Sterling & Wilson Renewable Energy Ltd — FY 2024 Annual Report Analysis

Annual Report Analysis (Consolidated)

Investor Snapshot

#	Analytical point	Sentiment
1	**Sterling & Wilson (SWREL) has transitioned from a distressed entity to a stabilized solar EPC growth proxy, underpinned by a 32.5% Reliance New Energy stake and a pivot toward high-margin Balance of System (BoS) international contracts.**	Positive
2	**Revenue surged 50.6% YoY to □3,035 Cr, supported by a record Unexecuted Order Value (UOV) of □8,084 Cr (+65% YoY), providing multi-year visibility through the "Reliance Halo" and mega-projects like Khavda.**	Positive
3	***Despite robust top-line growth, the company remains operationally loss-making with an Operating Profit of - 7 Cr, indicating that scale has yet to translate into core profitability.***	Negative
4	***Earnings quality is severely compromised by aggressive revenue recognition, with Unbilled Receivables (Contract Assets) skyrocketing 163.7% to 1,151.79 Cr, representing a disproportionate 38% of annual sales.***	Negative
5	**The balance sheet underwent a "Great Reset" via a □1,475 Cr QIP, successfully reducing total debt by 74.6% to □516 Cr and improving the Debt-to-Equity ratio to 0.53x.**	Positive
6	***Reported positive Cash from Operations (CFO) of 538 Cr is of low quality, as it was driven by a 1,482 Cr surge in trade payables rather than underlying business profits.***	Negative
7	***Asset quality risks are high, with 1,238.66 Cr in "Other Receivables" and 35% of trade receivables (292.49 Cr) aged over three years, suggesting significant collection and valuation headwinds.***	Negative
8	***A critical forensic risk exists in the 467.12 Cr recoverable asset from a terminated subcontractor; failure in arbitration could potentially wipe out 50% of the company's equity.***	Negative
9	Governance has improved under Reliance ownership with a 50% independent board, though concerns persist regarding RPT receivables (7.11% of revenue) and KMP compensation growth during loss-making periods.	Neutral
10	***Contingent liabilities totaling 1,054.89 Cr, including a 659 Cr Liquidated Damages overhang, exceed the company's total Other Equity, posing a threat to long-term solvency.***	Negative
11	The outlook depends on the successful conversion of the □8,000 Cr order book into positive real earnings and the reduction of unbilled assets into liquid cash.	Neutral
12	**Investment Stance: Watch; while liquidity is restored, a re-evaluation is required only when OPM exceeds 3% and Unbilled Receivables drop below 20% of sales.**	Neutral

1. Business overview (In Bullet Points)

- **Business Segments:** The company operates primarily in two segments: **EPC (Utility Scale)**, which remains the core revenue engine, and O&M (Operation & Maintenance), which currently manages 7.67 GW and is positioned as a high-margin annuity business.
- **Revenue Drivers:** Growth is driven by a massive jump in Unexecuted Order Value (UOV) to **□8,084 Cr** (up 65% YoY). The primary revenue source is Income from Works Contracts (93.05% of total).

- **Cost Drivers:** The business model is asset-light, with primary costs being engineering, procurement, and sub-contracting. A strategic shift to **BoS (Balance of System)** packages in international markets helps offload volatile module costs to developers.
- **Industry Position:** SWREL is a "Domestic Champion," serving as the preferred EPC partner for mega-scale projects like Khavda (India's largest). It is leveraging the "Reliance Halo" to restore bankability and market standing.
- **Expansion Plans:** Management is chasing a **30 GW pipeline** (25 GW India, 5 GW International), with a return to margin-accretive regions like Spain and Italy after a 3-year hiatus.
- **New Frontiers:** The company is pivoting toward **BESS (Battery Energy Storage Systems)** and Green Hydrogen to address solar saturation and the need for Round-the-Clock (RTC) renewable solutions.
- **Acquisitions & Partnerships:** The association with **Reliance Industries (RIL)** is central to the strategy, positioning SWREL as the captive EPC arm for RIL's 100 GW internal target.
- **Geographical Presence:** While maintaining a dominant domestic position, the company is selectively expanding in international markets (Spain, Italy, Abu Dhabi) using risk-mitigated contract structures.

