr.	□
Working Capital Efficiency	Improving	Managed revenue growth with flat production QoQ through better inventory/mix.	□
Mgmt Guidance Track Record	Reliable	Meeting IPO/Prospectus timelines for domestic and US expansions.	□
Key Vulnerability / Red Flag	Capital Allocation	Sudden pivot into IPPs (Enel) and Green Hydrogen/ Batteries risks ROCE dilution.	□
Management Tone	Confident & Aggressive	Focused on "Operational Excellence" and "Atmanirbhar" themes.	□

Key Takeaways (Positives & Negatives): * **Positives:** The primary thesis—that Waaree would use IPO proceeds to integrate backward and expand margins—is playing out faster than expected. EBITDA margins of 22.8% represent a high-water mark, driven by a strategic pivot to the higher-margin Retail/DCR (Domestic Content Requirement) segment and a 20-30% drop in global cell/input costs. Execution risk is receding: the 1.6GW US plant is operational, and the 5.4GW cell plant is weeks away from full commercial runs. * **Negatives:** While the core business is booming, management is rapidly expanding into non-core adjacencies (Green Hydrogen, Batteries, and the Enel IPP acquisition). The □792 Cr Enel acquisition marks a shift from a "capital-light" manufacturing/EPC model to a "capital-heavy" asset owner model, which historically leads to lower ROCE and valuation multiples in the capital goods sector. * **Street Concern:** Analysts remain hyper-focused on the US order book (54% of volume) and IRA policy risks. Management's response—that US demand is "unphased" and their local Texas manufacturing is the ultimate "China+1" hedge—satisfied the immediate concern, but the "wait-and-watch" stance on Phase 2 expansion remains a valuation overhang. * **Forward Watchpoint:** Monitor the stabilization of 4GW TOPCon cell lines by April-May 2025; this is the key to sustaining 20%+ margins as global module prices continue to slide.

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2. BUSINESS PERFORMANCE

2A. KEY METRICS *DATA SOURCE: PPT figures used as primary source. 9M figures used to derive Q3 where quarterly split was absent.*

Metric	Current Qtr (Q3FY25)	YoY Change	QoQ Change	Trend	Mgmt Commentary
Revenue Standalone (□Cr)	3,465	↑ 112%	↓ 1%	→	Volumes flat QoQ; YoY growth driven by massive capacity expansion.
Revenue Consolidated (□Cr)	3,545	↑ 115%	↓ 3%	→	Consolidated revenue slightly lower than Q2 (□3,663 Cr) due to project timing.
EBITDA (□Cr)	809	↑ 257%	↑ 32%	↑	Massive margin expansion due to lower input costs and better sales mix.
EBITDA Margin %	22.84%	↑ 900 bps	↑ 608 bps	↑	Driven by internal cell cost benefits and higher retail/DCR contribution.
PAT (□Cr)	507	↑ 260%	↑ 35%	↑	High-quality beat driven entirely by operating performance.
Exports (□Cr)	744 (21%)	↓ (Mix)	↓ (Mix)	↓	Export mix dropped from 27% in Q2 to 21% in Q3; Domestic retail took priority.
Production Volume (GW)	1.65 (derived)	↑ 48%	→	→	9M FY25 at 5.07 GW vs 3.42 GW in 9M FY24.
Order Book (GW)	26.5	↑ (New)	↑ 32.5%	↑	Added 6.5 GW in one quarter; total value at ~□50,000 Cr.
Utilization (%)	~55-60%	→	→	→	Impacted by line changeovers for TOPCon/ Mono PERC transitions.
Cash Conversion Ratio	109%	↑	→	↑	Reflects strong advances from customers and lean WC management.
Net Debt / (Cash) (□Cr)	(Net Cash)	↑	↑	↑	Available liquidity of □15,300 Cr post-IPO and internal accruals.

