Sterling & Wilson Renewable Energy Ltd — Jan 2026 Quarterly Analysis

1. VERDICT & BUSINESS QUALITY SNAPSHOT

Result: Beat (Inflows) / Beat (Revenue) / Miss (Reported PAT) **One-line:** The business has successfully transitioned from "Balance Sheet Survival" to "Execution Scaling," evidenced by a record-high order book and a massive guidance upgrade that outshines the final, lingering cough of legacy US legal costs.

Dimension	This Quarter	Signal / Evidence	Sentiment
Beat/Miss vs Guidance	Strong Beat	FY26 Order Inflow guidance raised from 15% growth to >60% (□11,000 Cr+).	□
Earnings Quality	Moderate	Operational EBITDA is healthy (□105 Cr), but reported PAT is suppressed by the final □31 Cr Conti legal payout.	□
Guidance Confidence	Strong	Revenue execution is already at 48% YoY growth YTD; target of 15-20% for FY26 looks conservative.	□
Management Credibility	Improving	Finally delivered the "final" word on Conti; secured a Tier-1 strategic framework with Adani Green.	□
Business Quality Signal	Improving	Pivot to domestic "repeatable" gigawatt-scale projects reduces execution risk and module price volatility.	□
Key Q&A Exchange	Q#2 - Adani Framework	Adani framework covers 5 years; minimum 1GW/year expected at ~10% gross margins.	□
The Street's Primary Anxiety	Margin Sustainability	Concern over 8-10% GM vs historical levels; Mgmt response: "Chase absolute EBITDA, not just %."	□
Capital Cycle Stage	Growth Scaling	Aggressively bidding 30GW+ India pipeline while stabilizing the debt floor.	□
Margin Trajectory	Stable	Gross Margins (9.5%) improved 60bps QoQ as execution mix shifts to domestic BoS.	□
Pricing Power	Stable	Winning against smaller peers via "repeatability" and speed (12-month execution cycles).	□
FCF Conversion & Quality	Strong	CFO remains strong due to negative NWC (□407 Cr) and customer advances.	□
Competitive Moat	Widening	Largest Solar EPC globally; BESS credentials solidified with 790 MWh Serentica win.	□
Balance Sheet Strength	Adequate	Net worth remains thin (~□488 Cr), but net debt is stable and liquidity limits are expanding.	□
Working Capital Efficiency	Improving	NWC improved to negative □407 Cr (vs -□279 Cr in Q2); cash cycle is highly favorable.	□
Mgmt Guidance Track Record	Improving	Exceeded revenue and inflow targets; resolved legacy indemnity collections (Daruvala fully paid).	□
Key Vulnerability	Rating/Interest Cost	High interest costs (□45 Cr/qtr) from IREDA/NBFC loans persist until Q1FY27 repayments.	□
Management Tone	Confident	First-year CEO (CKT) focused on "repeatable execution" rather than "episodic wins."	□

Sentiment: □**Positive Key Takeaways:** * **Positives:** The fundamental thesis is accelerating. SWREL has cleared the "US Legal Ghost" with the final Conti payment (□31 Cr), allowing the focus to shift entirely to a record □10,413 Cr order book. The Adani Green framework is a structural shift: it provides high-volume, low-risk (no module/land risk) "annuity-like" EPC work for 5 years. BESS is no longer a "future" segment; with 790 MWh won this quarter, SWREL is now a dominant storage player. * **Negatives:** Interest costs have spiked (□45 Cr vs ~□30 Cr historically) due to the □500 Cr IREDA loan and □100 Cr NBFC debt taken to bridge the Q2 liquidity gap. O&M margins saw a one-off dip to 18% (vs 24% target) due to an Australian panel failure/defect liability, though this appears non-recurring. * **Street Concern:** Analysts remain wary of the 8-10% Gross Margin range being the "new normal." Management clarified that by taking on "Balance of System" (BoS) only for Adani/Reliance, they eliminate module volatility, making these "high-quality" margins despite being lower than historical turnkey peaks. * **Forward Watchpoint:** Reliance project momentum. Management expects tendering and infrastructure work to take off by Q1 FY27; this represents a massive "shadow" order book not yet in guidance.

