Waaree Energies Ltd — Oct 2025 Quarterly Analysis

1. VERDICT & BUSINESS QUALITY SNAPSHOT

Result: Strong Beat (EBITDA/Margins) / Inline (Revenue) **One-line:** Waaree’s integration thesis is delivering "Super-Profits" as the 5.4GW cell plant ramp-up fueled a 155% YoY EBITDA surge, though an aggressive pivot into multiple adjacencies and a temporary cash-flow-to-PAT divergence warrant close monitoring.

Dimension	This Quarter	Signal / Evidence	Sentiment
Beat/Miss vs Guidance / Prior Quarter	Strong Beat	Q2 EBITDA (□1,567 Cr) and 25.2% margins exceeded street expectations; H1 run-rate makes the FY26 EBITDA guidance of □5,500-6,000 Cr highly conservative.	□
Earnings Quality	High (Core driven)	Growth driven by record production (2.64 GW) and backward integration benefits; Other Income (IRA credits) is operational.	□
Guidance Confidence	Strong	Reaffirmed FY26 EBITDA guidance; H1 performance (□2,736 Cr) already covers ~47% of the mid-point target.	□
Management Credibility	Strong	Successfully operationalized US assets (Meyer Burger) and domestic cell plant (5.4GW); delivering on aggressive capacity timelines.	□
Business Quality Signal	Improving	Vertical integration to cells/wafers is creating a 300-400bps margin moat that pure assemblers cannot replicate.	□
Key Q&A Exchange	Q5: US Cell Sourcing	Management confirmed they do *not* use Indian cells for US modules to avoid high tariffs, showing pragmatic global supply chain management.	□
The Street's Primary Anxiety	US Policy/ADD Risk	Fear of US Anti-Dumping (ADD) probe; Mgmt response: "Internal review suggests minimal liability; US footprint is the primary hedge."	□
Capital Cycle Stage	Aggressive Investment	Approved additional □8,175 Cr capex for BESS/Inverters; pivot to "Energy Transition Major" is capital intensive.	□
Margin / Return Ratio Trajectory	Improving	EBITDA margins (25.17%) sustained at peak levels; ROCE remains elite at 41.8%.	□
Pricing Power	Stable	US realizations at 26-30 cents vs India's 16-17 cents; Retail segment (20% of domestic) providing a high-margin floor.	□
FCF Conversion & Quality	Weak (Distorted)	H1 CFO/PAT at 0.35x due to □1,300 Cr inventory buildup (Goods in Transit) for exports; expected to reverse in Q3.	□
Competitive Moat Signals	Widening	Acquisitions in Transformers and Smart Meters increase "Wallet Share" per MW from ~45% to ~85%.	□
Balance Sheet Strength	Strong	Shareholders' Fund at □11,703 Cr; Net Cash position maintained despite aggressive capex.	□
Working Capital Efficiency	Deteriorating	Inventory days spiked due to export phasing; Customer advances of □3,200 Cr act as a buffer.	□
Mgmt Guidance Track Record	Reliable	Consistent delivery on GW-scale commissioning.	□
Key Vulnerability / Red Flag	Capital Allocation	Moving into BESS, Hydrogen, Transformers, and Smart Meters simultaneously may dilute management focus and return ratios.	□
Management Tone	Confident & Expansionary	Aggressive focus on US data centers and domestic PM Surya Ghar opportunities.	□

Key Takeaways (Positives & Negatives): * **Positives:** The 5.4GW cell plant is the structural margin engine; internal consumption of cells provides a massive unit-economic advantage in the DCR (Domestic Content Requirement) segment. US execution is maturing—the Meyer Burger asset acquisition provides immediate HJT (Heterojunction) technology access and 2.6GW of US capacity. The Retail segment now contributes ~20% of domestic revenue, offering better pricing power and immediate cash cycles. * **Negatives:** The **Order Book declined to □47,000 Cr (24 GW)** from the □49,000 Cr reported in Q1, indicating that execution is currently outpacing new order inflows. Cash flow generation was weak in H1 (CFO of □575 Cr vs PAT of □1,651 Cr) due to a surge in "Goods in Transit" for exports, locking up working capital. * **Street Concern:** Analysts are wary of the rapid-fire diversification into non-core areas like Smart Meters and Transformers. Management defends this as a strategy to capture 90% of a project's Bill of Materials (BoM), but the execution risk of integrating three acquisitions in one quarter is high. * **Forward Watchpoint:** Monitor the **CFO reversal in Q3**; if the ₹1,300 Cr "Goods in Transit" inventory does not convert to cash, the working capital thesis will be under pressure.

