

Sterling & Wilson Renewable Energy Ltd — Jan 2025 Quarterly Analysis

1. VERDICT & BUSINESS QUALITY SNAPSHOT

Result: Miss (Revenue Guidance) / Inline (Margins) **One-line:** The long-term thesis of a balance sheet turnaround is nearing completion (Net Debt down to ₹175 Cr), but the execution "hockey stick" has been truncated for FY25, with revenue guidance slashed by ~20% due to customer-side delays and slower unfreezing of bank limits.

Dimension	This Quarter	Signal / Evidence	Sentiment
Beat/Miss vs Guidance	Weak Miss	FY25 Rev guidance cut from ₹8,000 Cr to ~₹6,250 Cr (midpoint).	□
Earnings Quality	High (Core driven)	PBT more than doubled sequentially; PAT impacted by ₹18 Cr DTA charge.	□
Guidance Confidence	Neutral	Mgmt lowered FY25 revenue but set a "new normal" Q4 exit run-rate of ₹2.5k Cr.	□
Management Credibility	Neutral	Successfully deleveraged; however, over-promised on H2 FY25 execution velocity.	□
Business Quality Signal	Improving	Domestic gross margins hit 9.7% (nearing 10% target); Net debt halved.	□
Key Q&A Exchange	Q#1 - Revenue Miss	Mgmt admitted ₹8k Cr is unachievable; new target is ₹6.0k-₹6.5k Cr.	□
The Street's Primary Anxiety	Execution Limits	Can they scale without full limit unfreezing? (₹4.5k Cr usable vs ₹7.3k Cr sanctioned).	□
Capital Cycle Stage	Scale-up	Transitioning from survival/repayment to scaling domestic execution.	□
Margin Trajectory	Improving	Operational EBITDA ₹90 Cr vs ₹23 Cr (Q2); domestic GM trending to 10%.	□
Pricing Power	Stable	9 of 11 domestic wins are private IPP; selective bidding to maintain ~10% GM.	□
FCF Conversion	Strong	Net Debt reduced by ₹150 Cr; OCF was positive alongside indemnity receipt.	□
Competitive Moat	Stable	27 GW bid pipeline; maintain #1 Solar EPC status in India market.	□
Balance Sheet Strength	Strong	Net debt at ₹175 Cr (lowest post-listing); WC remains negative (₹362 Cr).	□
Working Capital	Stable	Negative working capital persists; customer advances at ₹1,106 Cr.	□
Mgmt Guidance Record	Mixed	Accurate on deleveraging; inconsistent on execution timelines.	□
Key Vulnerability	Limit Liquidity	Reliance on supplier open credit to bypass banking limit friction.	□
Management Tone	Cautiously Upbeat	Confident in FY26 (₹10k Cr target) but humble on FY25 timing miss.	□

Sentiment: □Neutral

Key Takeaways: * **Positives:** The structural repair of the balance sheet is nearly finished. Net debt dropped from ₹326 Cr to ₹175 Cr QoQ, significantly de-risking the company. Operational leverage is finally visible—

revenue grew 78% QoQ while recurring overheads stayed flat, leading to a 4x jump in operational EBITDA (₹90 Cr). Domestic margins (9.7%) are now within striking distance of the 10% steady-state target. * **Negatives:** Management walked back the ₹8,000 Cr FY25 revenue guidance to ₹6,000-₹6,500 Cr. This is a material "timing miss" driven by customer land/evacuation issues and slower-than-anticipated unfreezing of bank limits (only ₹4,500 Cr usable currently). The "Nigeria Bonus" remains in procedural limbo, despite two years of optimistic commentary. * **Street's Concern:** Analysts are frustrated by the consistent "over-promise, under-deliver" pattern on quarterly revenue targets. Management's response is that while site readiness is out of their control, the exit run-rate of ₹2,500 Cr/quarter is sustainable for FY26, targeting ₹8,000 Cr+ revenue next year. * **Forward Watchpoint:** Monitoring the appointment and joining of the new CFO (expected in 2-3 months) and the conversion of the ₹4,500 Cr usable limits back toward the ₹7,300 Cr sanctioned level.

