

Waaree Energies Ltd — Nov 2024 Quarterly Analysis

1. VERDICT & BUSINESS QUALITY SNAPSHOT

The punchline. Read this first — it frames everything below.

Result: Inline on Revenue / Beat on Margins **One-line:** Waaree successfully navigated a massive shift in sales mix (from 60% exports to 27% domestic) while expanding EBITDA margins, proving that cost management and volume growth are offsetting global price erosion.

Dimension	This Quarter	Signal / Evidence	Sentiment
Beat/Miss vs Guidance / Prior Quarter	Inline / First Call	Revenue grew 1% YoY; EBITDA grew 14% YoY despite lower realization.	□
Earnings Quality	High (Core driven)	CFO is nearly 2x PAT (H1); suggests high-quality cash collection/WC management.	□
Guidance Confidence	Strong	Specific timelines provided for US factory (Jan) and Cell plant (Dec).	□
Management Credibility	Strong	First call as a listed entity; provided granular pricing data and capacity bifurcations.	□
Business Quality Signal	Improving	Transitioning from "Module Assembler" to "Integrated Cell-Module Manufacturer."	□
Key Q&A Exchange	Q1: Commodity vs Tech	Management clarified modules are NOT commodities; tech cycles every 3 years.	□
The Street's Primary Anxiety	US Policy & Export Mix	Fear of IRA repeal or AD/CVD impact; Mgmt cited local US manufacturing as a hedge.	□
Capital Cycle Stage	Investment	Massive capex into 5.4GW Cells and 6GW Integrated Odisha facility.	□
Margin / Return Ratio Trajectory	Improving	EBITDA margins up 163 bps YoY to 16.76% despite price erosion.	□
Pricing Power	Eroding (Market-wide)	US realizations down from \$0.28 to \$0.24; India from \$0.21 to \$0.17.	□
FCF Conversion & Quality	Strong	H1 CFO of ₹1,493 Cr on PAT of ₹777 Cr (High quality).	□
Competitive Moat Signals	Widening	20 GW Order Book (mostly backed by advances) creates high revenue visibility.	□
Balance Sheet Strength	Strong	Net Cash position following IPO; Shareholders' funds at ₹4,927.6 Cr.	□
Working Capital Efficiency	Improving	Positive OCF vs. negative OCF in H1 FY24.	□
Mgmt Guidance Track Record	First entry	New management team (CEO/CFO); H1 execution is 70% of FY24 volumes.	□
Key Vulnerability / Red Flag	Policy Sensitivity	Heavy reliance on US market (72.5% of order book) amidst political shift.	□
Management Tone	Confident & Articulate	Focused on "Manufacturing Excellence" and "Energy Transition."	□

Key Takeaways (Positives & Negatives): * **Positives:** The 20 GW order book is "sticky," backed by customer advances and loyalty, providing a multi-year bridge. Execution is accelerating—producing 3.3 GW in H1 vs 4.8 GW in all of FY24. Integration is the imminent margin catalyst, with 5.4 GW of cell capacity starting commercial runs in Dec '24, expected to add 200-300 bps to blended margins. * **Negatives:** Global module prices have corrected sharply (~15-20%), which requires continuous volume growth to keep revenue flat. The export mix has dropped significantly this quarter, which historically was the high-margin segment, though internal cost efficiencies have surprisingly offset this. * **Street Concern:** Analysts are hyper-focused on the 72.5% US order book exposure and potential Trump-era policy shifts. Management's response is that solar remains the "cheapest energy" regardless of politics, and their Texas factory (1.6 GW) serves as a strategic hedge. * **Forward Watchpoint:** Monitor the ramp-up of the 5.4 GW cell plant in Q4; any delay here pushes the margin expansion thesis into late FY26.