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2. BUSINESS PERFORMANCE

2A. KEY METRICS

Metric	Current Qtr (Q2FY26)	YoY Change	QoQ Change	Trend	Mgmt Commentary
Revenue consolidated (₹Cr)	6,226.54	↑ 69.9%	↑ 35.4%	↑	Driven by record quarterly production of 2.64 GW and US ramp-up.
EBITDA (₹Cr)	1,567.30	↑ 155.3%	↑ 34.1%	↑	High operational leverage from in-house cell utilization.
EBITDA Margin %	25.17%	↑ 841 bps	↓ 25 bps	→	Sustained high margins due to cell integration and export mix.
PAT (₹Cr)	878.21	↑ 133.8%	↑ 13.6%	↑	PAT growth slightly trailed EBITDA due to higher depreciation/finance costs.
ROCE (%)	41.8%	N/A	↑	↑	Reflects high asset turns on integrated facilities.
ROE (%)	34.8%	N/A	↑	↑	Adjusted for IPO proceeds; remains top-tier for manufacturing.
Cash Flow (OCF - H1) (₹Cr)	574.73	↓ 61.5%	N/A	↓	Low due to ₹1,300 Cr inventory (Goods in Transit) for exports.
Net Debt / Equity (x)	(0.72)	N/A	↑	↑	Net Cash position (Adjusted for IPO proceeds).
Exports (% of Revenue)	47%	N/A	↑	↑	Export mix surged from ~33% in Q1; impacted by US shipments.
Production Volume (GW)	2.64 GW	↑	↑	↑	Record quarterly output; H2 expected to be even better.
Order Book (₹Cr)	47,000	N/A	↓ 4.1%	↓	Down from ₹49,000 Cr in Q1; execution faster than inflows.
Avg Selling Price (India)	~$0.16-0.17	→	→	→	Stable domestic pricing for non-DCR modules.

2B. SEGMENT BREAKDOWN

Segment	Revenue (₹ Cr)	YoY Growth	Margin	Trend	vs Co. Avg	Key Development
Domestic Solar	~3,300 (53%)	↑	Higher	↑	Above	Driven by PM Surya Ghar/Kusum; Retail is 20% of mix.
Export Solar	~2,926 (47%)	↑	Higher	↑	Above	Heavy US shipments; IRA credits adding to other income.
Indosolar (Sub)	Not Stated	N/A	High	↑	Above	75% utilization; serving North India retail market.
Adjacencies	Nascent	N/A	N/A	→	N/A	Acquisitions in Transformers/Smart Meters to add revenue in FY27.

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	Achieved ₹2,736 Cr in H1. Needs ₹1,382 Cr/qtr in H2. Current Q2 was ₹1,567 Cr. **Highly Feasible.**	Reaffirmed	Low
Guidance	Module Capacity	26.7 GW by early 2026	Currently 18.7 GW. Needs 8 GW addition in 2 quarters.	On Track	Moderate
Guidance	Cell Capacity	15.4 GW by FY27	Currently 5.4 GW. 10 GW expansion underway.	Delivered 5.4GW	Moderate
Guidance	Ingot-Wafer	10 GW by FY27	Site under construction at Butibori.	New	High
Strategy	BESS	20 GWh by FY28	Phase 1 (3.5 GWh) by FY27. Approved ₹10,000 Cr total outlay.	New	High
Strategy	Inverters	4 GW per annum	3 GW by FY26; 1 GW by FY27.	On Track	Low
Macro	US ADD Risk	Minimize liability via non-FEOC sourcing.	CBP probe ongoing; early days for outcome.	Untested	Moderate
Balance	Capex	₹25,000 Cr total	~10-15% in FY26, ~50% in FY27, balance in FY28.	Aggressive	High

4. ANALYST Q&A

Q#	Relevance	Analyst / Firm	Theme Cluster	Category	Underlying Concern	Management Response & Investment Implication	Evaded / Not Addressed	Credibility	Verdict
1	4.5	Anupam Goswami, SUD Life	Margins	Financials	"How the realization trend has been, given now we are also moving towards ALCM, how the realization are you seeing right now?"	Management noted that DCR segments (domestic cells) command a 300-350 bps margin premium over non-DCR. This confirms that backward integration is the primary driver for reaching the 25% EBITDA threshold.	Exact realization per watt in INR.	4.0	Directional with evidence
2	5.0	Amit Mahawar, UBS	Cash Flow	Financials	"H1 has seen a significant iteration [in cash]. Is this because of shipments postponed to October or any clarification on the cash flows?"	Management attributed the low CFO to a □1,300 Cr buildup in "Goods in Transit" for exports, which are shipped but not yet recognized as revenue. This creates a "revenue spring" for Q3 but highlights the working capital intensity of the US export business.	None	4.5	Specific timeline given
5	4.5	Bhaskar Chakraborty, Jefferies	US ADD Probe	Management Outlook	"Could you throw any light on this AD/CVD investigation... are you using your own domestic cells for your US modules?"	Management confirmed they do *not* use Indian cells for US exports to avoid tariffs, sourcing instead from "other countries"	Specific source countries of cells.	4.0	Clear and quantified