2. BUSINESS PERFORMANCE

2A. KEY METRICS *PPT figures used as primary. Concall used for commentary.*

Metric	Current Qtr	YoY Change	QoQ Change	Trend	Mgmt Commentary
Total Income (₹ Cr)	1,837	↑ 215.1%	↑ 78.2%	↑	Highest post-Covid revenue; driven by domestic execution scale-up.
EBITDA (₹Cr)	73	↑ NM	↑ 43.1%	↑	Reported EBITDA; operational EBITDA (ex-one-offs) was ₹90 Cr.
EBITDA Margin %	4.0%	↑ NM	↓ 90 bps	↓	% lower vs Q2 (4.9%) due to legacy cost hit in Int'l EPC.
PAT (₹Cr)	17	↑ NM	↑ 88.9%	↑	Impacted by ₹18 Cr non-cash DTA charge; underlying PAT higher.
Order Book (₹Cr)	10,167	↑ 25.8%	↓ 3.6%	→	Down slightly vs Q2 (₹10,549 Cr) as execution outpaced inflows.
Order Inflows (₹ Cr)	1,465	↓ 39.5%	↓ 28.3%	↓	Lumpy nature; 9M FY25 inflow ₹5,679 Cr; confident of ₹8k Cr target.
Execution Rate (%)	17.4%	↑ 1100 bps	↑ 760 bps	↑	% of opening UOV (₹10,549 Cr) executed in Q3 (₹1,837 Cr).
Book-to-bill (x)	5.5x	↓ 60.1%	↓ 45.1%	↓	Normalizing as revenue scales; provides 1.5 years visibility.
Net Debt (₹Cr)	175	↓ 63.8%	↓ 46.3%	↑	Repaid via ₹109 Cr indemnity + ops cash; massive de-risking.
Working Capital (₹ Cr)	(362)	↓ 38.1%	↓ 33.3%	→	Remains negative; lower advances (₹1,106 Cr vs ₹1,333 Cr Q2).
Gross Margin (%)	9.4%	↓ 180 bps	↓ 70 bps	↓	Hit by one-time AUD 3Mn (₹16.5 Cr) cost in legacy Australian project.

2B. SEGMENT BREAKDOWN

Segment	Revenue (₹ Cr)	YoY Growth	Margin	Trend	vs Co. Avg	Key Development
Domestic EPC	1,431	↑ High	9.7%	↑	Inline	Trending toward 10% target; execution in Khavda/Gujarat on track.
Intl. EPC	319	↑ High	~5.0%	↓	Below	Impacted by AUD 3m legacy punch-point costs; recurring GM ~11%.
O&M	87	↑ 25%+	25.0%	→	Above	Portfolio at 8.8 GW; meaningful revenue jump expected in H2 FY26.

3. MANAGEMENT OUTLOOK & EXECUTION TRACKER

Dimension	Category	Management Target / Claim	Required Run-Rate / Mathematical Feasibility	Historical Delivery	Risk Flag
Guidance	Revenue	FY25: ₹6,000 - ₹6,500 Cr.	Needs ₹2,217 - ₹2,717 Cr in Q4. Mgmt guided ₹2.3k-2.5k Cr. Feasible based on current run-rate.	Missed (Prior guidance ₹8,000 Cr).	High
Guidance	Order Inflow	FY25: ₹8,000 Cr (ex-Nigeria/RIL).	Needs ₹2,321 Cr in Q4. 21 GW domestic bid pipeline makes this highly probable.	On Track (9M: ₹5,679 Cr).	Low
Guidance	Margins	10% - 11% Gross Margin.	Current 9M: 10%. Domestic GM improving QoQ (9.1% -> 9.7%).	Delivered.	Low
Strategy	Reliance	BESS Pilot to complete in FY25.	First set commissioned; rest by March. Discussions for larger rollout active.	On Track.	Medium
Strategy	Nigeria	961 MW order signing "soon."	Procedural steps in progress; Financial closure takes 6-9 months post-signing.	Delayed (2 years+).	High
Balance	Bank Limits	Unfreeze sanctioned limits.	Available ₹4.5k Cr of ₹7.3k Cr. Slower than hoped; reliant on supplier credit.	Under-delivered.	Medium

4. ANALYST Q&A

Q#	Relevance	Analyst / Firm	Theme Cluster	Category	Underlying Concern	Management Response & Investment Implication	Evaded / Not Addressed	Credibility	Verdict
1	5.0	Subash / Value Invest	Revenue Miss	Financials	"Even after Q2 you said you're confident of ₹8,000 Cr revenue... if you do only ₹3,000 Cr in Q4, you will not achieve guidance. Am I right?"	Management confirmed the miss, revising FY25 guidance to ₹6,000-₹6,500 Cr due to customer land/evacuation issues and slower banking limit unfreezing. This pushes the ₹6k Cr target to FY26, representing a delay in the recovery thesis timeline.	None	3.0	Blunt admission
2	4.0	Puneet / HSBC	Reliance	Business Overview	"Do you have any indications of Reliance scaling up and are you keeping bandwidth separate for that?"	Management confirmed pilot projects are commissioning on track and they are in active Board-cleared project discussions for the larger rollout. Reliance remains the "optionality" kicker to the base case, with a potential FY26 start.	Exact timelines	3.5	Directional
3	4.5	Kunal Shah / DAM Cap	Rev Shortfall	Financials	"What quantum of the ₹1,500 Cr shortfall vs initial guidance is due to developer delays vs	Management attributed the "large part" to customer realignment (external land/grid issues) rather than internal banking constraints.	Specific % split	3.0	Plausible

