Sterling & Wilson Renewable Energy Ltd — May 2025 Quarterly Analysis

1. VERDICT & BUSINESS QUALITY SNAPSHOT

Result: Beat (Execution) / Inline (Margins & Debt) **One-line:** The structural turnaround is now complete with the company hitting its revised revenue guidance and 10% domestic margin target, transitioning the thesis from "survival/recovery" to "execution scale-up."

Dimension	This Quarter	Signal / Evidence	Sentiment
Beat/Miss vs Guidance	Strong Beat	FY25 Revenue of □6,302 Cr hit the upper end of revised Q3 guidance (□6,000-6,500 Cr).	□
Earnings Quality	High (Core driven)	Operational EBITDA of □158 Cr is clean; Reported PAT (□55 Cr) was weighed down by □22 Cr FX loss and □18 Cr DTA charge.	□
Guidance Confidence	Neutral	Mgmt guided for 15-20% revenue growth in FY26; implies a lower bar than the "□10,000 Cr inflow" talk in Q3.	□
Management Credibility	Strong	Successfully stabilized Net Debt at □178 Cr and delivered the promised Q4 execution ramp-up (□2,519 Cr).	□
Business Quality Signal	Improving	Entry into Wind BoS and BESS expands the addressable market as the industry pivots to Hybrid/FDRE.	□
Key Q&A Exchange	Q#4 - Bank Limits	Mgmt is still operating on □4,500 Cr usable limits vs □10,000 Cr appraised; this remains the primary governor of growth.	□
The Street's Primary Anxiety	Limit Liquidity	Analysts pressed on how sustainable the □2,500 Cr/qtr run-rate is given restricted bank limits and open credit reliance.	□
Capital Cycle Stage	Scale-up	Deleveraging is finished; focus is now on absorbing high-value domestic orders (23 GW pipeline).	□
Margin Trajectory	Stable	Consolidated Gross Margins at 10.1% (FY25); Domestic EPC hit the structural 10% target.	□
Pricing Power	Stable	Maintaining discipline in Middle East (skipping low-margin bids) while focusing on high-merit domestic PSU/Private IPPs.	□
FCF Conversion	Distorted	Net Debt remained flat despite scaling; CFO-to-PAT looks healthy but supported by high trade payables (□2,750 Cr).	□
Competitive Moat	Stable	Retains #1 Solar EPC status; "Low-cost India base" strategy for global execution remains a differentiator.	□
Balance Sheet Strength	Adequate	Net Debt stable at □178 Cr; Gross debt rose by □200 Cr via a new term loan drawn at quarter-end.	□
Working Capital	Deteriorating	Payable days surged as trade payables rose from □1,508 Cr to □2,750 Cr YoY to fund execution scale.	□
Mgmt Guidance Record	Improving	Met revised FY25 revenue and structural margin targets; Nigeria remains the only consistent "miss" on timing.	□
Key Vulnerability	PPA Delays	~40 GW of national solar capacity is pending PPA signing, which could delay order inflows in late FY26.	□
Management Tone	Cautiously Upbeat	Confident in execution capabilities but tempered on international timelines (Nigeria/Middle East).	□

Sentiment: □Positive

Key Takeaways: * **Positives:** Structural repair is finished. Domestic Gross Margins (10%) have returned to the target range, and the company proved it can execute ₹2,500 Cr per quarter even with restricted bank limits. The entry into Wind BoS (first order in Q4) and BESS derisks the portfolio from a pure solar play to a hybrid renewable EPC provider. * **Negatives:** Banking friction remains. While appraised limits are ₹10,000 Cr, only ₹4,500 Cr is usable, forcing a reliance on "open credit" from vendors and customer advances. The Nigeria project (961 MW) is in its third year of "procedural steps," effectively becoming a zero-value placeholder in the valuation model until signed. * **Street's Concern:** Analysts are hyper-focused on the working capital bridge—specifically how SWREL will fund a 20% growth in FY26 without a corresponding 20% "unfreezing" of sanctioned bank limits. Management's response is a reliance on faster churn of existing limits and continued vendor support. * **Forward Watchpoint:** Monitoring the conversion of the 23 GW bid pipeline into orders in H1 FY26 and any signs of "Reliance Optionality" moving from pilots to large-scale awards.

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2. BUSINESS PERFORMANCE

2A. KEY METRICS DATA SOURCE: PPT figures primary. Concall used for commentary and unbilled receivables.