2B. SEGMENT BREAKDOWN

Segment	Revenue Mix (9M)	YoY Growth	Margin	Trend	vs Co. Avg	Key Development
Domestic (Retail/ EPC/Utility)	79% (Q3)	Significant	Strong	↑	Above	PM Surya Ghar scheme driving 3GW+ retail demand.
Overseas (Exports)	21% (Q3)	Moderate	Premium	→	Above	US Factory (1.6GW) now operational; realization at $0.27-0.30.
Retail Network	400+ Franch.	1000+ ASPs	High	↑	Above	India's largest retail solar network; "Waaree Experts" platform.

3. MANAGEMENT OUTLOOK & EXECUTION TRACKER

Dimension	Category	Management Target / Claim	Required Run-Rate / Mathematical Feasibility	Historical Delivery	Risk Flag
Guidance	Cell Capacity	1.4GW Mono/4GW TOPCon by Q1FY26	COD for 1.4GW expected in Feb '25; 4GW on track for Apr-May.	On Track	Moderate
Guidance	US Capacity	1.6GW Module Ops	Operationalized Jan 22, 2025.	Delivered	Low
Guidance	Odisha Integrated	6GW Ingot-to-Module by 2027	Groundwork ongoing; PLI awarded.	Long-dated	Moderate
Guidance	Margins	Sustaining current levels	Dependent on utilizing own cells; RM volatility remains a risk.	First Call	Low
Strategy	Capital Allocation	□3,400 Cr for Adjacencies	□2,073 Cr for Battery; □551 Cr for Hydrogen; □792 Cr Enel.	New Strategy	High
Strategy	Order Book	□50,000 Cr Visibility	Execution timeline 9-24 months; requires ~3GW quarterly run-rate.	Consistent	Low
Macro	US Policy (IRA)	Self-sustaining plants	Requires US production to be competitive without subsidies.	Untested	High
Macro	Cell Prices	$0.04 + duties (India)	Global prices stabilizing; backward integration captures this delta.	Consistent	Low

4. ANALYST Q&A

Q#	Relevance (1–5)	Analyst / Firm	Theme Cluster	Category	Underlying Concern	Management Response & Investment Implication	Evaded / Not Addressed	Credibility (1–5)	Verdict
1	5.0	Deepak Krishnan, Kotak	Margin Expansion	Financials	"Similar production, similar revenue levels... what measures have caused this sharp improvement in margins?"	Management cited a combination of falling input costs (cells/ RM), a shift toward higher-margin retail orders, and operational "lean execution." Higher margins suggest Waaree is decoupling from commodity module pricing via its retail and DCR (Domestic Content Requirement) focus.	None	4.5	Clear and quantified
3	4.5	Prateek Kumar, Jefferies	US Policy	Management Outlook	"What are your US clients saying in current macro environment and political scene... outlook on incentives?"	Clients are reportedly "unphased" and the order pipeline is growing, but management admitted they are waiting for policy clarity for Phase 2 expansion. This implies current 1.6GW is safe, but the next 3.4GW expansion is on hold.	Specific Phase 2 expansion date	3.0	Deflected — key signal
4	4.0	Nikhil Nigania, Bernstein	China Supply Chain	Business Overview	"Issues in getting equipment from China... visa related issues for	Visa issues have "significantly alleviated" and equipment deliveries are regular, reducing the	None	4.0	Directional with evidence

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					people to come in?"	risk of project commissioning delays. This de-risks the April-May timeline for the 4GW TOPCon cell plant.			
5	4.5	Nikhil Nigania, Bernstein	Cell "Currency"	Financials	"Give us some color on the ongoing module prices... cell market is really tight?"	Management labeled cells as the "currency" of the business and noted that DCR cell demand/ supply gaps will keep pricing firm despite global tempering. This validates the thesis that backward integration into cells is the primary margin protector.	None	5.0	Specific and verified
6	4.0	Kuntal Shah, Oakland Cap	IPP Acquisition	Capex and Allocation	"Rationale for going into IPPs (Enel)... past history of capital goods guys going into IPPs has not been great."	The acquisition provides internal consumption for modules and forward integration for the EPC arm (WRTL), though management might flip assets or bring in equity partners later. IPP entry is a valuation risk as it changes the business profile from high-turnover mfg to asset-heavy utility.	Whether asset flip is a permanent strategy	3.5	Vague but consistent