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						that comply with FEOC rules. This de-risks the US business from the specific probe into Indian-made cells being dumped.			
8	4.0	Ketan Jain, Avendus Spark	US Economics	Business Overview	"How does this compare to a module made in USA... the realizations and cost on an average?"	Management stated US realizations are 26-30 cents/watt with higher profitability than India despite higher production costs. US manufacturing is confirmed as a high-margin, policy-protected venture (45x credits).	Specific unit cost in US.	3.5	Vague but consistent
11	4.5	Naman Jain, Kotak	BESS Strategy	Capex and Allocation	"Will we be setting up assembly plants first and then move on to cell manufacturing?"	Management clarified that Phase 1 (3.5 GWh) includes both pack assembly and cell manufacturing in close succession by FY27. This aggressive vertical integration in BESS mirrors their solar strategy but carries higher technology risk (Lithium vs Sodium).	Tech partner name.	3.0	Vague but consistent

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14	3.5	Deepak Krishnan, Kotak	45x Credits	Financials	"Should I take these ₹162 crores as that discounted value that you will sort of get when you sort of transfer the tax credit?"	Management confirmed they book 90% of the 7-cent IRA credit as Other Income, accounting for the discount when selling credits to third parties. This establishes a high-quality recurring stream of "non-operating" income linked directly to US production.	None	5.0	Specific and verified

PATTERN FLAGS & SENTIMENT

- **The "Goods in Transit" Gap:** The primary friction point in the call was the divergence between record production (2.64 GW) and cash flow. Analysts were skeptical of the ₹1,300 Cr inventory buildup. Management's response was firm: this is a phasing issue due to the long shipping cycles for US exports. If Q3 revenue does not show a corresponding "catch-up" spike, management credibility on working capital management will be at risk.
- **Diversification vs. Focus:** Multiple questions focused on BESS, Hydrogen, and the acquisitions of Kotsons (Transformers) and Racemosa (Smart Meters). Analysts are concerned about "di-worsification." Management positioned this as "capturing the Bill of Materials," effectively moving from selling a component (module) to selling a system. This strategy targets an increase in wallet share from 45% to 85% per project but remains the largest execution risk.
- **Analyst Sentiment Verdict:** Convincing but cautious. Analysts praised the 25% margin print and the FY26 guidance reaffirmed, but the tone shifted to skepticism regarding the ₹25,000 Cr capex plan and the H1 cash flow miss. Management's transparency on US sourcing (avoiding Indian cells for US modules) improved credibility by showing they are ahead of US regulatory traps.

GUIDANCE GAPS REVEALED IN Q&A

Topic	What Mgmt Claimed (Q1 FY26)	What Q&A Revealed (Q2 FY26)	Gap / Walk-back	Risk to Thesis
Order Book	₹49,000 Cr	₹47,000 Cr	**₹2,000 Cr (4%) decline**	Minimal; still represents ~3 years of revenue.
BESS Outlay	₹2,250 Cr +	₹10,000 Cr total	**Massive expansion in scope**	High; Capex risk and tech obsolescence.
Cell Utilization	"Ramping up"	~11% (0.6 GW vs 5.4 GW capacity)	**Slower than expected ramp**	Low; Mgmt expects 85% by Q3.

5. WHAT CHANGED vs PRIOR QUARTER

What Changed	Prior Quarter (Q1 FY26)	This Quarter (Q2 FY26)	Direction
Order Book	□49,000 Cr	□47,000 Cr	↓ Deteriorating
Module Capacity	14.9 GW	18.7 GW	↑ Improving
Export Revenue Mix	33%	47%	↑ Improving
Capex Outlook	□15,000 Cr plan	□25,000 Cr total (Incl. BESS/Adjacencies)	□Risk Addition
H1 CFO/PAT Ratio	1.6x (Historical)	0.35x (Current H1)	↓ Deteriorating
US Strategy	1.6 GW capacity	2.6 GW (Meyer Burger assets acquired)	↑ Improving
Portfolio Scope	Modules/Cells	Modules/Cells/Transformers/Smart Meters	□Neutral (Complex)
IRA Tax Credits	Not clearly quantified	□162 Cr recognized (90% of 7c/watt)	↑ Improving