

Waaree Energies Ltd

Analyst Recommendation: BUY

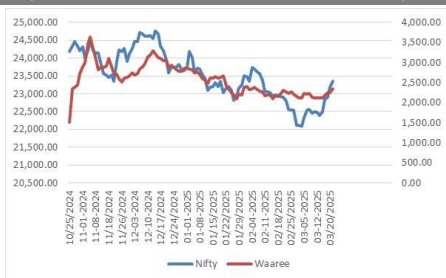
BSE Code: 544277

NSE: WAAREENER

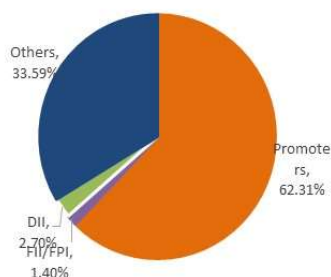
CMP: Rs 2353
2 Year Target - Rs 2805

Face Value	10.0
Market Cap (Rs Cr)	67,595
52 week high/low	3,743/2,026
Dividend Yield	0.00
Shares O/S (Cr)	28.7
Book Value per Share (Rs)	169
Nifty	23,350

1 yr. Price Chart of Stock and Nifty



Shareholding pattern as on Dec 2024



Investor's Rationale

- **Backward integration to fuel 54% CAGR in EBITDA over FY24–27E**
We expect Waaree's FY24–27E revenue/EBITDA to gallop at a 30%/54% CAGR driven by a 25%/8x/6GW surge in module/cells/new wafer capacity. Moreover, given premium realisation pump-primed by government support—ALMM, DCR mandates for module/cells—we reckon Waaree's EBITDA margin shall surge to 23% by FY27E (closest peer Premier Energies clocked 30% in Q3FY25). That said, we expect margins to peak at 24% by FY28E as competition rises for modules and import tariffs fall.
- **All-round strategy to de-risk and sustain growth at modest margins**
Waaree is prudently executing a long-term strategy of becoming a horizontally and vertically integrated New Energy play. It is foraying into production of green hydrogen (G H2), electrolyzers, advanced li-ion cells, inverters and BESS. The strategy of scaling up operations by entering new-age areas shall tie up multi-decadal growth and enable it to achieve the targeted 20% sustainable EBITDA margin.
- **Y2K-like early-stage, multi-decadal opportunity**
We like Indian New Energy's currently early life-cycle stage of potentially exponential and multi-decadal growth opportunity to the Y2K-like technology (IT) opportunity of the 1990s. We feel India's solar sector is on the cusp of a mammoth J-curve breakout, which shall usher in an even larger G H2 prospect, and eventually pave the way for India to emerge a global behemoth in green ammonia (G NH3).

Valuation

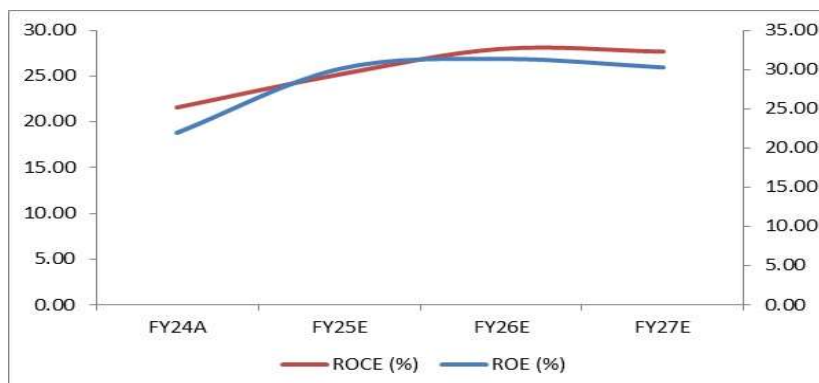
We value the stock at 11x FY27E EV/EBITDA arriving at TP of Rs 2805

