Waaree Energies Ltd — Feb 2026 Quarterly Analysis

1. VERDICT & BUSINESS QUALITY SNAPSHOT

Result: Thesis Validated (Regulatory Resilience) **One-line:** Waaree's strategic foresight in de-linking its US supply chain from India-origin cells has turned a potential 126% tariff catastrophe into a non-event, further widening its competitive moat through local US manufacturing and FEOC-compliant sourcing.

Dimension	This Quarter	Signal / Evidence	Sentiment
Beat/Miss vs Guidance / Prior Quarter	Strong Beat (Regulatory)	Management successfully navigated the 126% CVD announcement with zero impact on servicing the US order book.	□
Earnings Quality	High (Protected)	Margins are protected via sourcing cells from low-tariff (10-15%) neutral jurisdictions; contract pass-throughs exist but aren't needed.	□
Guidance Confidence	Strong	Reaffirmed ability to service □60,000 Cr order book; US capacity expansion to 4.2 GW remains on track for mid-CY2026.	□
Management Credibility	Strong	Proactive supply chain shifts (started in 2019) to non-China/non-India sources demonstrate superior risk management.	□
Business Quality Signal	Improving	Vertical integration at the polysilicon level in Oman creates a unique "FEOC-compliant" moat that Southeast Asian peers cannot easily replicate.	□
Key Q&A Exchange	Q5: Duty Applicability	Mgmt confirmed 126% duty applies to *Indian* cells; Waaree uses 3rd-country cells for US exports, neutralizing the risk.	□
The Street's Primary Anxiety	US Tariff Contagion	Fear that ADD/CVD would halt India-to-US exports; Mgmt clarified that sourcing jurisdiction, not assembly location, dictates the duty.	□
Capital Cycle Stage	Growth & Hedging	Aggressive expansion of US manufacturing footprint (Texas/ Arizona) to 4.2 GW to bypass all future export duties.	□
Margin / Return Ratio Trajectory	Stable	Realizations in US ($0.31-0.32) provide significant "leg space" even if sourcing costs rise slightly in neutral zones.	□
Pricing Power	Expanding	Order book was financially closed at $0.35-0.38/watt levels, while current costs are lower; pricing remains premium in US/Retail.	□
FCF Conversion & Quality	Distorted (H1)	(From Prior Context) CFO/PAT at 0.35x; Feb '26 call confirms continued "Goods in Transit" as US shipments ramp up.	□
Competitive Moat Signals	Widening	Investment in Omani polysilicon ensures compliance with 2026 FEOC laws; peer dependency on China remains a vulnerability.	□
Balance Sheet Strength	Strong	Net Cash position (from IPO/Q2) supports □25,000 Cr capex plan without stressing the leverage profile.	□
Working Capital Efficiency	Deteriorating	Inventory cycle remains elongated due to overseas shipment times (referencing Q2 trend).	□
Mgmt Guidance Track Record	Reliable	Consistent delivery on GW-scale commissioning in US (1.6 GW Texas plant already operational).	□
Key Vulnerability / Red Flag	Supply Chain Concentration	Shift to Middle East/Africa for cells may create new geopolitical or concentration risks as the US closes Southeast Asian doors.	□
Management Tone	Confident & Pragmatic	Management dismissed the tariff impact as "business as usual" due to their diversified sourcing strategy.	□

Key Takeaways (Positives & Negatives): * **Positives:** The 126% US duty on Indian cells is a paper tiger for Waaree; the company has been sourcing cells for US exports from neutral jurisdictions (10-15% duty) since 2019. The US order book remains highly profitable with realization headroom ($0.31 vs. historical $0.38 targets). The Oman polysilicon investment is a critical strategic asset for the upcoming 2026 FEOC (Foreign Entity of Concern) compliance deadline, which will likely disqualify many competitors. * **Negatives:** Despite regulatory resilience, the order book execution remains working-capital heavy, as evidenced by the continued focus on long shipping cycles to the US. Diversification into transformers/meters (from prior context) was not the focus here,

but the management's attention is now split across massive global supply chain re-routing and new domestic product launches. * **Street Concern:** Analysts were fixated on whether the US would "look through" the cell sourcing to tax the Indian assembly. Management's firm clarification on US Customs rules (cell origin = primary duty origin) appears to have settled the immediate panic. * **Forward Watchpoint:** Monitor the commercialization of the Oman polysilicon pilot plant; it is the linchpin for Waaree's ability to sell into the US market post-April 2026 when FEOC rules tighten.

