

# Sterling & Wilson Renewable Energy Ltd — Rating update 27 Apr Credit Rating Summary

Section	Details
Agency	Infomerics Valuation and Rating Ltd.
Rating Change	IVR BBB+ / IVR A2 (Reaffirmed; 0 notches moved)
Outlook (Current vs Previous)	<b>Negative</b> (Current) vs <b>Stable</b> (Previous - changed in late 2025)
Key Drivers of Change	<ol style="list-style-type: none"> <li><b>Net Worth Erosion:</b> Exceptional loss of ₹580.10 Cr (mostly non-cash legacy matters) slashed TNW from ₹966.02 Cr to ₹415.92 Cr.</li> <li><b>Leverage Spike:</b> Total debt rose to ₹1,194.30 Cr (1H FY26) from ₹901.47 Cr (FY25) to fund working capital for higher execution.</li> <li><b>Margin Compression:</b> EBITDA margins dropped to 2.55% (1H FY26) from 3.92% (FY25) due to a higher mix of low-margin module-intensive EPC work.</li> <li><b>Revenue Surge:</b> 108% YoY growth to ₹6,301.86 Cr in FY25, validating market share but straining capital.</li> </ol>
Rated Instruments	<p>Total: <b>₹6,465.21 Cr</b></p> <ul style="list-style-type: none"> <li><b>Bank Guarantees:</b> ₹2,434 Cr (BBB+/Negative)</li> <li><b>Term Loans:</b> ₹1,153 Cr (Multiple tranches, BBB+/Negative)</li> <li><b>Fund/Non-Fund Based Limits:</b> ₹53.00 Cr (BBB+/Negative; A2)</li> </ul>
Key Observations	<p><b>Positives:</b></p> <ul style="list-style-type: none"> <li><b>Parentage:</b> Reliance New Energy Ltd (RNEL) holds 32.50% stake.</li> <li><b>Order Book:</b> Robust at ₹9,286.59 Cr (1.47x FY25 revenue) with blue-chip clients (NTPC, Adani, JSW).</li> </ul> <p><b>Indemnity Protection:</b> Promoters (SP Group/Daruvala) reimburse legacy claims; ₹174.54 Cr received in Sept 2025.</p> <p><b>Risks:</b></p> <ul style="list-style-type: none"> <li><b>Liquidity Strain:</b> Significant repayments due: ₹615 Cr in FY27 and ₹377.64 Cr in FY28.</li> <li><b>Working Capital:</b> High execution levels are consuming cash rapidly.</li> <li><b>Off-Balance Sheet:</b> ₹863 Cr contingent liabilities (though ₹845 Cr is indemnified).</li> </ul>
Investor Impact	<p><b>Growth vs. Quality:</b> Hyper-growth in revenue is currently offset by "legacy cleaning" losses.</p> <p><b>Margins:</b> Transition to module-heavy projects keeps margins thin (&lt;3%), limiting PAT flow-through.</p> <p><b>Leverage:</b> Gearing jumped to 2.87x; further debt for execution could trigger a downgrade.</p> <p><b>Dilution Risk:</b> Low net worth vs. high debt suggests a potential need for equity infusion if indemnity inflows lag.</p>
Agency / Cross Analysis	<p><b>Same Agency:</b> Reaffirmed the rating but sustained the <b>Negative Outlook</b>.</p> <p><b>What Changed:</b> Since the last review, debt has increased faster than anticipated and the ₹580 Cr exceptional loss has severely weakened the balance sheet.</p> <p><b>Conclusion: Deterioration in Credit Profile.</b> While the business is scaling, the financial health has weakened, making the company heavily reliant on timely indemnity payments and parentage support.</p>
Final Inference	<b>Real improvement in Top-line vs. High Risk in Balance Sheet.</b> The business is winning massive orders under Reliance's halo, but legacy "toxic" assets are still causing deep PAT wounds. High FY27 repayments make this a "watch-closely" credit.