(Rs Million)	FY24A	FY25E	FY26E	FY27E
Revenue	1,13,976.0	1,39,002.0	1,94,190.0	2,52,299.0
EBITDA	15,744.0	25,837.0	41,231.0	57,627.0
Adj. profit	8,958.0	17,706.0	26,948.0	37,321.0
Adj. EPS (Rs.)	31.2	61.6	93.8	129.9
P/E (x)	71.8	36.3	23.9	17.2
ROE (%)	21.90	30.10	31.40	30.30
ROCE (%)	21.60	25.20	28.00	27.70

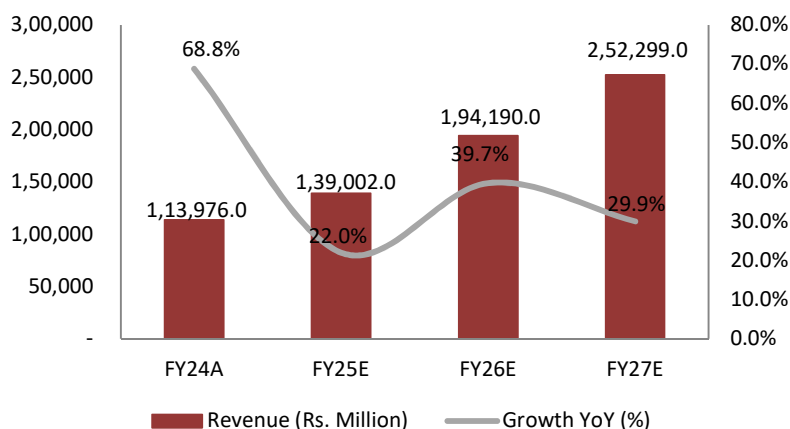
Investment Rationale

- We estimate Waaree's EBITDA would surge at a 54% CAGR over FY24–27E, increasing from INR16bn to INR58bn driven by a robust 30% CAGR in revenue. Our growth estimates are based on the company's strong order book of 26.5GW at the end of 9MFY25 valued at INR500bn.
- Waaree's EPC arm, Waaree Renewables Technologies (WRTL), is also growing rapidly, and we expect strong 49% CAGR growth in its EPC business over FY24–27E based on its strong order book of 3.4GW at end-9MFY25.
- Waaree plans to backward-integrate its module capacity by commissioning a 5.4GW solar cell facility in Gujarat by early-Q1FY26E and 6GW of wafer, cell and module integrated facility in Odisha by FY27E. We believe backward integration into solar cells shall be margin-accretive as the share of DCR-compliant modules is set to rise, yielding higher realisation (USD0.25/w versus ALMM-compliant module at USD0.17/w).
- DCR-compliant modules must use domestically manufactured solar cells. That said, given India's current solar cell capacity of ~8GW (end-FY24) eclipsed by demand for solar cells of >35GW annually, a gaping demand-supply gap exists.
- This demand-supply gap is likely to keep solar cell prices in the domestic market elevated as we estimate solar cell supply shall not outpace demand at least until FY28E; as new capacities come up, FY29E shall mark a crossover in demand-supply.
- While government policies stoked demand for solar modules, the combination of ALMM and the DCR mandate and lack of domestic capacity has fuelled realisation and profitability of solar modules and cells manufactured domestically.
- Eying superior returns of domestically manufactured modules and cells, many entities announced solar module and cell capacities. As per the capacities announced so far, we estimate solar module installed capacity would rise to 123GW while solar cell capacity is likely to burgeon to 55GW by FY27E, from 63GW and 8GW in FY24 respectively.
- Despite higher capex of ~INR123bn over FY25–27E, Waaree's operating cash flows remain strong, which shall largely take care of its higher capex spends for capacity expansion and backward integration into cells and wafers over FY25–27E. Free cash flow turns positive from FY28E given stronger operating cash flow generation.
- We believe the Indian solar PV industry is in the early growth stage of the industry life cycle, characterised by a sustained increase in market size and rising competition as many new entrants jump in vying for a slice of the growing pie.
- Companies in the growth stage are likely to experience significant growth in revenue and profits as new capacities are announced and utilisation levels of current facilities increase

