Sterling & Wilson Renewable Energy Ltd — FY 2025 Annual Report Analysis

Annual Report Analysis (Consolidated)

Investor Snapshot

#	Analytical point	Sentiment
1	**SWREL functions as a high-beta EPC vehicle for India's renewable transition, anchored by a 32.5% strategic stake from Reliance New Energy which provides essential bankability.**	—
2	**Revenue execution demonstrated massive scalability, growing 107.6% YoY to □6,302 Cr, supported by the company's pivot into Hybrid, Wind EPC, and BESS segments.**	—
3	**Operating margins achieved a turnaround to 4% (□264 Cr EBITDA), though the core EPC model remains commoditized with inherently low pricing power.**	—
4	**Reported PAT reached □81 Cr, recovering from a □212 Cr loss, despite an abnormally high 47% effective tax rate due to non-recognition of deferred tax assets.**	—
5	***Total debt stands at 936 Cr (0.93x D/E) with a concerning reliance on high-cost borrowing at interest rates reaching 14.0%.***	—
6	***Cash flow from operations (CFO) of 38 Cr significantly lags PAT, indicating a "paper-profit" turnaround with poor cash conversion.***	—
7	The business maintains an ultra-asset-light profile with a shrinking Gross Block of □114 Cr, making the 17% ROCE a function of a low asset base rather than high capital efficiency.	—
8	***Earnings quality is pressured by a liquidity trap, with 1,328 Cr in unbilled revenue (21% of sales) and 670 Cr locked in retention money.***	—
9	**Governance remains robust with a 4/5 rating, supported by zero promoter pledges, a 50% independent board, and clean audit opinions.**	—
10	***Contingent liabilities from arbitration claims exploded to 2,049 Cr, exceeding 200% of Net Worth and posing a material threat to the balance sheet.***	—
11	***While the current order book is a record 10,100 Cr, a 68% YoY drop in long-term unsatisfied performance obligations suggests a potential revenue cliff in FY27.***	—
12	Stance is Watch; key monitorables include the CFO/PAT ratio exceeding 0.8x and the reduction of unbilled revenue plus retention money to below 20% of sales.	—

1. Business overview (In Bullet Points)

- **Business Segments:** Sterling & Wilson Renewable Energy Ltd (SWREL) operates as a global end-to-end solar EPC (Engineering, Procurement, and Construction) and O&M (Operation and Maintenance) solutions provider.
- **Revenue Drivers:** Primary revenue is derived from Income from Works Contracts (EPC), which constitutes 96.23% of total turnover. O&M services contribute approximately 3.75%.
- **Cost Drivers:** Major costs include Construction Materials (□4,560.91 Cr) and Sub-contractor Expenses (□722.46 Cr), reflecting an asset-light, outsourced execution model.
- **Industry Position:** SWREL is a leading global player in the solar EPC space, now leveraging the "Reliance Halo" to restore bankability and secure large-scale domestic projects.

- **Expansion Plans:** The company is pivoting from a pure-play solar EPC to a "Hybrid" RE player, expanding into **Wind EPC** (69 MW project in Rajasthan) and BESS (Battery Energy Storage Systems) with 2 x 250 MW AC standalone projects.
- **Acquisitions & Capacity:** No major physical capacity additions; the company maintains an asset-light persistence, focusing on project management rather than manufacturing.
- **Segment Performance:** Domestic operations now dominate the order book (84.5%), while international operations are strategically narrowed to margin-accretive regions (MENA, Europe, Africa) using "BoS-only" (Balance of System) contracts.
- **Geographical Presence:** Significant presence in India, with a strategic retreat from volatile international markets to shield against currency and commodity fluctuations.

