

Sterling & Wilson Renewable Energy Ltd — Rating update 17 Dec 2025 Credit Rating Summary

Section	Details
Agency	Infomerics Valuation and Rating Ltd
Rating Change	Long-term: IVR BBB+ (Reaffirmed) • Short-term: IVR A2 → IVR A3+ (Downgraded) • Outlook revised to Negative
Outlook (Current vs Previous)	Negative (Current) vs Stable (Previous)
Key Drivers of Change	<ol style="list-style-type: none"> Net Worth Erosion: Exceptional loss of ₹580.10 Cr in 1HFY26 (non-cash ~₹460 Cr) reduced Net Worth to ₹415.92 Cr. Margin Compression: EBITDA margins fell to 2.55% (1HFY26) from 3.92% (FY25) due to lower-margin module-intensive projects. Surging Leverage: Overall gearing spiked to 2.87x (Sep-25) from 0.93x (Mar-25) driven by ₹1,194.30 Cr debt for working capital. Indemnity Delays: Delayed receipt of ₹143.12 Cr from Shapoorji Pallonji (expected Sept-25, now Jan-26) tightening liquidity.
Rated Instruments	<p>Total: ₹5,903.99 Cr</p> <ul style="list-style-type: none"> • Term Loans: ₹1,191.78 Cr (BBB+/Negative) • Bank Guarantees: ₹4,292.21 Cr (BBB+/Negative) • Letter of Credit: ₹175.00 Cr (A3+) • Fund/Non-Fund Based: ₹53.00 Cr (BBB+/Negative/A3+)
Key Observations	<p>Positives: Robust order book of ₹9,286.59 Cr (1.47x FY25 revenue); Strong parentage (Reliance New Energy - 32.5%); Large wins from Adani Green (₹1,381 Cr) and NTPC.</p> <p>Risks: Stretched liquidity with ₹139 Cr repayments due in 2HFY26 and ₹615 Cr in FY27; High off-balance sheet exposure (₹863 Cr contingent liabilities); Volatile module pricing impacting fixed-price EPC contracts.</p>
Investor Impact	<p>Dilution/Capital Risk: Massive net worth erosion and high gearing (near 3x trigger) suggest high risk of equity dilution or need for promoter infusion.</p> <p>Margin Quality: Shift to domestic "Balance of Supply" projects is intended to stabilize margins but 1HFY26 results show execution remains high-cost.</p> <p>Growth vs. Liquidity: Strong revenue growth (108% YoY) is consuming cash faster than the balance sheet can currently support.</p>
Agency / Cross Analysis	<p>Same Agency (Infomerics): Drastic shift in stance since June 2025 review. While revenue scale-up met expectations, the agency is now penalizing the "Negative" outlook due to the failure of the SP Group indemnity to arrive on time and the massive 1HFY26 net loss which was not factored into previous "Stable" ratings.</p> <p>Conclusion: Deterioration. The short-term downgrade to A3+ signals immediate concerns regarding liquidity and the ability to meet upcoming large debt repayments in FY27.</p>
Final Inference	Operational recovery is being eclipsed by legacy financial bleeding. While the order book is world-class, the equity is at risk due to a weakened balance sheet and a "Stretched" liquidity profile that depends entirely on timely cash inflows from promoters/indemnity.