Waaree Energies Ltd — May 2025 Quarterly Analysis

1. VERDICT & BUSINESS QUALITY SNAPSHOT

Result: Strong Beat (Margins) / Inline (Revenue) **One-line:** Waaree has completed its transition from a module assembler to an integrated manufacturer, with the 5.4GW cell plant now operational and providing a structural 400-500bps margin tailwind that underpins a massive FY26 EBITDA guidance.

Dimension	This Quarter	Signal / Evidence	Sentiment
Beat/Miss vs Guidance / Prior Quarter	Strong Beat (Margins)	Q4 EBITDA margins hit 25.59% vs 22.84% QoQ; FY26 EBITDA guidance of □5,500-6,000 Cr is 2x FY25.	□
Earnings Quality	High (Core driven)	FY25 CFO/PAT at 1.63x; driven by □4,400 Cr in customer advances and operational efficiency.	□
Guidance Confidence	Strong	□47,000 Cr order book provides 100% visibility for FY26; cell factory fully ramping in 45-60 days.	□
Management Credibility	Strong	Operationalized 5.4GW cell plant and 1.6GW US plant exactly on the timelines promised in the IPO.	□
Business Quality Signal	Improving	Integration captures the "cell currency" (delta between in-house 7-8c/watt vs. outsourced 12c+).	□
Key Q&A Exchange	Q5: Realizations vs Margins	Mgmt confirmed RM (cells) cost reduction is outpacing module price declines, locking in gross margins.	□
The Street's Primary Anxiety	US Policy & IPP Pivot	Anxiety over US tariffs and the capital-heavy shift to IPP (Enel); Mgmt claims US plant is a "natural hedge."	□
Capital Cycle Stage	Investment	Heavy capex (□9,000 Cr) for Odisha project and □3,500 Cr for adjacencies (Battery/Hydrogen).	□
Margin / Return Ratio Trajectory	Improving	EBITDA margins up 930bps YoY; integration into cells structurally raises the floor.	□
Pricing Power	Stable (Segmented)	DCR (Domestic Content Requirement) and Retail segments command premium over utility.	□
FCF Conversion & Quality	Strong	□3,158 Cr OCF vs □1,932 Cr PAT; negative working capital cycle maintained via advances.	□
Competitive Moat Signals	Widening	Largest module (15GW) and cell (5.4GW) capacity in India; EcoVadis Gold and "A" bankability.	□
Balance Sheet Strength	Strong	Net Cash position; □15,550 Cr liquidity post-IPO; current ratio remains healthy.	□
Working Capital Efficiency	Improving	Managed □14,800 Cr revenue with only □509 Cr in year-end cash, using customer advances to fund growth.	□
Mgmt Guidance Track Record	Reliable	Consistent delivery on capacity expansion and margin expansion targets.	□
Key Vulnerability / Red Flag	Capital Allocation	Sudden pivot to owning power plants (Enel) and Hydrogen/ Batteries may dilute core ROE/ROCE.	□
Management Tone	Confident & Aggressive	Focus on "consolidation and acceleration" with explicit EBITDA-led management.	□

Key Takeaways (Positives & Negatives): * **Positives:** The integration thesis is fully validated. Q4 EBITDA margins of 25.6% reflect the early benefits of in-house cell production and a strategic mix shift toward the higher-margin DCR/Retail market (PM Surya Ghar scheme). The order book of ₹47,000 Cr provides near-total revenue coverage for FY26. US execution is on track with the Texas 1.6GW facility active, acting as a "China+1" hedge for global clients. * **Negatives:** Management is rapidly diversifying into capital-heavy adjacencies. The ₹790 Cr Enel acquisition marks an entry into the IPP (Independent Power Producer) space, which typically carries lower valuation multiples than pure-play manufacturing. Total committed capex for non-core (Battery/Hydrogen/Enel) is ~₹4,000 Cr, which could introduce "conglomerate discount" risks if not executed with the same precision as modules. * **Street Concern:** Analysts are wary of US tariff volatility and the inventory glut in the US market. Management's response—that they are "booked for the entire year" and have the flexibility to manufacture in both India and the US—satisfies the immediate volume risk but keeps the valuation multiple capped by geopolitical uncertainty. * **Forward Watchpoint:** Monitor the "Odisha PLI Project" progress (6GW integrated ingot-to-wafer); this is the final frontier for Waaree to become truly "Atmanirbhar" and insulated from China's silicon pricing cycles.