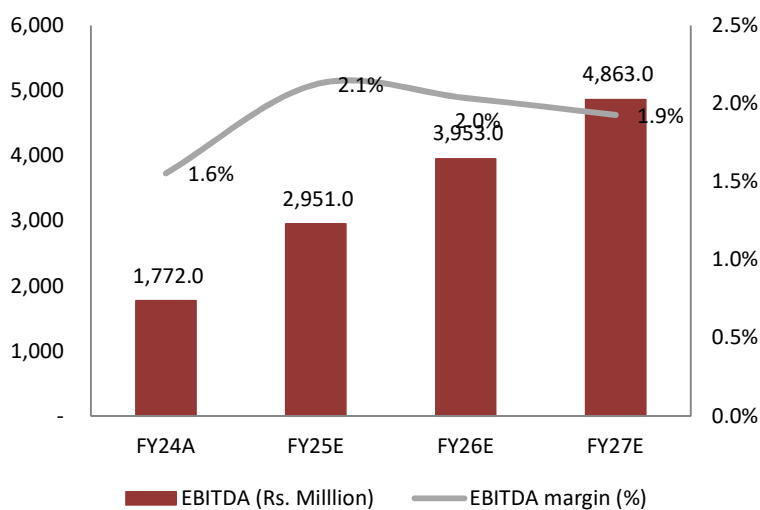
Return ratios



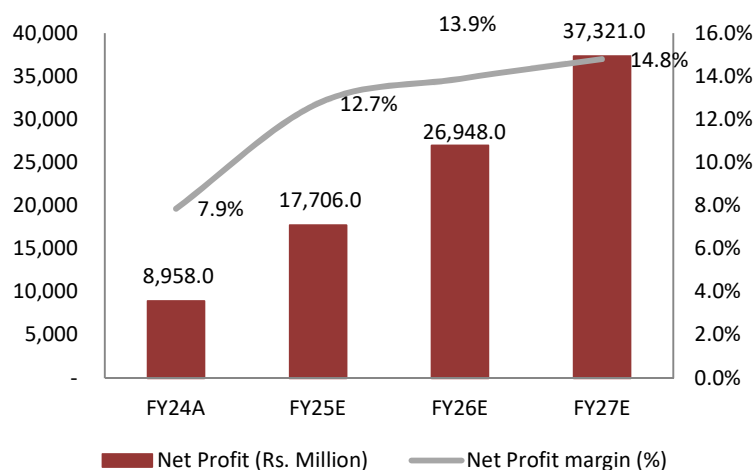
Revenue growth will be strong



EBITDA will maintain strong growth



Net profit will maintain strong growth



Outlook and Valuation

We believe the Indian solar PV industry is in the early growth stage of the industry life cycle, characterised by a sustained increase in market size and rising competition as many new entrants jump in vying for a slice of the growing pie. Companies in the growth stage are likely to experience significant growth in revenue and profits as new capacities are announced and utilisation levels of current facilities increase. We value the stock at 11x FY27E EV/EBITDA arriving at TP of Rs 2805

Waaree Energies - Company Overview

Waaree Energies is India's largest manufacturer and exporter of solar modules. As of FY24, they hold 21% share of the domestic market for solar modules and 44% share in India's solar module exports. Its installed capacity surged from 2GW in FY21 to 13.3GW by FY24.

Product Portfolio

The solar PV modules are manufactured using multicrystalline, monocrystalline, and advanced technologies like Tunnel Oxide Passivated Contact (TOPCon), which minimizes energy loss and boosts efficiency.

Its product range includes multicrystalline modules, monocrystalline modules, TOPCon modules, flexible modules, bifacial (Mono PERC) modules, and building integrated photovoltaic (BIPV) modules.

