

# Sterling & Wilson Renewable Energy Ltd — Rating update 18 Dec 2025 Credit Rating Summary

Section	Details
<b>Agency</b>	Infomerics Valuation and Rating Ltd.
<b>Rating Change</b>	<b>Reaffirmed at BBB+</b> (Outlook revised from <b>Stable</b> → <b>Negative</b> )
<b>Outlook (Current vs Previous)</b>	<b>Negative</b> (Current) vs <b>Stable</b> (Previous)
<b>Key Drivers of Change</b>	<ol style="list-style-type: none"> <li><b>Net Worth Erosion:</b> Adjusted Tangible Net Worth fell to ₹415.92 Cr (from ₹966.02 Cr in Mar-25) due to a ₹580.10 Cr exceptional loss.</li> <li><b>Leverage Spike:</b> Total debt increased to ₹1,194.30 Cr (from ₹901.47 Cr); Gearing worsened to 2.87x (from 0.93x).</li> <li><b>Margin Compression:</b> EBITDA margins moderated to 2.55% in 1HFY26 (vs 3.92% in FY25) due to a high mix of low-margin module-intensive EPC work.</li> <li><b>Indemnity Delay:</b> Delay in receiving ₹143.12 Cr from Shapoorji Pallonji (SP) Group (pushed from Dec-25 to Jan-26), straining liquidity.</li> </ol>
<b>Rated Instruments</b>	<ol style="list-style-type: none"> <li><b>LT Bank Facilities (Enhanced):</b> ₹5,675.99 Cr (IVR BBB+/Negative)</li> <li><b>ST Bank Facilities:</b> ₹175.00 Cr (IVR A2)</li> <li><b>LT/ST Bank Facilities:</b> ₹53.00 Cr (IVR BBB+/Negative/IVR A2)</li> </ol>
<b>Key Observations</b>	<ol style="list-style-type: none"> <li><b>Strong Revenue Growth:</b> FY25 revenue up 108% YoY to ₹6,301.86 Cr; 1HFY26 revenue at ₹3,510.23 Cr.</li> <li><b>Robust Order Book:</b> ₹9,286.59 Cr (1.47x FY25 revenue) provides high revenue visibility.</li> <li><b>Reliance Backing:</b> 32.50% held by Reliance New Energy Ltd (RNEL), providing strategic/management credibility.</li> <li><b>Indemnity Protection:</b> ₹845 Cr of ₹863 Cr contingent liabilities are covered by SP Group indemnity.</li> <li><b>Stretched Liquidity:</b> Tightly matched cash flows for ₹615 Cr debt repayment in FY27.</li> <li><b>Execution Risks:</b> Profitability is sensitive to solar module price volatility and project timelines.</li> </ol>
<b>Investor Impact</b>	<b>Margins vs. Growth:</b> Rapid revenue growth is being overshadowed by lower margins (2.55%) and legacy losses. <b>Dilution Risk:</b> Sharp drop in Net Worth and high gearing (2.87x) may necessitate equity infusion if indemnity receipts are further delayed. <b>Leverage:</b> Gearing is dangerously close to the 3.0x downward rating sensitivity trigger.
<b>Agency / Cross Analysis</b>	<b>Same Agency (Infomerics):</b> Reaffirmed the rating but signaled a "Negative" bias within 6 months of the previous review (June 2025). This reflects a pivot from optimism regarding the Reliance turnaround to concern over "legacy baggage" (₹580 Cr loss) and working capital intensity. <b>Conclusion:</b> Deterioration in credit profile despite strong top-line execution.
<b>Final Inference</b>	<b>Risk Signal:</b> The negative outlook confirms that the "turnaround" is struggling with legacy costs. While the Reliance parentage provides a floor, the immediate focus is on liquidity for FY27 repayments and the recovery of ₹143 Cr in indemnity dues.