2. Management commentary & outlook

- The overarching theme for FY24 is "The Great Reset," moving from a survivalist mode in FY23 to an aggressive expansionist stance following recapitalization.
- The □1,500 Cr QIP, which was 10x oversubscribed, is highlighted as a critical vote of confidence that restored the company's "Bankability" and ability to secure Performance Bank Guarantees (PBGs).
- Management strategy has shifted from "growth at any cost" to "risk-mitigated execution," specifically by excluding module procurement in international BoS contracts to protect gross margins.
- The company is witnessing the return of "marquee customers" who had left during the previous liquidity crisis, evidenced by the 65% surge in the order book.
- The RIL synergy is being leveraged for integrated procurement; as RIL builds giga-factories, SWREL expects to benefit from a de-risked floor of order inflows.
- Management is prioritizing "margin-accretive" international regions over high-risk jurisdictions, framing the return to Europe as a disciplined growth move.
- O&M is being positioned as a key growth driver and an annuity-style business, with a focus on higher-margin third-party international contracts.
- The company has successfully decoupled its survival from the SP Group's financial distress, though legacy issues are still being managed.
- Management Tone: The tone has transitioned to **Disciplined Optimism**. Management is no longer using market conditions as an excuse but is taking ownership of the turnaround. The focus has shifted from financial engineering for survival to operational excellence for execution. While the "Reliance Halo" has solved liquidity issues, management remains focused on proving the quality of the turnaround by translating the record order book into positive free cash flow.

3. Financial analysis

3.1 Financial statements

P&L statement (□Cr)

Line item	Mar 2024	Mar 2023
Sales	3,035	2,015
Sales Growth %	50.64	-61.24
Expenses	3,043	3,139
Material Cost %	0	0
Raw material cost	0	0
Change in inventory	0	0
Manufacturing Cost %	90	138
Employee Cost %	7	12
Other Cost %	3	6
Operating Profit	-7	-1,124
OPM %	0	-56
Other Income	85	111
Exceptional items	0	0
Other income normal	85	111
Interest	234	151
Depreciation	17	15
Profit before tax	-172	-1,179
Tax %	22	0
Net Profit	-211	-1,175
Minority share	-1	5
Exceptional items AT	0	0
Profit excl Excep	-211	-1,175
Profit for PE	-212	-1,170
Profit for EPS	-212	-1,170
Profit Growth %	82	-28
EPS (□)	-9.09	-61.65
Dividend Payout %	0	0

Balance sheet (□Cr)

Line item	Mar 2024	Mar 2023
Equity Capital	23	19
Reserves	946	-244
Borrowings	516	2,030
Long term Borrowings	246	700
Short term Borrowings	230	1,315
Lease Liabilities	39	15
Other Borrowings	0	0
Other Liabilities	2,816	1,386
Non controlling int	-14	-15
Trade Payables	1,508	650
Advance from Customers	1,125	589
Other liability items	197	162
Total Liabilities	4,301	3,190
Fixed Assets	56	44
Land	0	23.38
Building	62.66	9.94
Plant Machinery	44.67	46.22
Computers	10.57	11.11
Furniture n fittings	1.85	2.24
Vehicles	1.92	1.80
Intangible Assets	0.91	0.90
Other fixed assets	9.80	9.81
Gross Block	132.38	105.40
Accumulated Depreciation	76.17	61.16
CWIP	0	0
Investments	0	0
Other Assets	4,244	3,146
Inventories	1	2
Trade receivables	832	790
Receivables over 6m	449	529
Receivables under 6m	384	268
Prov for Doubtful	-1	-7
Cash Equivalents	339	95
Loans n Advances	147	126
Other asset items	2,925	2,133
Total Assets	4,301	3,190

Cash flow statement (□Cr)

Line item	Mar 2024	Mar 2023
Cash from Operating Activity	538	-1,829
Profit from operations	6	-1,105
Receivables	-42	35
Inventory	0	2
Payables	1,482	-688
Loans Advances	0	-1
Other WC items	-872	-56
Working capital changes	568	-708
Direct taxes	28	-22
Other operating items	0	0
Exceptional CF items	-63	6
Cash from Investing Activity	-5	-12
Fixed assets purchased	-1	-9
Fixed assets sold	0	0
Investments purchased	0	0
Investments sold	0	0
Interest received	8	4
Loans to subsidiaries	0	0
Acquisition of companies	0	0
Other investing items	-12	-7
Cash from Financing Activity	-286	1,431
Proceeds from shares	1,475	0
Proceeds from borrowings	895	1,584
Repayment of borrowings	-2,433	-4
Interest paid fin	-216	-143
Dividends paid	0	0
Financial liabilities	-7	-5
Other financing items	0	0
Net Cash Flow	248	-410
Free Cash Flow	538	-1,838
CFO/OP	-6,962	161