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2. BUSINESS PERFORMANCE

2A. KEY METRICS

DATA SOURCE: PPT not available — all numbers sourced from concall transcript (Feb 25, 2026).

Metric	Current Qtr / Status	YoY Change	QoQ Change	Trend	Mgmt Commentary
Revenue (Consolidated)	₹6,226.54 Cr (H1)	↑	↑	↑	Refers to strong 9-month/H1 performance; 1/3rd of revenue is overseas.
EBITDA Margin %	25.17% (Q2 Ref)	↑	→	→	Maintained via internal cell integration and high-margin US/Retail mix.
US Module Capacity (GW)	2.6 GW	↑	↑	↑	1.6 GW Texas + 1.0 GW Arizona (acquired); expanding to 4.2 GW.
Order Book (₹Cr)	₹60,000 Cr	↑	↑	↑	Growth from ₹47,000 Cr (Q2) to ₹60,000 Cr; net of dispatches.
Order Book (GW)	~25 GW	→	→	→	Sufficient for 3-4 years of execution; heavily export-weighted.
US Realizations (ASP)	$0.30 - $0.31	↓	↓	↓	Down from $0.35 peak; still offers "great leg space" vs. cost.
Domestic Retail Mix (%)	20% - 25%	→	→	→	Premium segment (1-1.5 cent premium) with 580+ retail stores.
US Import Duty Paid	10% - 15%	→	→	→	Paid on cells sourced from neutral jurisdictions; bypasses 126% CVD.
Oman Polysilicon Status	Pilot Stage	N/A	N/A	→	Commercial production expected in 2-3 months.

2B. SEGMENT BREAKDOWN

Segment	Revenue (₹ Cr)	YoY Growth	Margin	Trend	vs Co. Avg	Key Development
Overseas (US)	~33% of Mix	High	Premium	↑	Above	Scaling via local US manufacturing to avoid Indian cell tariffs.
Domestic Retail	20% - 25%	Stable	High	→	Above	Less price-sensitive; serves as a high-margin floor for India ops.
Domestic Utility	30% - 35%	Growth	Moderate	→	Below	Competitive pricing; covered by 12-18 months of order book.
EPC & O&M	18% - 20%	Growth	High	↑	Above	Service business with high barriers to entry based on PQ.

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3. MANAGEMENT OUTLOOK & EXECUTION TRACKER

Dimension	Category	Management Target / Claim	Required Run-Rate / Mathematical Feasibility	Historical Delivery	Risk Flag
Guidance	US Capacity	4.2 GW by mid-CY2026	Needs 1.6 GW addition to current 2.6 GW; facilities already under construction/ acquired.	On Track	Low
Guidance	Order Book	Service □60k Cr in 3-4 years	Requires ~□4,000-5,000 Cr/qtr revenue; Q2 was already □6,226 Cr.	Delivered	Low
Strategy	Supply Chain	100% Non-China / Neutral Cells	Already sourcing from neutral zones (Middle East/Africa) for years.	Consistent	Low
Strategy	Backward Integration	Fully integrated up to Polysilicon	Oman plant at pilot stage; needs commercial ramp-up by Q1FY27 for FEOC.	New Asset	Moderate
Macro	US Demand	70 - 80 GW per annum	Industry estimate; US consumed ~50 GW historically.	External	Low
Balance	Duty Impact	Zero material impact from 126% CVD	Mathematical: 126% of $0.00 (Indian cells used) = $0.00.	Credible	Low

4. ANALYST Q&A

Q#	Relevance	Analyst / Firm	Theme Cluster	Category	Underlying Concern	Management Response & Investment Implication	Evaded / Not Addressed	Credibility	Verdict
1	5.0	Abhi Sehgal, Singularity	US Tariffs	Business Overview	"When you say you can source cells at 10%, which region does that imply?"	Management noted they have multiple non-China, non-India sources active since 2019 and are currently moving toward 10% tariff regions. This confirms the company's ability to bypass the 126% duty by strictly adhering to country-of-origin sourcing rules.	Specific names of sourcing countries.	4.0	Directional with evidence
3	4.5	Sabri Hazarika, Emkay	US Footprint	Capex and Allocation	"What is the sale of module in US... how much is produced in US vs exported from India?"	Management stated that 1/3rd of revenue is overseas and US capacity is ramping up to 4.2 GW to service the order book locally. This shift to US-based manufacturing reduces reliance on Indian exports and mitigates long-term trade war risks.	Current quarter production split.	3.5	Vague but consistent
4	4.0	Madhu, Investor	Margins	Financials	"What could be the potential margin impact if we have to fulfill all the orders	Management reaffirmed that because they use low-tariff cell sourcing and have pass-	None	5.0	Clear and quantified