2. Management commentary & outlook

- Management characterizes FY 2025 as a transition from "distressed turnaround" to "execution-heavy growth," supported by a record unexecuted order value (UOV) of □10,100 Cr.
- The strategic shift toward "Round-the-Clock" (RTC) power markets via Wind and BESS is intended to reduce dependence on solar module price cycles.
- Management continues to emphasize an asset-light model to aid ROCE, though this limits structural moats beyond engineering and project management.
- International strategy has shifted to a defensive but prudent "BoS-only" model to avoid the procurement risks that caused prior financial distress.
- The re-appointment of Chandra Kishore Thakur as CEO for another 2-year term signals leadership stability, though CFO churn remains a monitorable.
- Introduction of ESOP Plan II 2025 (18.98 lakh options) is a clear retention play to prevent talent poaching in a competitive RE market.
- Management highlights "strengthening capabilities" but provides limited detail regarding the resolution of legacy □467 Cr subcontractor claims and □659 Cr Liquidated Damages (LDs).
- The domestic unexecuted order book is heavily concentrated within the Reliance (Khavda) and NTPC ecosystems, ensuring bankability but potentially capping EBITDA margins at ~4.3%.
- Management Tone: The tone has shifted from "survivalist" to "disciplined optimism." While the return to profitability is celebrated, the narrative remains cautious regarding legacy litigation and the conversion of unbilled revenue to cash. The final verdict on management tone is one of **cautious optimism**, as they focus on scaling execution while navigating a balance sheet still burdened by the "ghosts" of prior years.

3. Financial analysis

3.1 Financial statements

P&L statement (□Cr)

Line item	Mar 2025	Mar 2024
Sales	6,302	3,035
Sales Growth %	107.61	50.64
Expenses	6,038	3,043
Material Cost %	0	0
Raw material cost	0	0
Change in inventory	0	0
Manufacturing Cost %	90	90
Employee Cost %	3	7
Other Cost %	3	3
Operating Profit	264	-7
OPM %	4	0
Other Income	40	85
Exceptional items	1	0
Other income normal	39	85
Interest	127	234
Depreciation	14	17
Profit before tax	163	-172
Tax %	47	22
Net Profit	86	-211
Minority share	-4	-1
Exceptional items AT	1	0
Profit excl Excep	85	-211
Profit for PE	81	-212
Profit for EPS	81	-212
Profit Growth %	138	82
EPS (□)	3.49	-9.09
Dividend Payout %	0	0

Balance sheet (□Cr)

Line item	Mar 2025	Mar 2024
Equity Capital	23	23
Reserves	984	946
Borrowings	936	516
Long term Borrowings	524	246
Short term Borrowings	378	230
Lease Liabilities	35	39
Other Borrowings	0	0
Other Liabilities	3,687	2,816
Non controlling int	-13	-14
Trade Payables	2,750	1,508
Advance from Customers	699	1,125
Other liability items	250	197
Total Liabilities	5,630	4,301
Fixed Assets	46	56
Land	0	0
Building	51.92	62.66
Plant Machinery	38.99	44.67
Computers	10.91	10.57
Furniture n fittings	0.47	1.85
Vehicles	1.13	1.92
Intangible Assets	0.94	0.91
Other fixed assets	9.80	9.80
Gross Block	114.16	132.38
Accumulated Depreciation	68.30	76.17
CWIP	0	0
Investments	0	0
Other Assets	5,584	4,244
Inventories	3	1
Trade receivables	1,254	832
Receivables over 6m	621	449
Receivables under 6m	635	384
Prov for Doubtful	-1	-1
Cash Equivalents	711	339
Loans n Advances	437	147
Other asset items	3,180	2,925
Total Assets	5,630	4,301

Cash flow statement (□Cr)

Line item	Mar 2025	Mar 2024
Cash from Operating Activity	38	538
Profit from operations	257	6
Receivables	-437	-42
Inventory	-1	0
Payables	854	1,482
Loans Advances	0	0
Other WC items	-511	-872
Working capital changes	-95	568
Direct taxes	-75	28
Other operating items	0	0
Exceptional CF items	-49	-63
Cash from Investing Activity	-75	-5
Fixed assets purchased	-4	-1
Fixed assets sold	1	0
Investments purchased	-549	0
Investments sold	550	0
Interest received	9	8
Loans to subsidiaries	0	0
Acquisition of companies	0	0
Other investing items	-82	-12
Cash from Financing Activity	317	-286
Proceeds from shares	7	1,475
Proceeds from borrowings	675	895
Repayment of borrowings	-240	-2,433
Interest paid fin	-116	-216
Dividends paid	0	0
Financial liabilities	-9	-7
Other financing items	0	0
Net Cash Flow	280	248
Free Cash Flow	34	538
CFO/OP	43	-6,962

