

# Sterling & Wilson Renewable Energy Ltd — Rating update 4 Jun 2025 Credit Rating Summary

Section	Details
Agency	Infomerics
Rating Change	IVR BBB+ / Stable (Assigned)
Outlook (Current vs Previous)	Stable (New Assignment)
Key Drivers of Change	<ol style="list-style-type: none"> <li><b>Revenue Surge:</b> 108% YoY growth (₹6,301.86 Cr vs ₹3,035.37 Cr) driven by robust order execution.</li> <li><b>Operational Turnaround:</b> EBITDA turned positive at ₹246.73 Cr (3.92% margin) vs negative ₹22.57 Cr in FY24.</li> <li><b>Strategic Parentage:</b> Reliance New Energy Ltd (RNEL) holds 32.50%; provides strong credit backing and operational linkages.</li> <li><b>Indemnity Protection:</b> Promoters (SP Group/Daruvala) have reimbursed ₹617.24 Cr over 3 years to cover legacy liabilities, ringfencing the balance sheet.</li> </ol>
Rated Instruments	Long Term Bank Facilities (Term Loan): ₹200.00 Cr
Key Observations	<ul style="list-style-type: none"> <li><b>Strong Order Visibility:</b> Order book at ₹9,096 Cr (1.44x FY25 revenue) with ₹7,051 Cr new inflows in FY25.</li> <li><b>Client Profile:</b> Pivot to domestic market with reputed PSU/Private names (NTPC, JSW, Brookfield).</li> <li><b>Leverage Spike:</b> Total Debt increased to ₹901.47 Cr (FY25) from ₹476.55 Cr (FY24) to fund working capital.</li> <li><b>Contingent Liability Overhang:</b> Significant exposure of ₹1,054.89 Cr, though largely covered by indemnity.</li> <li><b>Subsidiary Risk:</b> ₹1,521.41 Cr extended to loss-making subsidiaries; recovery is a "key monitorable."</li> <li><b>Execution Risk:</b> Margin vulnerability to input price volatility and project timelines in the competitive EPC space.</li> </ul>
Investor Impact	<ul style="list-style-type: none"> <li><b>Growth:</b> Strong revenue momentum and positive PAT (₹85.55 Cr) signal a successful turnaround.</li> <li><b>Margins:</b> Slim 3.92% EBITDA margin leaves little room for error; focus is on "balance of supply" orders to protect margins.</li> <li><b>Leverage:</b> Gearing rose from 0.54x to 0.93x; while "moderate," further debt-funded growth could strain ratios.</li> <li><b>Dilution Risk:</b> Low in the near term following the ₹1,500 Cr QIP in FY24, provided cash accruals meet repayment needs.</li> </ul>
Agency / Cross Analysis	<p><b>New Agency Assignment:</b> Infomerics has established a baseline rating of BBB+.</p> <ul style="list-style-type: none"> <li><b>Drivers:</b> High weightage given to Reliance Group linkage and the "absence of legacy projects" impacting new P&amp;L.</li> <li><b>Financial Alignment:</b> Rating reflects "Adequate" liquidity with free cash of ₹380.96 Cr and projected cash accruals of ₹567–762 Cr (FY26-28) to cover repayments.</li> <li><b>Conclusion: Improvement.</b> The shift from negative EBITDA/PAT to profitability justifies the investment-grade rating.</li> </ul>
Final Inference	<b>Real Recovery Signal.</b> The turnaround is backed by Reliance's entry and a massive domestic order book. However, the equity thesis depends on <b>subsidiary loan recovery</b> and <b>margin expansion</b> beyond the current ~4% level.