Q#	Relevance	Analyst / Firm	Theme Cluster	Category	Underlying Concern	Management Response & Investment Implication	Evaded / Not Addressed	Credibility	Verdict
					bank limit constraints?"	This de-risks the perception of internal liquidity failure but highlights the industry's execution volatility.			
4	4.5	Aejas / Unifi	Bank Limits	Financials	"Out of the ₹7,300 Cr sanctioned limits, what exactly is the limit available to the company at present?"	Management clarified that ₹4,500 Cr is usable today (up from ₹3,500 Cr in Q2), with another ₹500 Cr available via IREDA. While increasing, the gap of ₹2,800 Cr in "frozen" limits remains a friction point for massive scaling.	None	4.5	Quantified
5	3.5	Rohit / ABSL	Overheads	Financials	"Do you still stick to the ₹300 Cr annual recurring overheads number?"	Management confirmed recurring overheads will hold at ~₹80-₹85 Cr per quarter (₹320-₹330 Cr annual). This validates the operational leverage thesis as revenue scales from ₹1k Cr to ₹2.5k Cr per quarter.	None	5.0	High visibility
6	3.0	Shiwani / Monarch	Litigation	Financials	"What are the developments on the pending litigation matters?"	Management noted a favorable GST ruling in Andhra High Court (impact ₹170 Cr stuck across states)	US arbitration	3.0	Procedural

Q#	Relevance	Analyst / Firm	Theme Cluster	Category	Underlying Concern	Management Response & Investment Implication	Evaded / Not Addressed	Credibility	Verdict
						and positive updates in an Australian project. Successful recovery of these amounts would provide a significant cash windfall, though timing remains uncertain.			
7	4.0	Bajrang / Sunidhi	FY26 Outlook	Management Commentary	"What sort of order intake can we target in FY26?"	Management guided for ₹10,000 Cr in new order inflows for FY26 (excluding Reliance/ Nigeria) and similar execution targets. This sets a floor for 50%+ revenue growth in FY26 off the revised FY25 base.	None	3.5	Confident
8	4.5	Bhavik / MK	Reliance/ Nigeria	Strategy	"Do you think we have a bandwidth to execute both these projects together?"	Management insisted they can scale teams as needed and that Nigeria specifically requires no additional overhead; Reliance teams would ramp as orders materialize. Execution bandwidth is currently not the bottleneck; land and liquidity are.	None	4.0	Resource-ready

PATTERN FLAGS & SENTIMENT * **The "Realignment" Defense:** Management repeatedly used "customer realignment" to explain the revenue miss. This shifted the blame from their balance sheet/bank limits to external factors (land/evacuation). While common in EPC, the consistent guidance miss on revenue creates a "trust but verify" environment for the next two quarters. * **Banking Limit Friction:** Analysts focused heavily on the gap between sanctioned (₹7.3k Cr) and usable (₹4.5k Cr) limits. The slow "unfreezing" process is the primary governor on execution speed, forcing the company to use more expensive "open credit" from suppliers to maintain momentum. * **FY26 Pivot:** Management has successfully pivoted the conversation toward FY26 being the "real" scale-up year with a ₹10,000 Cr target.

Analyst Sentiment Verdict: Skeptical on Timelines, Positive on De-risking. Analysts were frustrated by the 20% revenue guidance cut, but clearly impressed by the debt reduction to ₹175 Cr. The friction in the Q&A was focused on the "usable" bank limits. Credibility on debt/margins is high, but credibility on execution timing has deteriorated versus last quarter.

5. WHAT CHANGED vs PRIOR QUARTER

What Changed	Prior Quarter (Q2 FY25)	This Quarter (Q3 FY25)	Direction
Revenue Guidance	₹8,000 Cr for FY25	₹6,000 - ₹6,500 Cr	↓ Revised Downward
Net Debt	₹326 Cr	₹175 Cr	↑ Improving (Lowered)
Available Bank Limits	~₹3,500 Cr	₹4,500 Cr	↑ Improving
Domestic GM	9.1%	9.7%	↑ Improving
CEO Status	Transition period	CKT designated Global CEO	↑ Leadership Clarity
CFO Status	Interim CFO (S. Mathew)	New CFO identified (joins in 3m)	↑ Transitioning
International GM	Normal (Expected 11%)	5% (Reported) / 11% (Recurring)	↓ One-time hit
Order Book Mix	79.4% Domestic	80.8% Domestic	→ Stable/Concentrated

Investor Note: Does this quarter change the thesis? **No, but it extends the duration.** The thesis of a "lean, high-margin domestic solar EPC player" is working—margins are rising and debt is disappearing. However, the "hockey stick" recovery is proving to be a "gentle slope" due to industry-wide execution headwinds (land/grid) and banking friction. The stock remains a pure-play on India's 2030 solar targets, but investors must now wait until FY26 to see the ₹8,000 Cr+ revenue run-rate previously promised for this year.

STOP HERE.