Swelect Energy Systems Ltd — FY 2026 Annual Report Analysis

Annual Report Analysis (Consolidated)

Avoid: A successful technological transition to high-efficiency TOPCon modules is currently overshadowed by severe liquidity stress from a ₹**37.51 Cr** spike in unpaid statutory dues and a persistent debt-funded free cash flow deficit.

Key findings

Must know * [-] **The company** faces operational liquidity stress as statutory dues payable increased 16x to ₹37.51 Cr, while operating cash flow conversion hit a window-low 0.63x. * [-] **Capital productivity** is lagging as capital work-in-progress and intangibles reached ₹269 Cr while net fixed asset turnover remains low at 0.79x.

Business * [+] **Solar PV Panel** revenue grew 31% as the Coimbatore facility successfully transitioned 80% of its production to high-efficiency N-type TOPCon modules. * [~] **Manufacturing capacity** for modules is doubling to 2 GW by July 2026, targeting internal consumption to mitigate market pricing volatility.

Financial picture * [-] **Free cash flow** was negative for the third straight year, leading to a cumulative ₹203 Cr deficit as expansion capex outpaced internal cash generation. * [-] **Interest coverage** of 1.67x provides a thin buffer for the ₹798 Cr debt load, with variable-rate borrowings increasing by ₹199 Cr this year. * [-] **Dividends** of ₹23 Cr were effectively funded by debt, having been paid while cumulative free cash flow remained negative and net borrowing rose.

Governance * [+] **Managerial remuneration** is contained at 3.89% of EBITDA, even after a leadership transition that increased total KMP pay by 61.9%.

Outlook * [+] **The IPP segment** is targeting 1 GW scale within two years, bolstered by the commercial launch of energy storage solutions.

What to watch

Monitorable	Now	Threshold
Statutory dues payable	**₹37.51 Cr**	Below **₹5 Cr**
Interest coverage ratio	**1.67x**	Above **3x**
Module manufacturing capacity	**1 GW**	**2 GW**
IPP portfolio capacity	**159 MW**	**500 MW**
Net Debt / EBITDA	**3.99x**	Below **3x**

1. Business

1.1 What it sells, to whom

- Sells high-efficiency solar PV modules (TOPCon, Mono PERC), mounting structures (MMS), and electrical Balance of System (BoS) components; provides turnkey EPC and O&M services for solar projects.
- Operates as an Independent Power Producer (IPP), selling renewable power to state utilities, C&I customers via open-access, and residential users through a 100+ partner channel network.

- Earns through product sales (price x volume), fixed-fee EPC contracts, and annuity-style tariffs from 159 MW of owned solar and wind assets in India, with regional presence in USA and Singapore.

1.2 Segment performance

The report identifies one primary segment, "Solar and other related activities." The table below provides a breakdown by product line on a net revenue basis.

Segment	FY25 (□ Cr)	FY26 (□ Cr)	YoY	Share change (pp)	Margin	What drove it
Solar PV Panels	222.60	291.71	31.05%	8.74	—	TOPCon demand and higher manufacturing volumes
EPC & Systems	283.14	236.84	-16.35%	-9.63	—	Lower execution of utility-scale project components
Energy Sales (IPP)	102.99	113.25	9.96%	0.68	—	Commissioning of 12 MW new solar capacity
Sale of Services	3.79	5.35	41.16%	0.17	—	Growth in the installed O&M service base
Total	**621.67**	**657.12**	**5.70%**	**0**	—	**Reflects consolidated top-line growth**

Forward visibility: Approximately 41.90 Cr of EPC revenue is contracted for FY27; 150 MW of new PPAs are targeted for signing by Q1 FY27.

Solar PV panels

- Capacity: 1 GW module manufacturing facility in Coimbatore; currently scaling to 2 GW.
- Visibility: Internal consumption for IPP/EPC projects (40-50%) mitigates market risks.
- Cost driver: Imported solar cell prices and landed material costs.
- Change: Transitioned production to 80% N-type TOPCon modules; launched 620 Wp G12R bifacial modules.

EPC & systems

- Capacity: 1 GW cumulative project experience; execution reach extended by new Delhi office.
- Visibility: Contracted unsatisfied EPC performance obligations of 41.90 Cr as of March 2026.
- Cost driver: Steel for mounting structures and electrical component pricing.
- Change: Launch of residential Solar Power Generation System kits and entry into North India.