Key ratios

Line item	Mar 2025	Mar 2024
Debtor Days	73	100
Inventory Days	0	0
Days Payable	0	0
Cash Conversion Cycle	73	100
Working Capital Days	25	89
ROCE %	17	4

3.2 Financial analysis summary

- **Revenue** surged by 107.61% to □6,302.00 Cr, primarily driven by Income from Works Contracts (EPC) which constitutes 96.23% of total turnover, yet the order book (unsatisfied performance obligations) plummeted from □7,513.43 Cr to □2,349.93 Cr, signaling a significant depletion in the future revenue pipeline.
- **Operating Profit** turned positive at □264.00 Cr with an OPM % of 4.00%, benefiting from Employee Cost % reducing from 7.00% to 3.00% despite the revenue jump, aided by a □0.75 Cr credit from ESOP lapses indicating high turnover.
- **Net Profit** of □81.00 Cr (for EPS) marks a recovery from a □212.00 Cr loss, but the quality of earnings is impacted by a high effective Tax % of 47.00% due to the non-recognition of Deferred Tax assets on □2,140.34 Cr of carry-forward losses.
- **Finance Cost** decreased to □127.00 Cr from □234.00 Cr, yet the company remains burdened by high-cost debt, including a new □466.64 Cr loan from a Financial Institution at 11.60% interest, contributing to a Total Debt increase to □936.00 Cr on the Balance Sheet.
- **Trade Receivables** grew 50.78% to □1,254.00 Cr, which is slower than revenue growth, but liquidity is constrained by the introduction of □670.74 Cr in Retention Money and □1,328.11 Cr in Contract Assets (Unbilled Receivables), representing 21.07% of Revenue.
- **Working Capital** management shows heavy reliance on the supplier base as Trade Payables nearly doubled to □2,750.00 Cr, while 25.6% of Trade Receivables (□321.82 Cr) are aged over 3 years, posing a persistent collection risk.
- **CFO** fell sharply to □38.00 Cr from □538.00 Cr, resulting in a poor CFO / PAT ratio of 0.44, as cash was absorbed by a □437.00 Cr increase in Receivables and a □511.00 Cr drag from Other Assets (specifically BG Invocation/LC Encashment Receivables of □270.22 Cr) and other Working Capital items.
- **Total Debt** rose to □936.00 Cr, worsening the Debt / Equity ratio to 0.93, with significant short-term pressure as □347.99 Cr of term loans are due within 12 months.
- **Net Worth** remains vulnerable to massive Contingent Liabilities, specifically □2,049.52 Cr in new arbitration claims which exceed 200% of equity, although partially mitigated by an indemnity agreement with promoter selling shareholders.
- **ROCE** improved to 17.00% from 4.00% due to the turnaround in EBIT, but Asset Turnover efficiency is clouded by an 18-month operating cycle policy that allows classification of long-gestation assets as current.
- **FCF** of □34.00 Cr is barely positive, indicating that while the business has returned to "paper profitability," it is not yet generating sufficient surplus cash to significantly deleverage the Balance Sheet without external financing.
- **Other Expenses** were impacted by a 86.28% spike in Legal and Professional fees to □73.32 Cr, driven by the surge in arbitration, while Impairment Losses tripled to □19.01 Cr.

- The dominant financial theme of the year is a **massive operational scale-up and return to PAT profitability that is currently decoupled from cash generation**, as liquidity remains trapped in Retention Money, Unbilled Revenue, and disputed Other Receivables.

3.3 Contingent liabilities & commitments

- **Arbitration Claims (Customer):** ₹1,531.61 Cr (New in FY25).
- **Arbitration Claims (Other EPC):** ₹517.91 Cr (New in FY25).
- **Liquidated Damages (LDs):** ₹618.50 Cr (Unacknowledged as debt; ongoing disputes regarding project timelines).
- **GST Demands (Disputed):** ₹212.73 Cr.
- **Sub-contractor Claims:** ₹241.86 Cr.
- **Indemnity Agreement:** A critical mitigator where Promoter Selling Shareholders (Shapoorji Pallonji and Khurshed Daruvala) cover legacy GST, Income Tax, and specific project-related BG invocations.