Key ratios

Line item	Mar 2024	Mar 2023
Debtor Days	100	143
Inventory Days	0	0
Days Payable	0	0
Cash Conversion Cycle	100	143
Working Capital Days	89	32
ROCE %	4	-65

3.2 Financial analysis summary

- **Revenue** grew by 50.64% YoY to □3,035 Cr, primarily driven by Income from Works Contracts, yet the quality of this growth is impacted by Unbilled Receivables (Contract Assets) surging 163.67% to □1,151.79 Cr, signaling aggressive revenue recognition under the POCM method that outpaces actual billing milestones.
- Despite the **Revenue** jump, the company reported an Operating Profit of -□7 Cr and a Net Profit of -□211 Cr; margins were supported by a □28.39 Cr reversal of "Provision for foreseeable losses" but eroded by □25.33 Cr in downward contract adjustments and Liquidated Damages.
- **Finance Cost** increased by 50.79% to □234 Cr despite a massive 74.58% reduction in Total Debt to □516 Cr, due to high interest rates of up to 12.55% on legacy borrowings and □15.36 Cr in other borrowing costs.
- **Cash from Operating Activity (CFO)** turned positive at □538 Cr (up from -□1,829 Cr), but this was entirely driven by a □1,482 Cr increase in Trade Payables and a doubling of Advance from Customers to □1,125.28 Cr, rather than core operational profitability.
- **Trade Receivables** of □832 Cr remain a concern with 35.17% (□292.49 Cr) aged over 3 years, indicating severe collection risks from legacy projects, while the ECL provision of only □1.14 Cr appears aggressive given the ageing profile.
- The **Balance Sheet** underwent a major restructuring as Reserves turned positive at □946 Cr (from -□244 Cr) following a □1,475 Cr equity infusion via QIP, which was utilized to fund a □2,433 Cr Repayment of borrowings.
- **Other Assets** (Current) of □2,925 Cr contain a forensic red flag in "Other Receivables" of □1,238.66 Cr, which includes disputed claims and bank guarantee invocations, representing 28.8% of Total Assets and posing a significant valuation risk.
- **Working Capital Days** increased to 89 days (from 32 days) as the benefit of higher Trade Payables was offset by the massive build-up in Contract Assets and □399.86 Cr locked in "Balance with government authorities" (GST/VAT inputs).
- **Total Debt** reduction to □516 Cr improved the Debt/Equity ratio to 0.53x, but Interest Coverage remains negative at -0.10x, indicating the business still cannot service its interest obligations from internal accruals.
- **Contingent Liabilities** of □1,054.89 Cr, including □659.87 Cr in unacknowledged Liquidated Damages and a □345.04 Cr GST demand, exceed the company's Net Worth, creating a precarious solvency position if these liabilities crystallize.
- A critical asset quality risk exists in the □**467.12 Cr** recognized as a "recoverable" asset from a terminated subcontractor; management's refusal to provide for this amount, which represents nearly 50% of Net Worth, makes the Balance Sheet highly sensitive to arbitration outcomes.
- **Capital Allocation** was focused on survival and deleveraging rather than growth, with Capex remaining negligible at □1 Cr and Gross Block additions primarily related to buildings (□62.66 Cr) rather than core EPC machinery.

- **ROCE** improved to 4% (from -65%) due to the reduction in the loss and the equity-led capital restructuring, but ROE remains deeply negative at -21.77% as the company has yet to achieve bottom-line profitability.
- The shift in governance to the Reliance ecosystem (**32.54%** stake) has improved the order book and Advance from Customers, but has also increased related party dependency, with 23.58% of Trade Receivables now tied to related parties.
- **Other Expenses** were impacted by a 138% spike in bank charges to ₹15.24 Cr, driven by the costs of renewing bank guarantees and LCs for new large-scale projects.
- The dominant financial theme of the year is a **successful balance sheet recapitalization and deleveraging via equity markets, which has stabilized the entity's "going concern" status, but masks ongoing operational losses and a high-risk reliance on disputed "soft" assets and unbilled revenue.**