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2. BUSINESS PERFORMANCE

2A. KEY METRICS (Manufacturing / Solar Focus) *DATA SOURCE: PPT figures primary; Concall used for commentary and unit economics.*

Metric	Current Qtr (Q4FY25)	YoY Change	QoQ Change	Trend	Mgmt Commentary
Revenue Standalone (₹Cr)	4,004	↑ 36.4%	↑ 15.6%	↑	Driven by record volume off-take and higher retail mix.
Revenue Consolidated (₹Cr)	4,141	↑ 37.7%	↑ 16.8%	↑	Volume expansion and EPC execution through RTL subsidiary.
EBITDA (₹Cr)	1,060	↑ 116.3%	↑ 30.9%	↑	Substantial beat; driven by in-house cells and lower RM costs.
EBITDA Margin %	25.59%	↑ 930 bps	↑ 275 bps	↑	Capturing the 4-5 cent delta from in-house cell manufacturing.
PAT (Ex-Exceptional) (₹Cr)	648	↑ 254.5%	↑ 27.9%	↑	High-quality operating beat; effective tax rate stable at ~24%.
Exports (₹Cr)	~828 (20%)	→	→	→	US mix stable at 17-20% of total revenue; India retail prioritized.
Production Capacity (GW)	15.0 (Module)	↑ 36%	→	→	Largest capacity in India; 5.4GW Cell plant now operational.
Order Book (₹Cr)	47,000	New	↓ 6%	↓	Q3 was ₹50,000 Cr; dip reflects execution of high-value projects.
Utilization (%)	60-90%	→	↑	↑	Ramping TOPCon lines; expected to hit rated capacity in 60 days.
CFO-to-PAT Ratio	1.63x (FY)	↑	N/A	↑	Strong cash quality; WC funded by customer advances.
Net Debt / (Equity)	(Net Cash)	→	→	→	Liquidity of ₹15,550 Cr post-IPO/Internal accruals.

2B. SEGMENT BREAKDOWN

Segment	Revenue Mix (FY25)	YoY Growth	Margin	Trend	vs Co. Avg	Key Development
Retail / DCR	~25%	Significant	Highest	↑	Above	PM Surya Ghar pushing DCR demand to 10-15GW annually.
Utility (India)	~55%	Robust	Standard	→	Inline	100GW pipeline visibility; 500GW target by 2030 is tailwind.
Overseas (US)	~20%	High	Premium	→	Above	Texas 1.6GW plant active; realization at $0.27-0.30 vs India $0.17.
EPC (WRTL)	Minor	Robust	Strong	↑	Inline	3.2GW execution order book; providing forward integration.

3. MANAGEMENT OUTLOOK & EXECUTION TRACKER

Dimension	Category	Management Target / Claim	Required Run-Rate / Mathematical Feasibility	Historical Delivery	Risk Flag
Guidance	EBITDA (FY26)	□5,500 - 6,000 Cr	Requires ~□1,450 Cr/quarter; Q4 was □1,060 Cr. Feasible as cell plant ramps.	New Guidance	Low
Guidance	Cell Capacity	5.4GW fully operational	Needs full ramp-up by June 2025.	Delivered	Low
Guidance	Odisha Integrated	6GW Ingot-to-Module by 2027	Multi-year construction; □9,000 Cr capex.	On Track	Moderate
Guidance	US Expansion	Add 1.6GW Module (Texas)	Board approved; timing dependent on policy "wait and watch."	Mixed	Moderate
Strategy	Capital Allocation	□3,500 Cr for Adjacencies	□790 Cr Enel (closed); □2,073 Cr Battery; □551 Cr Hydrogen.	New Pivot	High
Strategy	Order Book	□47,000 Cr Visibility	100% FY26 revenue coverage at current run-rates.	Consistent	Low
Macro	US Policy	Natural Hedge Strategy	US plant output to offset potential India-to-US tariffs.	Untested	High
Macro	DCR Market	10-15 GW Annual Demand	Driven by PM Surya Ghar; Waaree has 1/3rd market share.	Consistent	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	Mohit Kumar, ICICI	DCR Order Book	Business Overview	"Have you started building the DCR order book given that our cells capacity is up and running?"	Management confirmed the DCR book is building "fast and furious" with 1.5GW immediate requirement expected from the retail segment. This validates the backward integration thesis as in-house cells (7-8c) will now satisfy high-margin domestic orders previously using imported cells.	None	5.0	Specific and verified
2	4.5	Mohit Kumar, ICICI	US Policy Risk	Mgmt Outlook	"What kind of risk do you envisage from the new US administration and recent tariff announcement?"	Management stated they are insulated for FY26 by a □47,000 Cr order book and have already received advances for most line items. This de-risks the short-term earnings but leaves the long-term US terminal value dependent on tariff outcomes.	Specific Phase 2 expansion date	3.0	Deflected — key signal
4	4.0	Kartik Sharma, Anand Rathi	Capacity Utilization	Business Overview	"What kind of capacity utilizations are we looking at now and going forward?"	Current utilization ranges from 60% to 90% across various lines, with a focus on "sweating	None	4.0	Directional with evidence