3.9 Earnings quality & forensic checks

#	Check	Impact	Status	Notes detail
1	PAT vs CFO trend	Profit ↓ — earnings overstate cash; ₹31 Cr PAT vs only ₹38 Cr CFO.	—	High unbilled revenue (₹1,328 Cr) and retention money (₹670 Cr) lag cash collection despite profitability.
2	Receivables & channel-stuffing signal	Revenue ↑ — collections improving; receivables grew 50.7% vs 107.6% revenue growth.	—	Receivables grew slower than sales, but ₹321.8 Cr (25.6%) are aged >3 years, posing legacy recovery risks.
3	Revenue timing (unbilled / contract assets)	Revenue ↑ — aggressive recognition; unbilled revenue of ₹1,328 Cr represents 21% of sales.	—	POCM method relies on management cost estimates; unbilled revenue grew 15% while order book pipeline depleted significantly.
4	Revenue from related parties %	Neutral — low direct revenue reliance; RP receivables stable at ₹189 Cr.	—	Reliance New Energy is the dominant promoter; legacy balances with erstwhile promoters (SWPL) are being cleared.
5	Inventory vs revenue growth	Neutral — asset-light EPC model; inventory remains negligible at ₹3 Cr.	—	Construction materials are charged directly to project costs (₹4,560 Cr) rather than held as inventory.
6	Inventory valuation method change	Neutral — no impact; inventory is immaterial to the consolidated balance sheet.	—	Standard accounting policy for materials at lower of cost or net realizable value applied.
7	Exceptional items in operating profit	Profit ↑ — negligible impact; ₹1 Cr exceptional item reported in P&L.	—	Exceptional items are minimal and do not distort the core operating profit of ₹264 Cr.
8	Depreciation rate vs useful life policy	Profit ↑ — low charge; depreciation fell 17% despite massive revenue scale-up.	—	Fixed assets are minimal (₹46 Cr) for ₹6,300 Cr revenue, reflecting an outsourced, sub-contractor heavy model.
9	Provision reversals boosting PAT	Profit ↑ — credit in ESOP costs of ₹0.75 Cr reduced expenses.	—	ESOP reversals due to lapses suggest high turnover or failure to meet performance vesting conditions.
10	Tax rate consistency + cash tax vs P&L tax	Profit ↓ — high tax leakage; 47% effective rate vs 22% statutory.	—	High rate due to non-recognition of DTAs on subsidiary losses and non-deductible legal expenses.
11	CWIP age and stalling projects	Neutral — no capital project risk; CWIP remains at zero.	—	The company operates an asset-light EPC model with no significant internal capital expenditure projects.
12	Deferred tax asset recognition adequacy	Profit ↓ — conservative stance; ₹453 Cr DTA unrecognized on massive losses.	—	Management's caution in recognizing DTAs suggests uncertainty regarding the timing of future taxable profits.
13	RPT quantum and trend	Neutral — improving governance; legacy promoter receivables reduced to ₹2.5 Cr.	—	Shift in promoter control to Reliance is resulting in the winding down of old group exposures.
14	Dividend paid vs FCF adequacy	Neutral — no dividends; FCF of ₹34 Cr used for debt servicing.	—	Positive FCF is insufficient to cover high interest costs (10-14% rates) and debt repayment pressures.
15	Contingent Liability Explosion	Profit ↑↓ — massive risk; contingent liabilities exceed 200% of Net Worth.	—	Emergence of ₹1,531.61 Cr in new customer claims in a single year is a forensic red flag for project quality.
16	Soft Asset Recognition	Revenue ↑ — potential overstatement; ₹270.22 Cr "Other Receivable" from BG/LC invocations.	—	This is a "soft asset" currently in arbitration that props up the balance sheet but may not convert to cash.

#	Check	Impact	Status	Notes detail
17	Operating Cycle Policy	Neutral — aggressive classification; 18-month operating cycle used for EPC.	—	Potentially masks liquidity ratios by keeping slow-moving receivables in current assets.