Metric	Current Qtr (Q4FY25)	YoY Change	QoQ Change	Trend	Mgmt Commentary
Total Income (₹Cr)	2,519	↑ 113.8%	↑ 37.1%	↑	Highest quarterly revenue since listing; driven by domestic scale-up.
Gross Margin (%)	10.4%	↓ 10 bps	↑ 100 bps	↑	Hit 10.1% for FY25; Domestic EPC back to 10% target range.
EBITDA (₹Cr)	116	↑ NM	↑ 58.9%	↑	Reported EBITDA impacted by ₹22 Cr FX loss (translation loss on Dubai loans).
EBITDA Margin %	4.6%	↓ 40 bps	↑ 60 bps	↑	Operational EBITDA (excl. one-offs) was stronger at 6.3%.
PAT (₹Cr)	55	↑ NM	↑ 223.5%	↑	Impacted by ₹18 Cr non-cash DTA charge; underlying earnings are higher.
Net Debt / (Cash) (₹Cr)	178	↑ 1.7%	↑ 1.7%	→	Effectively stable vs Q3 (₹175 Cr); structural deleveraging completed.
Order Book (₹Cr)	9,096	↑ 12.5%	↓ 10.5%	↓	Decreased QoQ as high execution (₹2,519 Cr) outpaced inflows.
Order Inflows (₹Cr)	1,372	↓ 43.3%	↓ 6.3%	↓	Lumpy; FY25 total ₹7,051 Cr. Pipeline remains strong at 25.3 GW.
Execution Rate (%)	24.8%	↑ 1050 bps	↑ 740 bps	↑	Calculated as Qtr Revenue / Opening Order Book (₹10,167 Cr).
Book-to-bill (x)	1.44x	↓ 45.9%	↓ 33.3%	↓	Normalizing as revenue scales; provides ~1.5 years of visibility.
Working Capital (₹ Cr)	(602)	↑ 2.9%	↑ 66.3%	→	Remains negative (favorable); driven by high Trade Payables (₹2,750 Cr).
Receivables (incl unbilled)	2,582	↑ 30.3%	Not stated	↓	Increase in line with massive revenue jump in Q4.

2B. SEGMENT BREAKDOWN

Segment	Revenue (□ Cr)	YoY Growth	Margin (GM)	Trend	vs Co. Avg	Key Development
Domestic EPC	1,431 (FY25)	↑ High	10.0%	↑	Inline	Hit structural target; entry into Wind BoS (69 MW) and BESS.
Intl. EPC	5,074 (FY25)	↑ High	8.0%	↓	Below	Weighed down by legacy project "punch points" (Australia/Europe).
O&M	195 (FY25)	↑ 25%+	21.0%	↓	Above	Q4 hit by □4 Cr write-off/LD; recurring GM expected at 25%.

Note: Segment revenue for Q4 only not explicitly split in PPT; FY25 totals used for margin trend.

3. MANAGEMENT OUTLOOK & EXECUTION TRACKER

Dimension	Category	Management Target / Claim	Required Run-Rate / Mathematical Feasibility	Historical Delivery	Risk Flag
Guidance	Revenue	FY26: 15-20% growth (~□7,250-7,550 Cr).	Needs ~□1,850 Cr avg/qtr. Current Q4 run-rate is □2,519 Cr. **Highly Feasible.**	**Met** (Revised FY25 target).	Low
Guidance	Order Inflow	FY26: 15-20% growth (~□8,100-8,500 Cr).	Needs ~□2,100 Cr/qtr. 25.3 GW bid pipeline supports this.	**Missed** (Q3 target of □10k Cr).	Medium
Guidance	Margins	Gross Margin trending at ~10%.	FY25 landed at 10.1%. Mgmt expects this to persist.	**Delivered.**	Low
Strategy	Reliance	Awaiting large-scale utility awards.	Pilot projects commissioned; bandwidth ready for scale.	**On Track.**	Medium
Strategy	Nigeria	Final terms negotiated; awaiting signing.	MOU signed Sept 2022. Procedural delays continue.	**Delayed** (2.5 years).	High
Balance	Bank Limits	Unfreeze sanctioned limits.	Available □4.5k Cr of □10k Cr. Needs unfreezing for massive scale-up.	**Stagnant.**	High