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8	4.0	Naman Kasad, Wimbledon	Cell Line Hurdles	Business Overview	"What are the challenges a company has in setting up a cell line?"	Management highlighted that utilities/ gas management (poisonous gases/clean rooms) occupy 2x the real estate of the actual production line, requiring specialized expertise. This highlights the "moat" around cell manufacturing versus simple module assembly.	None	4.5	Specific timeline given
10	4.5	Karthik Kohli, CLSA	Unit Realizations	Financials	"What is the average realization of a module in India vs US on a per-unit basis?"	India realizations are ~$0.17-0.175/ Wp while US realization is ~$0.27-0.30/ Wp, with cell costs in India at ~$0.04 + duties. These unit economics imply a gross margin profile of 40%+ on DCR/Retail and 30%+ on US sales.	None	5.0	Specific data provided
14	4.0	Rohan, Elara Capital	Overcapacity	Management Outlook	"Excess capacities announced... where do you think these will be absorbed?"	Management stated that global demand asking rates will hit 60-70 GW in the outer years, and "the world is my oyster" for quality manufacturers.	None	3.0	Vague but consistent

Q#	Relevance (1–5)	Analyst / Firm	Theme Cluster	Category	Underlying Concern	Management Response & Investment Implication	Evaded / Not Addressed	Credibility (1–5)	Verdict
						This suggests Waaree is looking beyond India/ US to Africa and Australia to utilize capacity.			

PATTERN FLAGS & SENTIMENT * **The "Margin Quality" Query:** Analysts were surprised by the ~600bps QoQ margin expansion during a quarter where revenue was flat. Management's response centered on the **"Cell Currency"**—their ability to source cheap global cells while selling into premium DCR/Retail domestic markets. Posture was highly confident, suggesting these margins are not a one-off but a structural benefit of integration and scale. * **The "Adjacency" Anxiety:** Analysts (notably Oakland Capital) pushed back on the Enel acquisition and the foray into Green Hydrogen/Batteries. Management was somewhat defensive, framing these as "adjacencies" to support module sales, but the Street remains skeptical of this capital-heavy pivot. This will likely resurface as a ROCE-tracking point next quarter. * **Analyst Sentiment Verdict:** Analysts were bullish on operational execution (US plant start, cell plant COD) but wary of the capital allocation shift toward IPPs. The friction was highest around the "diversified green energy portfolio" versus sticking to the core manufacturing moat. Management's credibility improved significantly by delivering on the US factory timeline promised in Q2.

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5. WHAT CHANGED vs PRIOR QUARTER

What Changed	Prior Quarter (Q2 FY25)	This Quarter (Q3 FY25)	Direction
EBITDA Margin	16.76%	22.84%	↑ Improving
US Facility Status	95% complete; expected Jan	Operationalized (Jan 22, 2025)	↑ Improving
Order Book	20.0 GW	26.5 GW	↑ Improving
Cell Plant Status	Under construction / Pilot runs	1.4GW near COD; 4GW by Apr-May	↑ Improving
Capital Allocation	Manufacturing-focused	Aggressive pivot to IPPs (Enel) & Hydrogen	☐Neutral (Risk)
Sales Mix (Exports)	27% of revenue	21% of revenue	↓ Deteriorating
Cash Conversion	118% (FY24)	109% (9M FY25)	→ Stable
Enel Acquisition	Not in strategy	☐792 Cr acquisition announced	☐Risk Addition
Hydrogen/SECIBid	Awarded PLI (300MW)	Won SECI bid for 90k tons production	↑ Improving