Energy sales (IPP)

- Capacity: Portfolio reached 159 MW/195 MWp; targeting 1 GW scale within two years.
- Visibility: Long-term PPAs with C&I and government utilities; 150 MW PPA pipeline under pursuit.
- Cost driver: Grid wheeling charges and plant maintenance efficiency.
- Change: Commissioned 12 MW across 3 projects; initiated 500 kW wind-solar-BESS hybrid pilot.

1.3 Operating measures

Measure	FY25	FY26	Unit
Order book (IPP)	—	More than 150 MW	MW
Order inflow in the year (Energy Storage)	—	5 MWh	MWh
Capacity and utilisation (Solar Module Manufacturing)	—	2 GW	GW
Capacity and utilisation (MMS and BOS Manufacturing)	500 MW	1 GW	GW
IPP Portfolio Capacity	147 MW/181 MWp	159 MW/195 MWp	MW
BESS Commissioning (Energy Storage)	—	10 MWh	MWh
Wind Energy Additions	—	6.6 MW	MW
Channel Partner Network (Channels Division)	—	Over 100	Partners

Not disclosed: book-to-bill. * Module manufacturing capacity remains a binding constraint; the doubling of capacity to 2 GW by July 2026 addresses high utilization of the existing 1 GW plant. * MMS manufacturing capacity doubled to 1 GW to support a 150 MW IPP pipeline, shifting the mix toward higher-margin captive supply.

1.4 What the company is building

Initiative	Type	Size	Timing / status	What it changes
SHPV Module Expansion	Expansion	2 GW	Expected July 2026	Scales high-quality solar manufacturing capacity
MMS/BoS Facility	Expansion	1 GW	Completed	Strengthens captive supply for EPC/IPP projects
FortifyGrid LLC JV	Partnership	□0.05 Cr	Signed March 2026	Accesses US and Singapore energy storage markets
Delhi Regional Office	Expansion	Not quantified	Operational	Extends project execution reach pan-India
Wind-Solar-BESS Hybrid	Commissioning	0.5 MW	March 2025	Validates integrated round-the-clock power solutions
Wind Energy Additions	Commissioning	6.6 MW	FY 2026	Diversifies the renewable energy generation portfolio
BESS Commercial Launch	New venture	5 MWh order	Q2 FY 2027	Establishes recurring revenue in energy storage

1.5 Cost base

Cost line	□Cr	Share of total cost	YoY	What drives it
Materials & project costs	350.50	69.25%	-7.21%	Global cell prices and freight costs
Finance cost	90.42	17.87%	58.57%	Interest rates on IPP project debt
Depreciation	37.75	7.46%	23.51%	Commissioning of new solar/wind assets
Employee benefits	27.45	5.42%	41.96%	Engineering talent and manufacturing headcount

Sensitivity not disclosed.

1.6 Competitive position

- Integrated model across the solar value chain allows for captive supply of modules and structures, protecting EPC and IPP margins from external price volatility.
- Competitive advantage is anchored in a 40-year power electronics legacy (Numeric brand), providing technical depth for the transition into Battery Energy Storage Systems (BESS).
- Main threat is intense pricing pressure from domestic module overcapacity (173 GW vs 44 GW demand) and technological obsolescence of module formats.

1.7 What must stay true

- ALMM and BCD protections must remain in place — currently shielding the 1 GW facility — as a removal would break domestic manufacturing competitiveness (carried from last year).
- The 2 GW capacity expansion must be commissioned by July 2026 to achieve the scale required in a volatile global pricing environment (new).
- IPP portfolio must reach the 1 GW target — currently at 159 MW — to secure the annuity cash flows needed to service growing debt (carried from last year).
- Interest cover must improve from 1.67x; further leverage at current return levels would impair financial stability (new).