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2. BUSINESS PERFORMANCE

2A. KEY METRICS

Metric	Current Qtr	YoY Change	QoQ Change	Trend	Mgmt Commentary
Revenue (□ Cr)	2,092	↑ 13.9%	↑ 19.6%	□	Highest 3Q top-line ever; driven by accelerated domestic EPC execution.
Gross Margin (%)	9.5%	↑ 10 bps	↑ 60 bps	□	Improving sequentially; mix of domestic BoS projects helping stability.
Operational EBITDA (□Cr)	105	↑ 16.7%	↑ 69.4%	□	Significant operating leverage as revenue scales against flat overheads.
EBITDA Margin (%)	2.4%	↓ 160 bps	↑ NM	□	Impacted by □31 Cr exceptional item; Operational EBITDA margin ~5.0%.
PAT (□Cr)	(478)*	↓ NM	→ Stable	□	*Reported as -478 in PPT summary table, but PBT was 0.2%. (Note: PPT slide 14 shows Q3FY26 PAT as -478, likely a typo for the cumulative loss or a specific asset impairment, as PBT was positive 4 Cr before exceptionals).*
Order Inflow (□ Cr)	3,036	↑ High	↑ 2.5%	□	Driven by Adani Khavda win (□1,381 Cr) and Serentica BESS.
Order Book (UOV) (□Cr)	10,413	↑ 12.1%	↑ 12.1%	□	Highest in history; 75% Domestic / 25% International.
Execution Rate (%)	22.5%	↑ 160 bps	↑ 160 bps	□	Calculated on opening UOV of □9,287 Cr.
Net Debt (□Cr)	738	↑ NM	↓ 0.5%	→	Stable at □738 Cr; Gross debt up slightly due to NBFC loan.
Working Capital (□Cr)	(407)	↑ 12.4%	↑ 45.8%	□	Negative NWC improved further; reflects strong advance collections.

2B. SEGMENT BREAKDOWN

Segment	Revenue (□ Cr)	YoY Growth	Margin (GP)	Trend	vs Co. Avg	Key Development
Domestic EPC	1,737	↑ 45%	~9.0%	□	In line	Focus on Khavda (NTPC/Adani); 12-month execution cycles.
Intl. EPC	290	↓ 35%	~9.5%	↓	In line	South Africa is the new focus (240MW win); Europe winding down.
O&M	65	↑ 20%	18.0%	↓	Above	10 GW+ portfolio; hit by one-off Australian defect liability.

3. MANAGEMENT OUTLOOK & EXECUTION TRACKER

Dimension	Category	Management Target / Claim	Required Run-Rate / Mathematical Feasibility	Historical Delivery	Risk Flag
Guidance	Order Inflow	FY26: >□11,000 Cr (+60% YoY).	Needs □4,071 Cr in Q4. □4,000 Cr already in "advanced negotiations." **Highly Feasible.**	**Beat**	Low
Guidance	Revenue	15-20% growth for FY26.	Already up 48% YTD. FY26 target will be massively exceeded.	**Beat**	Low
Guidance	Margins	Gross Margin 8-10%; EBITDA 5%+.	Current GM 9.5%; Op. EBITDA 5.0%. **On track.**	**Met**	Medium
Strategy	Adani Framework	5-year partnership; repeat scope.	Implies ~1-1.5 GW/year minimum.	**New**	Low
Strategy	Reliance	Momentum in Q1 FY27.	Not in current guidance; purely incremental upside.	**Pending**	Medium
Strategy	BESS	Target 10-15% of revenue.	790 MWh win is a strong start toward this mix.	**Met**	Low
Balance	Debt	Interest costs to drop in Q1FY27.	Depends on repayment of IREDA loan (□500 Cr).	**On track**	Medium
Balance	Indemnity	Shapoorji payment by Jan 31.	Daruvala portion already received.	**On track**	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	Sameer Dalal / Natverlal	Conti Finality	Financials	"Are there any other known or unknown risks... sudden exceptional losses?"	Management stated that the ₹30 Cr was for Conti legal fees and the final order is now received, closing the matter. This removes the single biggest balance sheet overhang; forward earnings will finally be "clean."	None	4.0	Clear finality
2	4.5	Puneet / HSBC	Adani Framework	Strategy	"What is the framework... does it lock in margins or volumes?"	Management explained it's a 5-year deal for Khavda with ~10% margins and a minimum 1GW/year execution expectation. This provides a "floor" for revenue and eliminates module price risk for ~₹1,500 Cr of annual revenue.	None	4.5	Specific details
3	4.0	Puneet / HSBC	Reliance	Strategy	"Bandwidth to do both Adani and Reliance at the same time?"	Management confirmed separate setups are being built for each client to handle the scale, noting they currently manage 10GW. Successful execution	None	4.0	Reassuring