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					from the US?"	through contracts, the 126% CVD does not change their guidance or costing. This protects the ~25% EBITDA margin profile against recent regulatory shocks.			
5	5.0	Aritra Banerjee, Nomura	Supply Costs	Business Overview	"Do you envisage demand for cells from those [neutral] regions going up and leading to a higher sourcing cost?"	Management argued that their massive order book and established relationships give them a "right to win" in sourcing, including options for US-made cells. This suggests Waaree will maintain cost leadership in a constrained non-FEOC supply environment.	Quantified cost inflation estimate.	3.5	Directional
8	4.5	Varun, Investor	US Pricing	Financials	"At what price do you think that solar module can be imported and it's viable for an IPP?"	Management explained that current US prices ($0.31) are well below the $0.38 levels at which their contracts were financially closed, providing ample buffer for developers.	None	5.0	Specific timeline/ data

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						This reduces the risk of order cancellations due to pricing pressure.			
11	4.0	Karan Sanwal, Niveshaay	Oman / FEOC	Capex and Allocation	"When will this polysilicon facility in Oman be operational... before the FEOC kicks in?"	Management confirmed the Oman plant is at the pilot stage with commercial production expected in 2-3 months. This is critical for meeting the April 2026 FEOC deadline, which could lock out competitors without traceable non-Chinese polysilicon.	None	4.5	Specific timeline given
12	3.5	Karan Sanwal, Niveshaay	Governance	Governance	"Any update on the ongoing investigations against us regarding the usage of Chinese cells for US exports?"	Management stated they are cooperating with investigations and have proactively made financial provisions in the previous quarter. This indicates that while legal risks exist, the financial impact is already baked into the current balance sheet.	Estimated total liability.	3.0	Hedges/ Deflected

PATTERN FLAGS & SENTIMENT * **The "Cell Sourcing" Shield:** Analysts were deeply concerned that the 126% CVD would be the end of Waaree's US export story. Management's posture was highly confident, repeatedly clarifying that the duty applies to the *cell*, not the *assembly*. By sourcing cells from neutral third countries (since 2019), they have rendered the Indian CVD irrelevant. This concern is likely resolved for now but will morph into a "Sourcing Cost" concern next quarter. * **FEOC & Oman Moat:** A recurring theme was the 2026 FEOC law. Analysts are beginning to realize that the Oman polysilicon investment isn't just a vertical integration play; it's a "license to play" in the US after 2026. Management's tone here was expansionary, positioning Waaree as the only scale player (outside China) with a fully traceable, non-Chinese supply chain.

Analyst Sentiment Verdict: Analysts entered the call skeptical/anxious due to the headline 126% tariff but exited largely reassured by the company's "sourcing arbitrage" and US manufacturing ramp-up. The friction regarding sourcing locations (which mgmt refused to name) remains a minor overhang, but the core execution thesis on US margins was defended successfully.

GUIDANCE GAPS REVEALED IN Q&A | Topic | What Mgmt Claimed (Prior Q) | What Q&A Revealed | Gap / Walk-back | Risk to Thesis | | :--- | :--- | :--- | :--- | :--- | | US Duties | Neutral | 126% CVD on Indian Cells | New regulatory headwind (Mitigated by sourcing). | Low (due to 3rd country cells). | | Order Book | ₹47,000 Cr (Q2) | ₹60,000 Cr | **₹13,000 Cr Growth** | None; positive momentum. | | US Capacity | 2.6 GW | 4.2 GW (Year-end) | Reaffirmed aggressive timeline. | Low; construction on track. |

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5. WHAT CHANGED vs PRIOR QUARTER

What Changed	Prior Quarter (Q2FY26)	This Quarter (Feb 25, 2026 Update)	Direction
Order Book Size	₹47,000 Cr	₹60,000 Cr	↑ Improving
US Regulatory Risk	Potential ADD/CVD	**126% CVD Confirmed** (on Indian cells)	↓ Deteriorating (Macro)
Mitigation Strategy	"Diversified supply chain"	**Oman Polysilicon Pilot Ongoing**; ready in 3 months.	↑ Improving
US Manufacturing	2.6 GW Operational	4.2 GW Expected by Mid-CY2026	↑ Improving
Realization Headroom	Not stated	ASP $0.31 vs Contracted $0.38	↑ Improving (Margin Safety)
FEOC Preparedness	Planning stage	**Active sourcing/investment** in neutral zones.	↑ Improving
Provisioning	No stated provisions	**Provision made** for US investigations.	⚠Risk Recognized