2. Management's view

2.1 Outlook on the business

Area	What management says	Number or date given	Horizon
Demand	"Robust and sustained domestic demand" driven by 500 GW target and CBAM compliance.	160 GW solar needed	4 years
Pricing	"Pricing pressures" due to intense competition from domestic overcapacity.	173.14 GW capacity	FY 2026
IPP Segment	Target to secure additional PPAs for a "diversified and scalable generation platform."	500 MW	March 2027
EPC Segment	Committed to becoming a "trusted and growing contributor" in RTC tenders.	1 GW	Cumulative
Manufacturing	Expansion nearing completion to serve "domestic utility-scale, C&I, and export markets."	2 GW	July 2026
BESS Segment	A "transformative growth vertical" leveraging four decades of power electronics heritage.	10 MWh	FY 2027
Margins	Driven by "focused cost control," leaner operations, and improved efficiencies.	311.96% PAT growth	FY 2026
Growth Targets	Ambition to achieve "1 GW scale in both our IPP and EPC businesses."	1 GW each	2 years
Capex	Expansion of module facility and doubling of MMS/BOS capacity.	1 GW (MMS)	FY 2026
Balance Sheet	"Highly deleveraged" with unencumbered assets and significant cash equivalents.	□500 Cr	FY 2026
Guidance	"Secure at least 500 MW PPAs" and "at least double" channel revenue.	—	March 2027

Backdrop: Global renewable capacity reached 5,149 GW in 2025; India ranks third globally in installed solar capacity at 150.26 GW.

2.2 Plans and expansion

- Management entered a 50:50 joint venture with FortifyGrid LLC (USA) to develop BESS solutions in India and Singapore, involving an initial investment of □0.05 Cr; the U.S. venture depends on leveraging local project pipelines and regulatory frameworks in FY 2027.
- Commercial launch of residential (up to 500 kWh) and C&I BESS solutions is planned for Q2 FY 2027, contingent upon receiving mandatory BIS CRS certifications currently underway.
- Scaling the IPP portfolio depends on achieving financial closure at the start of execution for each project to reduce construction working capital requirements, supported by freeing liens on existing investments.
- The 2 GW module expansion is intended to have 40% to 50% of output consumed by internal business units to mitigate market risks associated with domestic overcapacity and pricing volatility.

2.3 Risks and challenges management names

Risk (management's words)	Mitigation stated	Where it shows in the numbers
Policy & Regulatory Risk	Proactive engagement with MNRE/NSEFI and diversified revenue base.	Not visible in the figures
Geopolitical & Supply Chain Risk	Insulation via predominantly domestic revenue and long-term fixed-price PPAs.	Consolidated revenue □657.12 Cr
Domestic Overcapacity	Competing on quality, certification breadth, and technology differentiation (TOPCon).	Module revenue □291.71 Cr
Technology Obsolescence	Upward-compatible manufacturing lines and TOPCon-first strategy through 2030.	Employee costs □27.45 Cr
Working Capital Risk	Optimizing bank lines and securing project finance prior to execution.	Standalone finance costs □31.77 Cr
Human Resource Risk	Women’s workforce initiative and localized hiring with retention programmes.	31% women in production

2.4 Tone

Optimistic -- Leadership highlights a successful transition to higher-efficiency technology and a "renewed energy" following a new CEO appointment.

"The renewable energy opportunity before India remains enormous."

"Energy storage is embedded in the Company’s engineering DNA."

The tone changed from a "scale-at-all-costs" approach to one focused on "disciplined capital allocation" and "operationalizing" standardized offerings.

3. Financial picture

3.0 What looks out of line

What it could mean	What would confirm or disprove it	Likelihood
Operational liquidity stress	A reduction in statutory arrears in H1 FY27 or a stabilization of the net debt-to-EBITDA ratio.	Likely
Revenue quality risk from accounting transition	Reversal of contract assets or inventory write-downs if project milestones or module sales stall.	Possible
Working capital leakage to supply chain	Faster inventory turnover or a corresponding decrease in raw material costs in the next cycle.	Possible
Capital productivity lag	Revenue growth exceeding 20% once the 2 GW manufacturing ramp-up is fully operationalized.	Likely

A one-time exceptional expense of □1.91 Cr was recognized for gratuity liabilities following the 2020 Social Security Code.

3.1 Is it making money, and is the profit real?

Reported profit is heavily supported by non-operating income despite a structural recovery in solar module manufacturing margins. * Operational profit growth was driven by a shift to TOPCon modules, but PBT relies on □36.08 Cr of recurring other income, representing 44.7% of total earnings. * The margin expansion to 22.98% is partly transitional, aided by the EPC accounting change to the POC method, which recognized □71.14 Cr of revenue. * While ROCE improved to 9%, PAT on total assets (2.6%) remains below the 6.5% risk-free rate, indicating the asset base is not yet earning its cost.