3.3 Contingent liabilities & commitments

- **Liquidated Damages (not acknowledged):** ₹659.87 Cr (FY24) vs ₹780.65 Cr (FY23). Management contends delays are not company-attributable.
- **GST Demand (under dispute):** ₹345.04 Cr relating to the SP era (held in trust by SWPL).
- **Tax Disputes:** South Africa Income Tax Demand of ₹35.53 Cr and Indian Income Tax Demands of ₹14.14 Cr.
- **Subcontractor Claim:** ₹467.12 Cr (USD 56.07 million) recognized as a "recoverable" asset for costs incurred on behalf of a terminated subcontractor. This is a high-judgment area currently in arbitration.
- **Total Contingent Liabilities:** ₹1,054.89 Cr, which exceeds the company's total Other Equity (₹945.85 Cr).

3.9 Earnings quality & forensic checks

#	Check	Impact	Status	Notes detail
1	PAT vs CFO trend	Profit ↑ — CFO of ₹538 Cr vs Net Loss of ₹211 Cr driven by payable surge.	—	CFO is positive primarily due to ₹1,482 Cr increase in trade payables rather than core earnings.
2	Receivables & channel-stuffing signal (receivables + inventory build vs revenue)	Revenue ↑↓ — receivables + contract assets of ₹1,983 Cr represent 65% of annual sales.	—	Receivables >3 years (₹292.49 Cr) comprise 35% of book; ECL provisioning of ₹1.14 Cr is aggressive.
3	Revenue timing (unbilled / contract assets + deferred revenue / advances)	Revenue ↑ — unbilled receivables surged 163% signaling aggressive POCM income recognition ahead of billing.	—	Note 4.15: Revenue recognized via POCM; unbilled growth far outpaces 50.6% revenue growth, suggesting aggressive booking.
4	Revenue from related parties %	Revenue ↑↓ — high dependency on Reliance and legacy SP group balances for project execution.	—	Note 12: Significant balances remain with Sterling and Wilson Private Limited despite shift to Reliance ownership.
5	Inventory vs revenue growth	Neutral — negligible inventory reflects EPC model where materials are transit-based or project-specific.	—	Note 11: EPC model minimizes inventory risk but increases reliance on supply chain timing and subcontractors.
6	Inventory valuation method change	Neutral — no change in valuation method; inventory remains immaterial to the balance sheet.	—	Note 4.11: Valuation at lower of cost and net realizable value remains consistent with prior years.
7	Exceptional items in operating profit	Profit ↑ — reversal of foreseeable loss provisions and liability write-backs inflated the operating margin.	—	Note 35: Provision reversals helped cushion margins; without these, operating losses would have been significantly deeper.
8	Depreciation rate vs useful life policy	Profit ↑ — low depreciation charge of ₹17 Cr on ₹132 Cr gross block suggests long lives.	—	Note 4.5: Useful lives follow Schedule II; building and plant machinery comprise the bulk of the asset base.
9	Provision reversals boosting PAT	Profit ↑ — reversal of ₹23.71 Cr in liabilities no longer required directly reduced net loss.	—	Note 31: Management uses provision reversals to manage margins; FY23 saw a higher reversal of ₹59.83 Cr.
10	Tax rate consistency + cash tax vs P&L tax	Profit ↓ — P&L tax of 22% vs cash tax outflow of ₹28 Cr despite losses.	—	Note 38: Tax expense recognized despite PBT loss due to non-deductible expenses and international tax jurisdictions.
11	CWIP age and stalling projects	Neutral — zero CWIP reported as most projects are recognized via POCM contract assets.	—	EPC projects are capitalized as contract assets (unbilled) rather than CWIP until completion or billing milestones.
12	Deferred tax asset recognition adequacy	Profit ↑ — recognition of ₹63.94 Cr DTA despite history of losses assumes future profitability.	—	Note 4.19: DTA recognized on "convincing evidence" of future profits from order book; high judgment area given losses.
13	RPT quantum and trend	Revenue ↑↓ — RPT receivables stagnant at ₹196 Cr indicates slow recovery from legacy group entities.	—	Note 17: Includes ₹19.64 Cr from S&W International FZE which has remained stagnant, indicating potential recoverability delays.
14	Dividend paid vs FCF adequacy	Neutral — no dividends paid as company focuses on debt repayment and loss recovery.	—	Cash flow prioritized for ₹2,433 Cr debt repayment following QIP equity infusion of ₹1,475 Cr.
15	Asset Quality Risk (Claims)		—	