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						assets better" to drive EBITDA. Higher utilization of the new 5.4GW cell plant is the primary lever for the FY26 guidance beat.			
6	4.5	Subramaniam Yadav, SBI Life	Cell Cost Delta	Financials	"When we source locally for the price of the cell, will it be a bit higher than China?"	Management clarified that in-house cells will cost 7-8 cents vs. current market procurement of 11.5-14 cents for the US/DCR markets. This ~4-5 cent savings per watt is the structural driver behind the 900bps YoY margin expansion.	None	5.0	Clear and quantified
10	4.0	Kuntal Shah, Oaklane Cap	IPP Rationale	Capex & Allocation	"Rationale for ENEL acquisition... equity and debt planning for IPP in next two years?"	The ENEL acquisition (□790 Cr equity) provides internal consumption for modules and forward integration, though it moves the company toward a capital-heavy 70:30 debt-equity IPP model. This pivot is a valuation risk as it lowers the overall	Future asset-flip strategy	3.5	Vague but consistent

Q#	Relevance	Analyst / Firm	Theme Cluster	Category	Underlying Concern	Management Response & Investment Implication	Evaded / Not Addressed	Credibility	Verdict
						ROCE profile compared to pure manufacturing.			
12	4.0	Bhaskar Chakraborty, Jefferies	US Inventory	Mgmt Outlook	"Close to 50GW of module inventory in the US... imports down... confident on this materializing?"	Management employs a "book and build" philosophy, claiming their factories are built only on firm orders with advances, making them immune to general inventory gluts. This suggests Waaree's US volumes are "sticky" due to long-term PPA-linked contracts.	None	4.5	Specific timeline given
15	4.5	Priyesh Babariya, Mahindra MF	Storage & Grid	Mgmt Outlook	"DISCOMs reluctant to sign PPA... downside risk to the 500GW numbers?"	Management noted that the grid requires a minimum storage component now, which is why they are investing in the 3.5GW battery facility by 2027. This confirms the logic behind the "adjacencies" capex as a necessary tool to protect future module demand.	None	4.0	Directional with evidence

PATTERN FLAGS & SENTIMENT * **The "EBITDA-First" Philosophy:** Management repeatedly shifted the focus from volume/megawatts to EBITDA as the "key control variable." This posture reflects a high degree of confidence in their unit economics (the 5-cent cell delta) and suggests they will prioritize high-margin orders (Retail/DCR) over bulk utility volumes if capacity is constrained. * **The "Strategic Pivot" Friction:** Analysts (notably Oaklane and Mahindra MF) pushed hard on the IPP (Enel) and Battery/Hydrogen foray. Management was firm that these are "essential adjacencies" to enable power sales in a grid-constrained environment. However, the Street remains skeptical of the capital-heavy shift, which may lead to a valuation cap until these assets show steady cash yields. * **Analyst Sentiment Verdict:** Analysts were highly impressed by the Q4 margin print (25.6%) and the aggressive FY26 guidance, which exceeded most consensus estimates. Credibility improved as the Texas and Chikhli facilities came online on time. The only lingering friction is the capital allocation toward asset-heavy IPPs. The thesis has moved from "Can they build it?" to "Can they manage the conglomerate complexity?"

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5. WHAT CHANGED vs PRIOR QUARTER

What Changed	Prior Quarter (Q3 FY25)	This Quarter (Q4 FY25)	Direction
EBITDA Margin	22.84%	25.59%	↑ Improving
Cell Plant Status	"Near COD"	Fully Operationalized (5.4GW)	↑ Improving
FY26 Guidance	Not explicitly given	□5,500 - 6,000 Cr EBITDA	↑ Improving
US Facility	Commissioning Phase	1.6GW Operational; Board approved +1.6GW	↑ Improving
Order Book	□50,000 Cr	□47,000 Cr	↓ Deteriorating
Cell Unit Cost	~11-12 cents (Procured)	7-8 cents (In-house Target)	↑ Improving
Capital Allocation	Manufacturing focus	IPP Entry (Enel transaction in progress)	□Risk Addition
Cash conversion	109% (9M)	163% (FY CFO/PAT)	↑ Improving