Where the profit came from (FY26): pre-tax profit of □76 Cr = core operating profit □151 Cr, plus recurring other income □36 Cr, less one-off items □2 Cr, less interest □61 Cr, less depreciation □49 Cr.

What moved operating profit (FY25 □97 Cr to FY26 □151 Cr, +□54 Cr): higher revenue +□35 Cr, lower materials +□25 Cr, higher employee cost -□8 Cr, lower other operating costs +□6 Cr. (Cost lines are Screener's percentages of sales, so each is good to about ±□1 Cr.)

Five-year record

Metric	5-yr mean	FY25	FY26	Low ‹ band › high	Vs trend	Why it moved	Durable?
Revenue growth %	39.22	155.97	5.63	-37.08 `[--#-o------]` 155.97	**Worse than trend**	Normalization after prior year backlog liquidation	Too early
EBITDA margin %	23.31	15.59	22.98	15.59 `[----#------]` 34.57	**In line with trend**	Transition to high-efficiency TOPCon modules	—
PAT margin %	9.7	2.25	8.83	2.25 `[--#o--------]` 25.93	**In line with trend**	Core operational recovery	—
ROCE %	4.75	5	9	4 `[-o # ` 5	**Better than trend** (best in window)	Contribution from newly commissioned solar assets	Structural
Other income % of PBT	75.75	106.82	44.74	25.00 `[--#----o----]` 112.86	**Better than trend**	Core profit growth reduced non-operating reliance	—

What the checks found

Is the growth real? Watch · Is the P&L being manufactured? Watch

Check	FY25	FY26	Status	What it means
Customer concentration	Not disclosed	₹181.70 Cr	Watch · high impact	Concentration risk from two customers: Ganesha Power Textile (14.48%) and Milky Mist Dairy (13.17%)
Change in revenue recognition method (EPC)	—	₹71.14 Cr	Watch · high impact	Shifted to POC method using 'cost expended' as progress measure for first time
Non-operating / other income as % of PBT	₹46.94 Cr	₹36.08 Cr	Watch · high impact	Other income contributes 47.7% of PBT, primarily from investment gains (₹14.10 Cr) and interest (₹16.72 Cr)
Valuation-method or accounting-policy change	—	₹71.14 Cr	Watch · high impact	POC method introduced for EPC contracts
Depreciation policy / useful-life change	25 years	25 years	Watch · medium impact	Useful life of 25 years for Solar Plants is longer than standard electrical equipment (15 years)
Receivables ageing / ECL provisioning	₹3.17 Cr	₹4.96 Cr	Watch · low impact	Adds ₹1.79 Cr to expense for the year
Unbilled revenue, contract assets, deferred revenue	₹8.11 Cr	₹12.74 Cr	Watch · low impact	Accrued revenue not yet invoiced
Advances from customers trend	₹65.38 Cr	₹23.43 Cr	Watch · low impact	Operating cash drag as prior advances are consumed
Deferred tax movement and cash-vs-book tax	₹27.90 Cr	₹12.42 Cr	Watch · low impact	Non-cash tax expense inflating the effective tax rate

Clean (4): Receivables growth vs sales growth; Revenue from related parties as % of revenue; Exceptional items and their effect on PBT; Provision reversals credited to income.

3.2 Is profit turning into cash?

Cash conversion deteriorated sharply as operational gains were trapped in an aggressive build-up of finished goods and supplier advances. * CFO/EBITDA plummeted to 0.63x as a □79 Cr working capital drag, led by a □89 Cr inventory build, neutralized the impact of improved debtor days. * Finished goods inventory surged to □91.47 Cr, suggesting a potential demand-side bottleneck or stock accumulation ahead of the 2 GW capacity expansion. * Tax paid (□33 Cr) is only 55% of book tax (□60 Cr) over five years, reflecting significant deferred tax shelters from carry-forward losses and depreciation.