#	Check	Impact	Status	Notes detail
		Profit ↑ — ₹1,238.66 Cr in "Other Receivables" from BG/LC invocations treated as current assets.		Represents legal claims masquerading as current assets; recovery is highly uncertain and litigious.
16	Subcontractor Recoverable Asset	Profit ↑ — ₹467.12 Cr recognized as "recoverable" rather than expensed.	—	Management relies on legal opinion to avoid a write-off that would wipe out ~50% of equity.
17	Auditor KAM: Liquidated Damages	Profit ↑ — ₹659.87 Cr of LDs not acknowledged as debt/provision.	—	Auditor flagged this as a significant project execution risk and judgment area.

4. Management & governance

A. Auditor report & key audit matters

- **Audit Opinion Type:** Unqualified.
- **Key Audit Matters (KAMs):**
  - **Subcontractor Claims & Recoverability:** Auditor flagged ₹467.12 Cr recognized as a "recoverable" asset from a terminated subcontractor. Management relies on legal opinions rather than providing for the amount. Auditor concern centers on the high degree of judgment and the material impact on equity if arbitration fails.
  - **Liquidated Damages (LDs):** Auditor highlighted the judgment in not acknowledging ₹659.87 Cr of LDs as debt. Management contends delays are not company-attributable; auditor notes this as a significant project execution risk.
  - **Revenue Recognition (POCM):** Focus on "estimates of technical nature" for costs to complete. Auditor scrutinized the surge in unbilled receivables relative to project progress.
- **Emphasis of Matter:** Noted regarding the ongoing legal disputes and the reliance on the successful QIP for liquidity during the year.
- **Auditor Change:** No change in FY24. 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	Group Entity	Trade Receivables	13.80 Cr	***Legacy SP Group exposure***
S&W International FZE	Subsidiary	Other Receivables	19.64 Cr	***Stagnant YoY; recovery risk***
Reliance New Energy Ltd	Promoter	Equity Infusion	1,500.00 Cr	**Strong parentage support**
Related Parties (Aggregate)	Various	Trade Receivables	196.18 Cr	***23.58% of total receivables***

- **Concern:** While the shift to Reliance parentage (32.54% stake) is positive, the company still carries ₹196.18 Cr in receivables from entities related to the former promoter (SP Group), representing a significant legacy collection risk.
- **RPT Risk Checks:**
  - **% of Revenue:** 7.11% (calc.) [215.76 Cr Total RP Receivables / 3,035.37 Cr Revenue].
  - **% of CFO:** 40.10% (calc.) [215.76 Cr / 538.00 Cr] → **High cash leakage risk** if these receivables do not crystallize.

- **Other Receivables (Claims):** ₹1,238.66 Cr includes BG invocations and claims against suppliers/related parties. This is a massive forensic red flag as these are "soft" assets.

C. Shareholding

Category	Mar 2024 (%)	Mar 2023 (%)
Promoters	45.28	72.73
FIIs	12.51	2.18
DIIs	15.32	4.38
Public	26.89	20.71

- **Pledged Shares:** No specific pledge disclosed in FY24; promoter stake reduction was due to the ₹1,500 Cr QIP dilution and stake sale to meet MPS.

D. Board composition + KMP compensation

- **Total Directors:** 8 | **Independent %:** 50.00% | **Women Directors:** 2.
- **KMP Compensation Analysis:**
  - **Chandra Kishore Thakur (Manager):** ₹2.62 Cr (up 15.93% YoY).
  - **Bahadur Dastoor (CFO):** ₹3.10 Cr (up 37.29% YoY).
  - **Jagannadha Rao Ch. V. (CS):** ₹0.32 Cr (up 14.29% YoY).
- **Analysis:** CFO compensation grew by 37.29% despite the company remaining operationally loss-making (Operating Profit -₹7 Cr). Aggregate KMP pay is rising while the company reported a Net Loss of ₹211 Cr. The company continues to seek shareholder waivers for payments in excess of statutory limits.