Manufacturing Facilities

Waaree Renewables operates 5 manufacturing facilities in India. These are located in Gujarat (Surat, Tumb, Nandigram, and Chikhli) and Uttar Pradesh (Indosolar Facility, Noida). With a total installed capacity of 12 GW as of June 2024, the company is expanding its facilities to reach 20.9 GW by 2027, including backward integration into solar cell, ingot, and wafer production.

Balance sheet (Consolidated)

Year to March	FY24A	FY25E	FY26E	FY27E
Share capital	2630	2873	2873	2873
Reserves	38249	55955	82903	120224
Shareholders funds	40878	58828	85776	123096
Minority interest	607	607	607	607
Borrowings	3173	7673	7474	7303
Trade payables	20138	21972	30038	38581
Other liabs & prov	31946	32320	32698	33082
Total liabilities	113137	137993	173389	219670
Net block	14364	30823	48594	62767
Intangible assets	68	68	68	68
Capital WIP	13413	29686	49369	68640
Total fixed assets	27844	60577	98031	131474
Non current inv	3	3	3	3
Cash/cash equivalent	37792	25868	9441	7461
Sundry debtors	9714	11847	16550	21503
Loans & advances	1015	1035	1056	1077
Other assets	31610	33371	42878	52581
Total assets	113137	137993	173389	219670

Profit & Loss Account (Consolidated)

Rs In Million	FY24A	FY25E	FY26E	FY27E
Total operating income	113976	139002	194190	252299
Gross profit	26378	43427	63528	84479
Employee costs	1772	2951	3953	4863
Other expenses	8862	14638	18343	21989
EBITDA	15744	25837	41231	57627
Depreciation	2768	3459	6315	9410
Less: Interest expense	1399	1627	1893	1478
Add: Other income	2352	3527	3880	4268
Profit before tax	13929	24279	36903	51007
Prov for tax	4598	6111	9289	12839
Less: Other adj	3413	0	0	0
Reported profit	12372	17706	26948	37321
Less: Excp.item (net)	-3413	0	0	0
Adjusted profit	8958	17706	26948	37321
Diluted shares o/s	287	287	287	287
Adjusted diluted EPS	31.2	61.6	93.8	129.9

Cash Flow (Consolidated)

Rs In Million	FY24A	FY25E	FY26E	FY27E
Reported profit	8958	17706	26948	37321
Add: Depreciation	2768	3459	6315	9410
Interest (net of tax)	1240	0	0	0
Others	-865	0	0	0
Less: Changes in WC	5916	-1617	-5692	-5651
Operating cash flow	23050	20010	28238	41928
Less: Capex	-13374	-36191	-43770	-42852
Free cash flow	9677	-16181	-15532	-925

Key Ratios & Valuations (Consolidated)

Year to March	FY24A	FY25E	FY26E	FY27E
Diluted P/E (x)	71.8	36.3	23.9	17.2
Price/BV (x)	15.7	10.9	7.5	5.2
EV/EBITDA (x)	37.8	23.7	15.2	10.9
RoE (%)	21.9	30.1	31.4	30.3
RoCE (%)	21.6	25.2	28	27.7
Inventory days	108	105	103	101
EPS growth (%)	78	97.7	52.2	38.5
Interest coverage (x)	9.3	13.8	18.4	32.6
EBITDA growth (%)	88.6	64.1	59.6	39.8

Large Cap.	Return	Mid/Small Cap.	Return
Buy	More than equal to 10%	Buy	More than equal to 15%
Hold	Between 10% & -5%	Accumulate*	Upside between 10% & 15%
Reduce	Less than -5%	Hold	Between 0% & 10%
		Reduce/sell	Less than 0%

* To satisfy regulatory requirements, we attribute 'Accumulate' as Buy and 'Reduce' as Sell.



Member: BSE, NSE, MCX, MCX-SX, CDSL

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