Five-year record

Metric	5-yr mean	FY25	FY26	Low ‹ band › high	Vs trend	Why it moved	Durable?
CFO / EBITDA	1.48	1.34	0.63	1.07 `# [--o----]` 2.11	**Worse than trend**	Cash trapped in inventory and supplier advances	Too early
Debtor days	73.75	38	34	38 `#[-----o----]` 99	**Better than trend** (best in window)	Improved collections on project receivables	Structural
Cash conversion cycle (days)	300.5	95	63	95 `#[--o-------]` 702	**Better than trend** (best in window)	Reduced receivable cycle offset inventory build	Structural
Cash from operations	112.0	130.0	95.00	90.00 `[#----o-----]` 131.0	**Worse than trend**	Increase in working capital for inventory build	—

What the checks found

Does profit become cash? Watch

Check	FY25	FY26	Status	What it means
CFO vs clean EBITDA (cash conversion)	1.34x	0.63x	Watch · high impact	□55.51 Cr gap between operating profit and operating cash
Pre-tax operating conversion (CFO + tax paid) / EBITDA	1.41x	0.68x	Watch · high impact	—
Working-capital movement	□18.00 Cr	-□79.00 Cr	Watch · high impact	Major cash drain from 'Other WC items' at -□135 Cr
Cash tax paid vs book tax	□7.08 Cr	□8.21 Cr	Watch · low impact	Tax paid (□8.21 Cr) is 45.7% of book tax (□17.98 Cr)

Clean (1): Inventory absorption of operating cash.

3.3 Where is the cash going?

Growth is predominantly debt-funded as massive manufacturing capex far exceeds the company's internal cash generation capability. * Capex absorbed 137.4% of cumulative operating cash flow, resulting in a □203 Cr free cash flow deficit over five years funded by external borrowing. * Dividends were funded by debt rather than operations, as cumulative free cash flow remained negative while □23 Cr was distributed to shareholders. * Capital allocation focused on scaling Coimbatore manufacturing and IPP asset additions, driving net debt to □603 Cr and increasing variable-rate debt exposure by □199 Cr.

Where 5 years of cash went: the business generated ₹543 Cr of operating cash; it went to interest ₹224 Cr, capex ₹746 Cr, dividends ₹23 Cr; net borrowing raised ₹452 Cr, no equity raised.

What the checks found

Is value leaving to insiders? Insufficient

Check	FY25	FY26	Status	What it means
Interest earned on loans/advances to related parties, against the company's own cost of debt	—	Not disclosed	Unresolved	—
Interest paid on loans taken FROM promoters or directors, against the company's own cost of debt	—	Not disclosed	Unresolved	—

Clean (6): Related-party transaction quantum and trend; New related-party counterparties this year; KMP / director remuneration vs EBITDA; Loans, advances or guarantees to group entities; Promoter pledge / encumbrance; CSR spend and shortfall.

3.4 How strong is the balance sheet?

The balance sheet is increasingly levered with rising sensitivity to interest rates and significant short-term statutory obligations. * Net debt reached ₹603 Cr, and a 100bps rise in interest rates would now impact PBT by ₹5.27 Cr due to increased variable-rate borrowings. * Liquidity is strained by a 16x spike in statutory dues and ₹109.58 Cr in bank guarantees, creating high performance-linked obligations for the project pipeline. * Asset quality is obscured by a ₹319 Cr residual "other assets" bucket, primarily representing supplier advances that now account for 15.3% of total assets.

Five-year record

Metric	5-yr mean	FY25	FY26	Low ‹ band › high	Vs trend	Why it moved	Durable?
Net debt / EBITDA	4.80	4.49	3.99	3.98 `{-----o-----]` 5.71	**Better than trend**	Higher operational profit base	—
Interest coverage	1.13	0.95	1.67	0.82 `[---o-----] #` 1.56	**Better than trend** (best in window)	Sharp recovery in operational EBITDA	Structural

What the checks found

Can the balance sheet take a hit? Watch

Check	FY25 (□ Cr)	FY26 (□Cr)	Status	What it means
Borrowing terms, security, covenants	628	798	Watch · high impact	Gearing ratio rose from 36% to 50%
CWIP ageing and stalled projects	7	162.16	Watch · medium impact	Large capital lockout; □6.12 Cr is aged 1-2 years
Dividend vs free cash flow	-6	-5	Watch · low impact	Dividends paid despite negative FCF of -□147 Cr
Statutory dues liquidity stress	2.34	37.51	Watch · low impact	Possible liquidity tightness leading to delayed remittance
Encumbered assets / title deeds not in company name	—	Not disclosed	Unresolved	—

Clean (1): Contingent liabilities vs net worth.

Runway: □471 Cr of cash and investments against a cash burn after capex of □147 Cr (about 3.2 years). Borrowings of □798 Cr sit on top.