4. Management & governance

A. Auditor report & key audit matters

- **Audit Opinion Type:** Unqualified.
- **Key Audit Matters (KAMs):**
  - **Revenue Recognition (POCM):** Auditors flagged the complexity of estimating "costs to complete" for EPC contracts. Management uses internal technical teams for these estimates, which are subjective. Any understatement of future costs leads to aggressive profit recognition.
  - **Litigation and Contingent Liabilities:** Focus on the explosion of arbitration claims exceeding ₹2,000 Cr. Auditors scrutinized the lack of provisioning, which management justifies based on legal opinions and the Indemnity Agreement with former promoters.
  - **Recoverability of Trade Receivables and Contract Assets:** Auditors focused on the ageing of legacy balances (₹321.82 Cr > 3 years) and the probability of collecting retention money.
- **Emphasis of Matter:** Noted regarding the Indemnity Agreement with Promoter Selling Shareholders (Shapoorji Pallonji and Khurshed Daruvala) which covers legacy GST, Income Tax, and specific project-related bank guarantee invocations.
- **Auditor Change:** No change. Kalyaniwalla & Mistry LLP and Deloitte Haskins & Sells LLP continue as joint auditors.

B. Related party transactions

Party	Relationship	Nature	Amount (₹ Cr)	Concern
Sterling and Wilson Pvt Ltd	Former Promoter	Trade Receivables	2.50 Cr	***Legacy exposure reducing but persists***
Related Parties (Aggregate)	Various	Trade Receivables	189.28 Cr	***Stagnant recovery of legacy dues***
Related Parties (Aggregate)	Various	Unbilled Receivables	4.38 Cr	***Revenue recognition on RP contracts***
Reliance New Energy Ltd	Promoter	Controlling Stake	32.50%	**Strong parentage support**

- **% of Revenue:** 3.00% (Clean)
- **% of CFO:** 498.10% (**Governance Concern: Massive cash leakage risk.** Related party receivables are nearly 5x the annual cash flow from operations.)
- **Trend:** Decreasing (₹189.28 Cr vs ₹196.18 Cr).

C. Shareholding

Category	Mar 2025 (%)	Mar 2024 (%)
Promoters	45.28	45.28
FIIs	12.51	12.51
DIIs	15.32	15.32
Public	26.89	26.89

- **Pledged Shares:** 0.00% of promoter holding.

D. Board composition + KMP compensation

- **Total Directors:** 8 | **Independent %:** 50.00% | **Women Directors:** 2.
- **KMP Compensation:**
  - **Chandra Kishore Thakur (CEO):** □4.07 Cr (FY25) vs □2.62 Cr (FY24). **YoY Growth: 55.34%**.
  - **Jagannadha Rao Ch. V. (CS):** □0.32 Cr.
- **Analysis:** Managerial remuneration grew by 55.34%, significantly outstripping the 2% average employee increment. The exit of CFO Bahadur Dastoor (Oct 2024) and late appointment of Ajit Pratap Singh (Mar 2025) suggests leadership instability in finance.

F. Capital allocation & capex

Action	FY current (□Cr)	FY prior (□Cr)	% of CFO	Signal
Debt Repayment	240.00 Cr	2,433.00 Cr	631.58%	—
Interest Payments	116.00 Cr	216.00 Cr	305.26%	—
Capex	4.00 Cr	1.00 Cr	10.53%	—
Equity Issuance	7.00 Cr	1,475.00 Cr	18.42%	**Positive**
Net Debt Change	420.00 Cr	-1,514.00 Cr	1,105.26%	—
Working Capital Investment	95.00 Cr	-568.00 Cr	250.00%	—

CAPEX Analytical Notes: * **CFO Coverage of Capex:** CFO/Capex ratio is 9.5x. While CFO covers minimal capex, it fails to cover interest and debt repayments. * **Nature of Capex:** Purely maintenance. **Gross Block decreased from □132.38 Cr to □114.16 Cr**, indicating the company is shrinking its physical asset base while trying to double revenue. * **Efficiency:** Revenue grew 107.61% on a shrinking asset base, confirming a hyper-asset-light model.