F. Capital allocation & capex

Action	FY current (₹Cr)	FY prior (₹Cr)	% of CFO	Signal
Equity Issuance	1,475.00 Cr	0.00 Cr	274.16%	**Positive**
Debt Repayment	2,433.00 Cr	4.00 Cr	452.23%	**Positive**
Capex	1.00 Cr	9.00 Cr	0.19%	—
Interest Payments	216.00 Cr	143.00 Cr	40.15%	—
Net Debt Change	-1,514.00 Cr	1,584.00 Cr	—	**Positive**

Capex analytical notes: * **CFO Coverage of Capex:** CFO/Capex ratio is 538x, but this is misleading as CFO is inflated by working capital shifts (Payables). * **Nature of Capex:** Purely maintenance. **Gross Block increased by ₹26.98 Cr**, primarily in Buildings/Plant Machinery, but actual cash outflow was only ₹1 Cr, suggesting credit-based asset acquisition. * **Efficiency:** Revenue grew 50.64% while Capex was slashed. This signals an asset-light pivot but also a lack of investment in long-term execution capabilities.

H. Risks

- **Liquidated Damages (Severity:):** ₹659.87 Cr in unacknowledged claims for project delays. Could wipe out 70% of Other Equity if crystallized.
- **Subcontractor Claim (Severity:):** ₹467.12 Cr recognized as "recoverable" asset. Potential massive write-off (50% of equity) if arbitration fails.

- **Receivable Aging (Severity:):** □292.49 Cr (35.17% of total) is >3 years old. High probability of eventual write-off; current ECL of □1.14 Cr is inadequate.
- **Disputed Claims (Severity:):** □1,238.66 Cr in "Other Receivables" from BG/LC invocations. Represents 28.8% of Total Assets; recovery is highly uncertain.
- **Tax Litigation (Severity:):** □345.04 Cr GST demand under dispute from the SP era. Significant cash outflow risk.
- **Concentration (Severity:):** High dependency on the Reliance ecosystem for the order book (□8,084 Cr UOV).
- **Interest Rate (Severity:):** Interest rates on legacy debt remain high (up to 12.55%). Finance costs consume 7.2% of revenue despite debt reduction.

5. Scorecard & verdict

Part a: scorecard

Dimension	Rating (1–5)	Delta	Key evidence	One-line rationale
Business quality	3	→	UOV □8,084 Cr; 93% EPC revenue	Strong order book but high cyclicality and low pricing power in EPC.
Financial health	2	↑	D/E 0.53x; Interest Coverage -0.10x	Balance sheet deleveraged via QIP, but core operations still cannot service debt.
Earnings quality	1	→	CFO driven by Payables; Unbilled Rev 38% of Sales	Aggressive revenue recognition and reliance on disputed claims for asset value.
Management & governance	3	↑	Reliance 32.5% stake; 50% Ind. Board	Governance improved by Reliance entry, but legacy SP Group RPTs and KMP pay remain concerns.
Capital allocation & earnings visibility	3	↑	ROCE 4%; FCF □538 Cr (WC driven)	QIP used for survival/deleveraging; visibility high due to RIL but returns still below WACC.

Business positives (for this company this year) * **Order Book Growth:** Unexecuted Order Value (UOV) surged 65% YoY to □8,084 Cr, providing strong revenue visibility. * **Deleveraging:** Successfully reduced total debt by 74.58% to □516 Cr using QIP proceeds of □1,475 Cr. * **Reliance Synergy:** Secured "bankability" and mega-project access (e.g., Khavda) through the 32.54% Reliance New Energy stake. * **Positive CFO:** Reported positive Cash from Operations of □538 Cr, a massive swing from -□1,829 Cr in FY23. * **Strategic Pivot:** Shifted to BoS-only international contracts to protect margins from module price volatility.

Business negatives / concerns (for this company this year) * **Aggressive Revenue Recognition:** Unbilled Receivables (Contract Assets) surged 163.67% to □1,151.79 Cr, far outstripping revenue growth. * **Asset Quality Risk:** □1,238.66 Cr in "Other Receivables" (Claims/BG invocations) and □467.12 Cr in subcontractor claims represent "soft" assets. * **Receivable Aging:** 35.17% of trade receivables (□292.49 Cr) are older than 3 years, indicating high collection risk. * **Contingent Liability Overhang:** Total contingent liabilities of □1,054.89 Cr exceed the company's total Other Equity. * **Operational Losses:** Despite 50% revenue growth, the company remains operationally loss-making with an Operating Profit of -□7 Cr.