Contingent liabilities and commitments

Contingent liability type	31 march 2026	31 march 2025
Income Tax related matters	13.83 Cr	152.55 Cr
Excise related matters	5.57 Cr	6.72 Cr
GST related matters	0.77 Cr	0.77 Cr
Bank Guarantees to various parties	109.58 Cr	30.17 Cr
Capital Commitments (contracts to be executed)	17.01 Cr	14.39 Cr

- There was a massive reduction in contingent Income Tax liabilities from □152.55 Cr to □13.83 Cr, suggesting successful resolution of high-value tax disputes or unfavorable judgments already provisioned.
- Bank guarantees outstanding exploded from □30.17 Cr to □109.58 Cr, indicating a significant increase in performance-linked obligations for new projects.

Financial statements

P&L statement (□Cr)

Line item	Mar 2026	Mar 2025
Sales	657	622
Sales Growth %	5.70	156.06
Expenses	506	525
Material Cost %	54	61
Raw material cost	442	297
Change in inventory	-89	83
Manufacturing Cost %	0	13
Employee Cost %	5	4
Other Cost %	18	7
Operating Profit	151	97
OPM %	23	16
Other Income	34	47
Exceptional items	-1.91	26.56
Other income normal	36.08	20.38
Interest	61	57
Depreciation	49	43
Profit before tax	76	44
Tax %	24	68
Net Profit	58	14
Minority share	-2	-1
Exceptional items AT	-1	9
Profit excl Excep	59	5
Profit for PE	57	5
Profit for EPS	55	13
Profit Growth %	1,047	-83
EPS (□)	36.39	8.31
Dividend Payout %	10	36

Balance sheet (□Cr)

Line item	Mar 2026	Mar 2025
Equity Capital	15	15
Reserves	906	842
Borrowings	798	628
Long term Borrowings	380	315
Short term Borrowings	414	308
Lease Liabilities	4	4
Other Borrowings	0	0
Other Liabilities	364	265
Non controlling int	33	20
Trade Payables	145	113
Advance from Customers	0	65
Other liability items	186	66
Total Liabilities	2,083	1,749
Fixed Assets	842	813
Land	—	27
Building	—	74
Plant Machinery	—	736
Equipments	—	13
Computers	—	2
Furniture n fittings	—	5
Vehicles	—	3
Intangible Assets	107	3
Other fixed assets	—	218
Gross Block	—	1,082
Accumulated Depreciation	—	269
CWIP	162	7
Investments	276	268
Other Assets	803	661
Inventories	173	172
Trade receivables	61	65
Receivables over 6m	—	18
Receivables under 6m	—	50
Prov for Doubtful	—	-3
Cash Equivalents	195	192
Loans n Advances	55	44
Other asset items	319	189

Line item	Mar 2026	Mar 2025
Total Assets	2,083	1,749

Cash flow statement (□Cr)

Line item	Mar 2026	Mar 2025
Cash from Operating Activity	95	130
Profit from operations	183	119
Receivables	0	-10
Inventory	-1	58
Payables	57	-22
Loans Advances	0	0
Other WC items	-135	-8
Working capital changes	-79	18
Direct taxes	-8	-7
Cash from Investing Activity	-198	-113
Fixed assets purchased	-242	-138
Fixed assets sold	8	1
Investments purchased	0	0
Investments sold	6	29
Interest received	17	15
Dividends received	4	0
Invest in subsidiaries	0	0
Investment in group cos	0	0
Redemp n Canc of Shares	1	0
Other investing items	8	-20
Cash from Financing Activity	50	19
Proceeds from borrowings	160	294
Repayment of borrowings	-55	-212
Interest paid fin	-61	-57
Dividends paid	-5	-6
Financial liabilities	0	0
Other financing items	10	0
Net Cash Flow	-52	37
Free Cash Flow	-138	-7
CFO/OP	68	142

Key ratios

Line item	Mar 2026	Mar 2025
Debtor Days	34	38
Inventory Days	179	166
Days Payable	150	108
Cash Conversion Cycle	63	95
Working Capital Days	69	-62
ROCE %	9	5

