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)	**Negative** (Current) vs **Stable** (Previous - changed in late 2025)
Key Drivers of Change	1. **Net Worth Erosion:** Exceptional loss of □580.10 Cr (mostly non-cash legacy matters) slashed TNW from □966.02 Cr to □415.92 Cr. 2. **Leverage Spike:** Total debt rose to □1,194.30 Cr (1H FY26) from □901.47 Cr (FY25) to fund working capital for higher execution. 3. **Margin Compression:** EBITDA margins dropped to 2.55% (1H FY26) from 3.92% (FY25) due to a higher mix of low-margin module-intensive EPC work. 4. **Revenue Surge:** 108% YoY growth to □6,301.86 Cr in FY25, validating market share but straining capital.
Rated Instruments	Total: □**6,465.21 Cr** • **Bank Guarantees:** □2,434 Cr (BBB+/Negative) • **Term Loans:** □1,153 Cr (Multiple tranches, BBB+/Negative) • **Fund/Non-Fund Based Limits:** □53.00 Cr (BBB+/Negative; A2)
Key Observations	**Positives:** • **Parentage:** Reliance New Energy Ltd (RNEL) holds 32.50% stake. • **Order Book:** Robust at □9,286.59 Cr (1.47x FY25 revenue) with blue-chip clients (NTPC, Adani, JSW). • **Indemnity Protection:** Promoters (SP Group/Daruvala) reimburse legacy claims; □174.54 Cr received in Sept 2025. **Risks:** • **Liquidity Strain:** Significant repayments due: □615 Cr in FY27 and □377.64 Cr in FY28. • **Working Capital:** High execution levels are consuming cash rapidly. • **Off-Balance Sheet:** □863 Cr contingent liabilities (though □845 Cr is indemnified).
Investor Impact	**Growth vs. Quality:** Hyper-growth in revenue is currently offset by "legacy cleaning" losses. **Margins:** Transition to module-heavy projects keeps margins thin (<3%), limiting PAT flow-through. **Leverage:** Gearing jumped to 2.87x; further debt for execution could trigger a downgrade. **Dilution Risk:** Low net worth vs. high debt suggests a potential need for equity infusion if indemnity inflows lag.
Agency / Cross Analysis	**Same Agency:** Reaffirmed the rating but sustained the **Negative Outlook**. **What Changed:** Since the last review, debt has increased faster than anticipated and the □580 Cr exceptional loss has severely weakened the balance sheet. **Conclusion: Deterioration in Credit Profile.** While the business is scaling, the financial health has weakened, making the company heavily reliant on timely indemnity payments and parentage support.
Final Inference	**Real improvement in Top-line vs. High Risk in Balance Sheet.** 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.