Overall scorecard summary Sterling & Wilson has successfully transitioned from a distressed asset to a stabilized growth proxy for India's renewable energy transition, primarily due to the "Reliance Halo" and a successful □1,500 Cr QIP. While the balance sheet is significantly deleveraged, the quality of earnings remains poor, with positive cash flows driven by payables rather than profits and a heavy reliance on aggressive unbilled revenue recognition. The governance posture has improved under new ownership, but the business remains on

a "Stable but High-Risk" trajectory until it can prove it can execute its ₹8,000 Cr order book with positive real earnings and clear the legacy of disputed claims.

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	—

Final line: "Total: 7/10 — Governance Rating: 3"

Part c: investor verdict

Thesis: SWREL is a high-beta turnaround play on the global solar EPC market, now de-risked by Reliance's balance sheet but still burdened by legacy accounting "ghosts."

Overall stance: Watch

Rationale: The company has fixed its liquidity but not its profitability; unbilled revenue and disputed claims remain too high for a high-conviction buy. Re-evaluate when: Operating Profit Margin (OPM) turns positive (>3%) and Unbilled Receivables as a % of Sales drops below 20%. BULL CASE: Successful arbitration of the ₹467 Cr subcontractor claim and conversion of the ₹8,084 Cr order book at 5%+ EBITDA margins. BEAR CASE: Crystallization of the ₹659 Cr Liquidated Damages liability, wiping out the majority of the company's net worth. Key monitorable: Unbilled Receivables (Contract Assets): ₹1,151.79 Cr → Watch for reduction below ₹600 Cr.

7. Year-over-year analysis

7.1 Changes

Metric / theme	Summary a status	Summary b status	Forensic takeaway
Capital Allocation	Reliance on high-cost borrowings (₹2,030 Cr) to fund massive operating losses.	Utilization of ₹1,475 Cr QIP proceeds to aggressively deleverage and repay debt.	The company has pivoted from debt-fueled survival to equity-led recapitalization to restore bankability.
Margin Trajectory	Severe collapse with OPM at -56% and a net loss of ₹1,175 Cr.	Stabilization at 0% OPM with net loss narrowing to ₹211 Cr.	While the operational bleeding has been stemmed, the business has yet to prove it can generate positive bottom-line earnings.
Working Capital (Unbilled Revenue)	Unbilled receivables at ₹436 Cr (21.6% of Sales).	Unbilled receivables surged 163% to ₹1,151 Cr (37.9% of Sales).	Revenue recognition has become significantly more aggressive, with unbilled assets growing three times faster than revenue growth.
Cash Flow Quality	Deeply negative CFO (-₹1,829 Cr) driven by core losses and clearing old dues.	Positive CFO (₹538 Cr) driven by a ₹1,482 Cr surge in trade payables.	The "positive" cash flow is a forensic mirage created by stretching vendor payments and customer advances rather than operational profit.
Management Tone	Survivalist mode, emphasizing liquidity crises and reliance on promoter indemnities.	Disciplined optimism, framing the period as "The Great Reset" under the Reliance ecosystem.	Management has successfully transitioned the narrative from insolvency risk to a growth-oriented turnaround story.

7.2 Persistent patterns

- **Aggressive Receivable Valuation:** A massive portion of trade receivables (₹292 Cr to ₹408 Cr) remains aged over 3 years with consistently inadequate ECL provisioning.
- **Contingent Liability Overhang: Liquidated Damages and tax disputes (exceeding ₹1,000 Cr) consistently threaten to wipe out the majority of the company's net worth.**
- **Reliance on "Soft" Assets:** The balance sheet remains heavily dependent on disputed claims and "recoverable" assets (e.g., the ₹467 Cr subcontractor claim) to maintain equity levels.
- **High-Cost Legacy Financing:** Despite deleveraging, interest rates on remaining debt remain punitively high (up to 12.5%), indicating a lingering risk premium.
- **KMP Compensation Divergence: Executive pay continues to rise or remain high despite the company reporting persistent net losses and operational instability.**
- **Asset-Light/Low Capex Model:** The company maintains a structural avoidance of fixed asset investment, keeping gross block additions minimal across both periods.
- **Reliance on External Support: The "Going Concern" status remains fundamentally tied to external support—previously SP Group indemnities, now Reliance-led "bankability" and equity infusions.**