4. Management & governance

Governance check matrix

Check	Status	Detail
Audit opinion (type)	Clean	Unmodified
Fraud reported by the auditor	Clean	None reported
Audit trail (edit log)	Clean	Operated throughout the year
Statutory dues unpaid	Flag	CARO qualification for HHV Solar subsidiary; dues payable rose 16x to □37.51 Cr
Promoter pledge (% of promoter holding)	Clean	0%
Independent directors (% of board)	Clean	50% (6 of 12)
Woman director	Clean	3 directors (Ms. V.C. Mirunalini, Mrs. Jayashree Nachiappan, Mrs. Uma Prakash)
KMP pay against the statutory ceiling	Clean	Within limits
Related-party transactions (% of revenue)	Clean	Less than 1.5% of revenue

A. Auditor report & key audit matters

The auditor highlighted one Key Audit Matter: **Revenue recognition under the Percentage of Completion (POC) method** for Engineering, Procurement, and Construction (EPC) contracts. This was flagged due to the significant judgment required to estimate contract progress, identify performance obligations, and allocate transaction prices. Management addressed this by implementing internal controls to track costs expended against total estimated costs and by aligning policies with Ind AS 115.

The auditor noted a specific qualification under CARO Clause vii(a) for the step-down subsidiary, **Swelect HHV Solar Photovoltaics Private Limited**, regarding delays in depositing statutory dues. No Emphasis of Matter or material control weaknesses were reported for the Group. Total fees paid to the statutory auditor amounted to □0.85 Cr, of which □0.84 Cr was for audit-related services (audit, limited reviews, and tax audit) and □0.01 Cr for non-audit certification services.

B. Related party transactions

Related party transactions primarily involve executive remuneration and leases for premises. The company transitioned to the Percentage of Completion method for EPC revenue, but no material revenue was derived from related parties, reducing circularity risks.

Counterparty	Relationship	Nature	FY26 (□ Cr)	FY25 (□ Cr)	Balance at FY26 year end (□Cr)	Assessment
R. Chellappan	Vice Chairman	Rent & Remuneration	1.00	1.29	0.13	Arm's length
Swelect Electronics	KMP-influenced	Rent	1.19	0	0	Routine
Srivaru Motors	KMP-influenced	Asset Purchase	0.39	0.14	0	Arm's length
TSK Legal LLP	KMP-influenced	Legal Services	0.05	0.60	0	Routine
Promoters/ Relatives	Promoter Group	Dividends Paid	0.84	0.73	0	Routine
Others (KMPs)	KMPs	Remuneration	4.87	3.16	0.21	Arm's length
Total	—	—	**8.34**	**5.92**	**0.34**	—

The reporting does not disclose the specific interest rates for any underlying inter-corporate deposits within the joint ventures, though the Group's share of losses in these four ventures (□0.87 Cr unrecognized) suggests they are not yet self-sustaining. No write-offs or impairments were recorded against promoter-held entities this year.

C. Shareholding

The promoter group maintains a stable majority stake with no shares pledged to lenders or for personal borrowing.

Category	FY26 (%)	FY25 (%)	Change (pp)
Promoter	56.37	56.37	0.00
Institutions (Foreign)	0.23	0	0.23
Public	43.40	43.63	-0.23

D. Board composition

The board is heavily family-oriented. Mr. R. Chellappan (Vice Chairman) is the father of two Whole-time Directors, Mr. V.C. Raghunath and Ms. V.C. Mirunalini. The new CEO and Managing Director, Dr. Arulkumar Pudur Shanmugasundaram (appointed September 2025), is the brother of Non-Executive Director Mrs. Jayashree Nachiappan, who is herself the wife of Whole-time Director Mr. K.V. Nachiappan. Mr. G.S. Samuel transitioned from an Independent Director to a Non-Independent role upon the completion of his second term in July 2025. No sudden resignations occurred during the year.

E. KMP compensation

Managerial pay rose sharply this year, primarily due to the induction of a new Managing Director at a significantly higher pay scale than the outgoing managing director.

Name	Role	FY26 (□Cr)	FY25 (□Cr)	Change
Dr. Arulkumar Pudur S	CEO & MD	1.98	—	New
Mr. R. Chellappan	Vice Chairman	0.57	0.88	-35.2%
Mr. A. Balan	WTD	0.50	0.53	-5.7%
Mr. K. V. Nachiappan	WTD	0.44	0.46	-4.3%
V.C. Raghunath / Mirunalini	WTDs	0.64	0.62	3.2%
Nikhila R / Bhuvaneswari	CFO / CS	0.29	0.24	20.8%
Total	—	**4.42**	**2.73**	**61.9%**
Pay as % of EBITDA	—	**2.93%**	**2.81%**	—

Total KMP and Director remuneration was □5.87 Cr. Measured against the year's EBITDA of □151.0 Cr, total compensation is a proportionate 3.89%. While aggregate pay rose 61.9% following the leadership transition, it remains well below the 5% threshold of operating profit.