2. BUSINESS PERFORMANCE

2A. KEY METRICS *Note: Millions converted to Crores (÷ 10).*

Metric	Current Qtr (Q2FY25)	YoY Change	QoQ Change	Trend	Mgmt Commentary
Revenue (Consolidated) (□Cr)	3,663.46	↑ 2.95%	↑ 4.78%	→	Driven by volume growth offsetting lower realizations.
Revenue from Ops (□Cr)	3,574.38	↑ 1.05%	↑ 4.85%	→	Growth driven by domestic volumes as export mix shifted.
EBITDA (□Cr)	613.94	↑ 14.01%	↓ 4.07%	↑	YoY growth due to lower RM costs and better operating leverage.
EBITDA Margin %	16.76%	↑ 163 bps	↓ 154 bps	↑	Improved YoY despite export mix drop (60% to 27%).
PAT (□Cr)	375.66	↑ 17.35%	↓ 6.34%	↑	Higher other income (₹89 Cr) aided the bottom line.
Production Volume (H1 - GW)	3.30	↑ (H1)	N/A	↑	Massive jump vs 4.8 GW produced in full FY24.
Order Book (GW)	20.0	→	→	→	72.5% Overseas; 20 GW total mostly backed by advances.
Domestic/Export Mix (%)	27.5% / 72.5%	↓ Export	N/A	↓	Significant shift; Exports were ~60% of revenue in FY24.
Utilization (%)	~50-60%	↑	N/A	↑	Lower than nameplate due to line changeovers (TOPCon/Mono).
Cash Flow (OCF - H1) (□Cr)	1,493.16	↑	N/A	↑	Sharp turnaround from negative OCF (₹99.3 Cr) in H1FY24.
Net Debt / (Cash) (□Cr)	(Net Cash)	↑	N/A	↑	Strong liquidity post-IPO; Total Assets at ₹14,034 Cr.
Interest Coverage (x)	19.9x	↑	↑	↑	Finance costs stable at ₹30.8 Cr despite growth.

2B. SEGMENT BREAKDOWN

Segment	Revenue Mix (H1)	YoY Growth	Margin Trend	vs Co. Avg	Key Development
Utility/Ent	Major Part	Stable	Competitive	Base	Large-scale project execution.
Retail	23%	Strong	Higher	Above Avg	Driven by PM Surya Ghar scheme; 370+ stores.
Export	27.5% (Current)	↓ (Volume)	Premium	Above Avg	US realizations at \$0.24 vs \$0.28 last year.
EPC	Moderate	Growing	Services	Neutral	One-stop solution focus for C&I.

3. MANAGEMENT OUTLOOK & EXECUTION TRACKER

Dimension	Category	Management Target / Claim	Required Run-Rate / Mathematical Feasibility	Historical Delivery	Risk Flag
Guidance	Capacity (India)	13.3 GW Module by Mar '25	On track; Indosolar (1.3GW) already operational.	Delivered July '24	Low
Guidance	Capacity (US)	1.6 GW Module by Jan '25	Building nearly complete; Jan '25 start.	New facility	Moderate
Guidance	Cell Integration	5.4 GW Cell by Mar '25	1.4GW Mono/4GW TOPCon; Pilot runs started.	First entry	High
Guidance	Margins (Cells)	+200-300 bps blended gain	Depends on 60%+ utilization of cell lines.	First entry	Moderate
Guidance	Capex	₹600 Cr for RE Infra	Board approved; for land/ connectivity.	New strategy	Low
Strategy	Order Inflows	5-6 GW in H1 FY25	10-12 GW/year needed to sustain 20GW book.	Consistent	Low
Macro	US Policy	Agnostic to dispensation	IRA impact is a Jan '25 watchpoint.	N/A	High
Balance	Technology	3-year depreciation cycle	High to prevent obsolescence.	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	4.5	Varun G, Value Quest	Commodity vs Tech	Business Overview	Is the solar module business just a commodity play protected by tariffs?	Management argued no, citing technology cycles every 3 years (Mono Perc to TOPCon/HJT) and their aggressive 3-year depreciation policy. This suggests Waaree is pricing in rapid tech obsolescence, protecting the balance sheet from "stale" assets.	None	4.5	Clear and quantified
2	4.0	Hemang Khanna, Nomura	Capacity Update	Capex and Allocation	What is the status of the 5.4GW cell and 6GW integrated Odisha plants?	5.4GW cell pilot runs have started with commercial ops in Dec '24, while the 6GW Odisha plant is in ground-filling stages for FY27. Success here is the primary driver for the margin expansion thesis from module assembly to integrated manufacturing.	None	4.0	Specific timeline given
3	3.5	Prateek Kumar, Jefferies	US Cell Sales	Business Overview	Can cells produced in India be sold/used immediately in the US?	Management confirmed they have in-house testing/certification for US standards and will use their own cells for US module production.	None	4.0	Clear and quantified