H. Risks

- **Arbitration Claims ():** Counter-claims totaling □2,049.52 Cr could **wipe out 200% of Net Worth** if the promoter indemnity fails.
- **Liquidated Damages ():** Unacknowledged LDs of □618.50 Cr represent 60% of reserves; a direct hit to P&L if disputes are lost.
- **Retention Money ():** □670.74 Cr (10% of revenue) is locked until project completion, causing **severe cash flow strain**.
- **High-Cost Debt ():** New loans at 11.60% to 14.00% interest consume 40% of Operating Profit.
- **Legacy Receivables ():** □321.82 Cr of receivables are >3 years old, posing potential massive write-off risks.

- **Order Book Depletion ():** Unsatisfied performance obligations fell from ₹7,513 Cr to ₹2,349 Cr, creating a **revenue cliff risk** in FY27.

5. Scorecard & verdict

Part a: scorecard

Dimension	Rating (1–5)	Delta	Key evidence	One-line rationale
Business quality	3	→	Revenue +107%; Order book ₹10,100 Cr	Strong demand and Reliance backing, but commoditized EPC model with low pricing power.
Financial health	2	↑	D/E 0.93x; Interest 11-14%	Turnaround achieved, but high-cost debt and poor CFO/PAT ratio indicate fragility.
Earnings quality	2	↓	CFO ₹38 Cr vs PAT ₹81 Cr; Unbilled 21%	Profits are "paper-based" due to high unbilled revenue and retention money locks.
Management & governance	3	→	Zero Pledge; 50% Ind. Board	Clean shareholding and Reliance support offset by massive RPT receivables and litigation.
Capital allocation & earnings visibility	2	↓	Order backlog depletion; ROCE 17%	High ROCE is due to low asset base; visibility is clouded by a 68% drop in unsatisfied obligations.

Business positives (for this company this year) * **Revenue Scale-up:** Achieved 107.61% YoY growth to ₹6,302 Cr, demonstrating strong execution capability. * **Operational Turnaround:** Operating Profit turned positive at ₹264 Cr (4% OPM) from a loss in the prior year. * **Reliance Parentage:** 32.50% stake by Reliance New Energy provides critical bankability and access to the Khavda RE ecosystem. * **Strategic Diversification:** Successful entry into Wind EPC and BESS segments to capture the RTC power market. * **Debt Reduction Progress:** Repaid ₹240 Cr of debt, although net borrowings increased due to working capital needs.

Business negatives / concerns (for this company this year) * **Cash Flow Divergence:** CFO of ₹38 Cr is significantly lower than PAT of ₹81 Cr, indicating poor earnings quality. * **Contingent Liability Explosion:** New arbitration claims of ₹2,049.52 Cr exceed 200% of the company's Net Worth. * **Liquidity Trap:** ₹670.74 Cr locked in Retention Money and ₹1,328.11 Cr in Unbilled Revenue (21% of sales). * **High-Cost Borrowing:** Reliance on new FI loans at interest rates as high as 14.00%. * **Order Book Depletion:** Unsatisfied performance obligations (revenue pipeline) fell by 68% YoY to ₹2,349 Cr. * **Legacy Asset Risk:** ₹321.82 Cr of trade receivables are aged over 3 years, and a new ₹270.22 Cr "Other Receivable" is under dispute.

Overall scorecard summary SWREL has successfully transitioned from a distressed state to a high-growth execution phase, underpinned by the strategic support of the Reliance Group. While the company has achieved a significant turnaround in reported profitability and revenue, its financial health remains fragile due to high-cost debt and a severe divergence between "paper profits" and actual cash flow. Governance is stable under the new promoter, but the balance sheet is heavily encumbered by massive contingent liabilities and legacy receivables. The business is on a **stable but high-risk trajectory**, where execution success is currently being offset by liquidity constraints and legal overhangs.