F. Capital allocation & capex

The company is in an aggressive expansion phase, resulting in a Free Cash Flow deficit for FY26. While the business generated □95.0 Cr from operations, this was insufficient to cover the □242.0 Cr in capex, which was primarily directed toward a new 1 GW solar module manufacturing facility. The funding gap and a cumulative five-year FCF deficit of □203 Cr have been bridged through debt, with net borrowings increasing by □452 Cr over the analysis window. Consequently, the dividend cover from free cash flow is negative at -8.83x, meaning dividends were effectively funded by debt. While ROCE improved to 9% from 5% as new capacities began to contribute, the share count remained stable, avoiding equity dilution.

G. Accounting policy stance: revenue and depreciation

Policy	What the company does	Standard or industry norm	Stance
Revenue recognition	Shifted to POC for EPC using "cost expended" measure.	Point-in-time for products; POC for long-term contracts.	In line
Depreciation lives	Solar plants depreciated over 25 years.	15 years for general plant/machinery (Schedule II).	Aggressive
Intangibles	Goodwill tested annually; no impairment recorded.	Impairment testing based on cash flow projections.	In line
Provisioning	ECL allowance increased to □4.96 Cr.	Provisioning based on historical loss and aging.	In line

Overall accounting stance: In line — The company has adopted standard Ind AS 115 transitions for its EPC business, although the 25-year depreciation life for solar plants is aggressive compared to general machinery standards and serves to moderate the depreciation hit on the P&L.

4.1 Credibility: said versus delivered

What they said last year	What happened	Verdict
Transition 1 GW manufacturing to TOPCon modules	Summary B reports 80% production transitioned to TOPCon	Delivered
Double module capacity to 2 GW	Completion now expected July 2026 (FY27)	Late
Introduce Battery Energy Storage Systems (BESS)	10 MWh commissioned; 5 MWh order received for FY27	Delivered
Refinance □290 Cr through Infradebt NCDs	Net debt rose □167 Cr; proceeds from borrowings was □160 Cr	Partially Met
Shift toward IPP model for annuity flows	Portfolio reached 159 MW, adding 12 MW in FY26	Partially Met

n/a further claims too vague to check.

This year's claims against the numbers

- Management claims the balance sheet is "highly deleveraged" with its liquidity, but Net Debt / EBITDA remains at 3.99x and absolute Net Debt rose to □603 Cr. **CONTRADICTED**
- The plan to double MMS capacity to 1 GW to support captive supply was achieved, as reflected in the doubling of MMS manufacturing capacity in section 1.3. **Delivered**
- Claim of "disciplined capital allocation" is challenged by negative Free Cash Flow while paying dividends from borrowed funds. **CONTRADICTED**

Credibility: Medium — While management successfully executed the difficult technological transition to TOPCon and BESS, their financial narrative regarding deleveraging is not supported by the rising debt levels.

What has not changed

- The company has failed to generate positive Free Cash Flow for the third year running, remaining structurally dependent on external financing.
- Management continues to use an aggressive 25-year useful life for solar assets, persistent across the five-year window.
- Net Profit remains heavily supported by non-operating income (Other Income at 44.7% of PBT) for the fifth year running.
- Dividends continue to be funded by debt rather than operational cash flow, a behavior repeated across the five-year window.

5. Scorecard

Dimension	Rating	Vs last year	What decided it
Business quality	2	Down	Asset productivity is low with a five-year mean ROCE of **4.75%** and two years of fixed-asset returns below the risk-free rate.
Financial health	2	Same	Net debt at **3.99x** EBITDA and interest coverage at **1.67x** sit near the thresholds for severe financial weakness.
Earnings quality	2	Same	Liquidity stress is flagged by a □**37.51 Cr** spike in statutory dues, and capital productivity is lagging as CWIP and intangibles reached □**269 Cr**.
Management & governance	5	Up	The group maintains a clean audit opinion, zero promoter pledge, and total KMP remuneration below **5%** of EBITDA.
Capital allocation	2	—	Dividends were paid while cumulative free cash flow was negative □**203 Cr** and net borrowing rose to fund the shortfall.