Q#	Relevance (1-5)	Analyst / Firm	Theme Cluster	Category	Underlying Concern	Management Response & Investment Implication	Evaded / Not Addressed	Credibility (1-5)	Verdict
						This internal consumption strategy reduces dependence on non-China third-party cell suppliers.			
4	4.5	Prateek Kumar, Jefferies	Financials/ Mix	Financials	Why was EBITDA/ Revenue growth slow despite the "strong demand" claim?	Management attributed the slowdown to the export mix dropping from 60% to 27% and lower global realizations. Lower margins from domestic sales are being offset by volume growth (3.3GW H1 production).	None	4.0	Direction with evidence
5	5.0	Deepak Krishnan, Kotak	US Policy / IRA	Management Outlook	Will the US expansion continue if the IRA policy changes under the new administration?	Management remains "extremely committed" but will monitor Jan '25 policy clarity before finalizing the next 3.4GW module/5GW cell phase in the US. This "wait and watch" approach on incremental US capex is a prudent risk-mitigation signal.	None	3.0	Deflective — key signal
6	4.0	Subramaniam, SBI Life	Export Pricing	Financials	How much have prices eroded in the US and India markets?	US realizations dropped from \$0.28-0.30 to ~\$0.24, while India dropped	None	5.0	Specific data provided

Q#	Relevance (1-5)	Analyst / Firm	Theme Cluster	Category	Underlying Concern	Management Response & Investment Implication	Evaded / Not Addressed	Credibility (1-5)	Verdict
						from \$0.21 to ~\$0.17. This ~15-20% price compression explains why revenue growth is lagging the massive volume expansion.			
7	4.5	Aashish Urganlawar, InvesQ	Utilization	Business Overview	Why is utilization only ~50-60% if demand is robust?	Utilization is hampered by frequent line changeovers between Mono Perc and TOPCon for specific customer requirements. Improving production planning to reduce "down-time" during transitions is their primary operational efficiency lever.	None	4.0	Direction with evidence
8	4.5	Mohit Kumar, ICICI Sec	AD/CVD Impact	Management Outlook	How do US anti-dumping duties on SE Asia affect Waaree?	Management sees limited impact as they export from India and are building a US factory, potentially gaining market share as SE Asian competitors face duties. This positions Waaree as a "China+1" beneficiary in the US market.	None	3.5	Vague b consisten
9	4.0			Financials			None	3.5	

Q#	Relevance (1-5)	Analyst / Firm	Theme Cluster	Category	Underlying Concern	Management Response & Investment Implication	Evaded / Not Addressed	Credibility (1-5)	Verdict
		Suyash Kela, Singularity	Cell Margins		What is the exact margin uplift from starting cell manufacturing?	Management expects a 200-300 bps blended margin improvement once the 5.4GW cell plant stabilizes. This is a conservative estimate compared to fully integrated peers, leaving room for a potential "beat" if utilization is high.			Vague b consiste
10	4.0	Prateek Kumar, Jefferies	Order Book Quality	Governance	Is the 20 GW order book just MOUs or actual contracts?	Almost the entire 20 GW is backed by customer advances and "loyal/sticky" relationships. This confirms high revenue quality and minimizes the risk of a massive order book "collapse."	None	5.0	Specific and verified

PATTERN FLAGS & SENTIMENT * The "US Policy" Anxiety: Multiple analysts probed the US election impact and IRA sustainability. Management was firm on the "economic logic" of solar (lowest cost) being policy-agnostic, though they admitted a "wait-and-watch" stance on the *second* phase of US capex. The concern is resolved for the current 1.6 GW capacity but remains live for future expansion. * **The "Price vs. Volume" Tension:** Analysts were skeptical of 1-3% revenue growth in a "booming" industry. Management successfully pivoted the narrative to volume (3.3 GW produced), explaining that price erosion (\$0.28 to \$0.24 in US) is the primary revenue drag. The resolution lies in the upcoming cell plant, which shifts the focus from top-line growth to margin capture. * **The "Utilization" Gap:** There was friction regarding the ~55% utilization rate. Management's explanation of "line changeovers" suggests an operational bottleneck that needs to be addressed through better order-bundling.

Analyst Sentiment Verdict: Analysts were generally convinced by the operational execution (volume growth) but remain skeptical of the US policy environment. Management's credibility was bolstered by providing specific

realization figures and the "advances-backed" order book claim. The primary unresolved issue is the **Jan '25 US policy landscape**, which will be the single largest risk/catalyst for the next call.

5. WHAT CHANGED vs PRIOR QUARTER

First entry — no prior quarter to compare.

What Changed	Prior Quarter	This Quarter	Direction
Management	Not Available	New CEO (Amit Paithankar) & CFO (Sonal Shrivastava)	→
Listing Status	Unlisted	Listed (Post-IPO)	↑
Indosolar Ops	Pre-operational	Fully Operational (1.3 GW since July)	↑
Cell Plant Status	Under construction	Pilot runs started (5.4 GW)	↑
US Factory Status	Under construction	95% complete (Jan '25 launch)	↑