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						here is the key to proving SWREL can handle the "Giga-scale" era.			
4	3.5	Ajit Pratap	Interest Costs	Financials	"Broad reasons for interest cost shoot up to ₹47 Cr?"	CFO attributed the spike to the full-quarter impact of the ₹500 Cr IREDA loan and a new ₹100 Cr NBFC loan. Interest will remain elevated in Q4 and only begin to decline in FY27 as debt is repaid.	Exact repayment date	5.0	Quantified
5	4.5	Danesh Mistry	O&M Margins	Financials	"Margins were 25%, today at 18%... is this the new normal?"	Management blamed a one-off Australian panel failure/ defect liability for the dip and guided back to the 20-25% range. This confirms the annuity business remains structurally sound despite the quarterly noise.	None	4.0	Plausible
6	4.0	Sagar Parekh	Module Prices	Macro	"China export rebate removal... impact on	Management stated they are not affected as module prices are	None	4.5	Specific

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					our projects?"	either tied up post-NTP (Notice to Proceed) or are the customer's risk in BoS orders. This effectively de-risks the order book from the current China policy volatility.			
7	4.0	Rabindra Nath	Tax outgo	Financials	"Why is tax outgo so low?"	CFO explained that the Conti legal losses created tax-deferred assets/losses that will offset standalone tax obligations for future profitable quarters. This will provide a significant "cash tax" shield as the company returns to profit.	None	5.0	Quantified
8	4.5	Saurabh S	Reliance Timing	Strategy	"Can we see something by Q1 [on Reliance]?"	Management confirmed momentum has gained and they expect momentum/ conclusions in this quarter-end or Q1. This sets Q1FY27 as the definitive deadline for the next	None	3.0	Consistent

Q#	Relevance	Analyst / Firm	Theme Cluster	Category	Underlying Concern	Management Response & Investment Implication	Evaded / Not Addressed	Credibility	Verdict
						major re-rating catalyst.			

PATTERN FLAGS & SENTIMENT * **The "Final" Cleanup:** Analyst frustration with legacy legal hits (Conti) was palpable, but management's categorical "it's over" on the final order provided a much-needed pivot point. The focus has successfully shifted from "what else will break?" to "how fast can you execute?" * **BoS vs. Turnkey:** A key pattern emerged regarding margin trade-offs. Analysts are accepting lower % margins (8-10%) in exchange for the safety of BoS (no module/land risk) and the massive volume (1GW+ per client). * **Analyst Sentiment Verdict:** Analysts were **cautiously optimistic.** The massive order inflow guidance hike (to 60% growth) was the "star of the show," effectively neutralizing concerns about the ₹31 Cr legal hit. Management's credibility improved significantly by quantifying the Adani framework and giving a clear timeline for debt reduction in FY27.

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5. WHAT CHANGED vs PRIOR QUARTER

What Changed	Prior Quarter (Q2FY26)	This Quarter (Q3FY26)	Direction
Order Inflow Guidance	15% YoY growth	>60% YoY growth (>₹11,000 Cr)	↑ Significant Beat
Strategic Moat	Standard EPC bidding	5-Year Adani Strategic Framework	↑ Structural Moat
Conti Legal Status	"Interim order" uncertainty	"Final order" received/provided for	↑ Risk Removed
BESS Credentials	Early stage / JSW order	790 MWh Serentica win (Giga-scale)	↑ Market Leadership
O&M Portfolio	9.1 GW	10.1 GW	↑ Scale
Interest Burden	₹30 Cr / quarter	₹45 Cr / quarter (IREDA impact)	↓ Deteriorating
Revenue Momentum	20% FY26 growth target	48% YTD actual growth	↑ Accelerating
Tax Positioning	Standard liability	Significant tax shield from legacy losses	↑ FCF Positive

Investor Notes: * **Thesis Confirmation:** The "India Solar Boom" thesis is now fully reflected in the order book (₹10,413 Cr). * **Margin Transition:** The business is now a "Volume x Stability" play rather than "Margin x Risk." BoS work for Adani/Reliance provides predictable 5% Operational EBITDA margins with near-zero commodity risk. * **Leverage Watch:** Q4 will be the peak interest expense quarter. The primary re-rating trigger is now the combination of (1) Reliance order award in Q1FY27 and (2) Debt reduction starting June 2026.

STOP HERE.