Part b: governance check matrix

#	Check	Status
1	Audit opinion clean?	—
2	Promoter pledge = 0?	—
3	KMP pay < 5% of PAT?	—
4	RPT quantum < 5% of revenue?	—
5	Board > 50% independent?	—
6	At least 1 woman director?	—
7	No statutory dues outstanding?	—
8	No fraud reported?	—
9	Audit trail enabled?	—
10	Frequent Auditor change	—

Total: 9/10 — Governance Rating: 4

Part c: investor verdict

Thesis: SWREL is a high-beta play on the Indian RE transition, functioning as the preferred EPC arm for Reliance, but currently hampered by a legacy-heavy balance sheet. **Overall stance:** Watch **Rationale:** The return to PAT profitability is a positive signal, but the massive explosion in contingent liabilities and poor cash conversion necessitate a "wait and see" approach. **Re-evaluate when:** CFO/PAT ratio exceeds 0.8x for two consecutive quarters OR arbitration claims are reduced by >□1,000 Cr. **BULL CASE:** Successful conversion of the □10,100 Cr order book into cash and a favorable ruling on the □2,049 Cr arbitration claims. **BEAR CASE:** Invocation of bank guarantees or failure of the promoter indemnity agreement, leading to a total wipeout of Net Worth. **Key monitorable:** Unbilled Revenue + Retention Money as % of Sales: Current 31.7% → Watch threshold <20%.

7. Year-over-year analysis

7.1 Changes

Metric / theme	Summary a status	Summary b status	Forensic takeaway
Capital Allocation	Aggressive deleveraging using ₹1,475 Cr QIP proceeds to reduce debt to ₹516 Cr.	Re-leveraging with total debt rising to ₹936 Cr, including new FI loans at 11.6%–14%.	The company has exhausted its equity-led deleveraging cushion and is returning to high-cost debt to fund its operational scale-up.
Margin Trajectory	Operational break-even (0% OPM) with a substantial net loss of ₹211 Cr.	Positive OPM of 4% and a return to PAT profitability of ₹81 Cr.	While the company has achieved "paper profitability," the bottom line remains suppressed by high interest costs and a lack of deferred tax recognition.
Working Capital Anomalies	CFO (₹538 Cr) was artificially inflated by a massive ₹1,482 Cr surge in trade payables.	CFO (₹38 Cr) collapsed as liquidity became trapped in ₹670 Cr of retention money and ₹1,328 Cr of unbilled revenue.	The quality of cash flow has shifted from vendor-funded liquidity to a state where cash is severely restricted by long-gestation contract assets.
Revenue Pipeline	Unexecuted Order Value (UOV) surged 65% to ₹8,084 Cr, signaling a recovery.	UOV reached ₹10,100 Cr, but "unsatisfied performance obligations" plummeted 68% to ₹2,349 Cr.	The company is burning through its long-term backlog faster than it is replenishing it, creating a significant revenue cliff risk for FY27.
Management Tone	Survivalist and recovery-oriented, framing the period as "The Great Reset."	Execution-focused and optimistic, emphasizing diversification into Wind and BESS.	Management has successfully transitioned the narrative from insolvency risk to a growth-oriented turnaround story.

7.2 Persistent patterns

- **Aggressive Revenue Recognition:** Both periods exhibit high levels of unbilled receivables (Contract Assets), consistently representing over 20% of annual revenue.
- **Legacy Receivable Risk:** A significant portion of trade receivables (ranging from ₹292 Cr to ₹321 Cr) remains aged over 3 years, indicating a persistent refusal to write off potentially uncollectible legacy dues.
- **Contingent Liability Overhang: Unacknowledged Liquidated Damages and exploding arbitration claims (now exceeding 200% of Net Worth) remain a structural threat to the company’s solvency.**
- **Asset-Light Execution Model:** The company maintains a minimal fixed-asset base and negligible capex, relying almost entirely on subcontractors for project execution.
- **Reliance on External Support: The company’s "Going Concern" status and bankability remain fundamentally tethered to the Reliance ecosystem rather than independent financial strength.**
- **KMP Compensation Divergence: Executive remuneration continues to grow aggressively (37% to 55% increases) despite the company’s fragile financial recovery and poor cash conversion.**
- **High-Cost Financing:** Despite the change in parentage, the company continues to be burdened by punitively high interest rates (11%–14%), signaling that lenders still perceive a high risk premium.