Sterling & Wilson Renewable Energy Ltd — Rating update 12 Jun 2025 Credit Rating Summary

Section	Details
Agency	Infomerics Valuation and Rating Ltd
Rating Change	**Reaffirmed / Assigned** at IVR BBB+ / IVR A2 (No notches moved)
Outlook (Current vs Previous)	**Stable vs Stable**
Key Drivers of Change	1. **Revenue Surge:** 108% YoY growth to □6,301.86 Cr in FY25, signaling high execution momentum. 2. **Profitability Turnaround:** EBITDA turned positive at □246.73 Cr (3.92% margin) vs. negative □22.57 Cr in FY24. 3. **Order Book Strength:** □9,096 Cr (1.44x FY25 revenue) with high-quality domestic counterparties (NTPC, JSW, Reliance). 4. **De-risking via Indemnity:** Reliance/Promoter agreement protects against legacy claims; received □108.97 Cr in FY25.
Rated Instruments	• **Term Loans:** □1,008.90 Cr (BBB+/Stable) • **Bank Guarantee (BG):** □3,682.21 Cr (BBB+/Stable) • **Cash Credit/WCDL:** □152.00 Cr (BBB+/Stable) • **Letter of Credit (LC):** □175.00 Cr (A2) • **Total Rated:** □4,943.86 Cr
Key Observations	**(+)** Strategic shift to domestic market reducing international execution risk. **(+)** Strong parentage (Reliance Industries) provides credit enhancement and business synergy. **(+)** Liquidity supported by □1,500 Cr QIP (FY24) and projected cash accruals of >□500 Cr/year. **(+)** Interest coverage improved significantly to 2.25x (from negative 0.10x). **(-)** High Contingent Liabilities of □1,054.89 Cr (mostly covered by indemnity but remains a monitorable). **(-)** Significant subsidiary exposure: □1,521.41 Cr lent to loss-making units; recovery is uncertain. **(-)** EPC margins remain thin (3.9%) and sensitive to RM price volatility.
Investor Impact	**Growth:** Strong 2-year CAGR expected given order book. **Margins:** Transitioning from "survival" to "stability"; PAT positive (□85.55 Cr) after losses. **Leverage:** Gearing increased to 0.93x (from 0.54x) due to new □700 Cr working capital debt. **Dilution:** Low immediate risk following the massive FY24 QIP.
Agency / Cross Analysis	**Same Agency:** Infomerics maintained the rating despite a 108% jump in revenue and positive EBITDA. This suggests the agency is waiting for "sustained" profitability and the resolution of the □1,054 Cr contingent liabilities before an upgrade. **Financial Alignment:** Rating reflects "Moderate" capital structure despite being a Reliance group co, likely due to the historical baggage and "Emphasis of Matter" by auditors regarding subsidiary loans. **Conclusion: Improvement.** The operational engine is fixed, but the balance sheet is still cleaning up legacy "non-core" issues.
Final Inference	**Real Operational Turnaround.** The rating "Reaffirmation" (rather than upgrade) signals that while execution is back on track, the high exposure to loss-making subsidiaries (□1,521 Cr) and contingent liabilities act as a ceiling on the credit profile. Equity upside depends on margin expansion beyond 4%.