4. ANALYST Q&A

Q#	Relevance	Analyst / Firm	Theme Cluster	Category	Underlying Concern	Management Response & Investment Implication	Evaded / Not Addressed	Credibility	Verdict
1	4.0	Rohit / ABSL	PPA Delays	Macro	"40 GW of renewable energy is pending for PPA. Will this impact order inflow for FY26?"	Management clarified that the near-term pipeline of 22-23 GW for Q1/Q2 is unaffected as these projects are already past the PPA stage. This de-risks the immediate growth profile but leaves a question mark on order momentum in H2 FY26.	None	4.0	Reassuring
2	4.5	Rohit / ABSL	Nigeria	Strategy	"Is the Nigerian project a cause for concern due to currency and local content policies?"	Management stated that since the project is US-EXIM funded, local regulations on module supply are unlikely to deviate from negotiated terms. Nigeria remains a massive "optionality" kicker that is not yet in the FY26 revenue guidance.	Exact signing date	3.0	Hedged
4	5.0	Ganeshram / Unifi	Bank Limits	Financials	"Have the drawable limits and sanctioned limits changed? Can you execute □2,500 Cr a quarter sustainably?"	Management confirmed usable limits remain at □4,500 Cr (against □10k Cr appraised) but claimed Q4's □2,519 Cr execution proves they can scale via faster limit	Specific limit unfreezing date	3.5	Plausible

Q#	Relevance	Analyst / Firm	Theme Cluster	Category	Underlying Concern	Management Response & Investment Implication	Evaded / Not Addressed	Credibility	Verdict
						churn and open credit. This confirms that bank limits are the actual governor on how fast the company can grow.			
7	4.0	Kunal Shah / DAM	Revenue Guidance	Financials	"How are we expecting revenue for FY26? Is there a revision to previous guidance?"	Management guided for 15-20% revenue growth in FY26 over the FY25 base (□6,302 Cr). This implies a revenue target of ~□7,250-7,550 Cr, which is more conservative than the "exit run-rate" trajectory would suggest.	None	4.0	Conservative
11	4.5	Puneet / HSBC	Reliance	Strategy	"Can you talk about additional work seeing from Reliance Industries?"	Management indicated pilots are mostly commissioned and they have submitted offers for large utility-scale projects. Reliance remains the most significant catalyst for a "re-rating" if SWREL captures the majority share of their upcoming 20	None	3.5	Directional

Q#	Relevance	Analyst / Firm	Theme Cluster	Category	Underlying Concern	Management Response & Investment Implication	Evaded / Not Addressed	Credibility	Verdict
						GW+ build-out.			
15	4.0	Subhash / Value Inv	Wind EPC	Strategy	"What changed your decision to enter Wind BoS after previously saying you wouldn't?"	Management explained the pivot is driven by the industry shift toward Hybrid projects; they are strictly doing Balance of System (BoS) to avoid turbine and land performance risks. This increases the "wallet share" per site without taking on significantly higher technical risk.	None	4.5	Clear Pivot

PATTERN FLAGS & SENTIMENT * **The "Limit" Friction:** Analysts are clearly skeptical about the sustainability of high execution (□2,500 Cr/qtr) while bank limits remain "frozen" at 45% of appraised value. Management is bridging this gap via trade payables (vendor support), which rose by □1,200 Cr this year. This is a delicate balancing act that requires impeccable execution to avoid a liquidity crunch. * **The Guidance "De-risking":** After missing the original □8,000 Cr FY25 target, management is being noticeably more conservative for FY26 (15-20% growth). They are under-promising on the "Reliance/Nigeria" kickers to ensure they hit the base-case targets. * **Analyst Sentiment Verdict:** Analysts are **Cautiously Optimistic**. They are impressed by the Q4 execution beat and structural margin recovery but remains wary of the banking limit bottleneck and the "lumpy" nature of international orders. Management's credibility has been partially restored by meeting the revised FY25 revenue range.

GUIDANCE GAPS REVEALED IN Q&A | Topic | What Mgmt Claimed (Prior Q3) | What Q&A Revealed | Gap / Walk-back | Risk to Thesis | | :--- | :--- | :--- | :--- | :--- | | **Order Inflow** | FY26 target of □10,000 Cr+. | FY26 target of 15-20% growth. | Walk-back to ~□8,300 Cr target. | Low (Conservative bar). | | **Bank Limits** | "Actively unfreezing" sanctioned limits. | Usable limits still at □4,500 Cr. | Progress is slower than implied. | High (Growth Cap). |

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5. WHAT CHANGED vs PRIOR QUARTER

What Changed	Prior Quarter (Q3FY25)	This Quarter (Q4FY25)	Direction
Execution Run-rate	□1,837 Cr (Q3)	□2,519 Cr (Q4)	↑ Improving
Domestic Margins	9.7%	10.0% (FY25 average)	↑ Improving
New Product Entry	Solar + BESS only.	Added Wind BoS (First order).	↑ Addressable Market
Leadership	Interim CFO.	Permanent CFO (Ajit Singh) joined.	↑ Governance
Revenue Guidance	Revised down to □6k-6.5k Cr.	Delivered □6,302 Cr.	↑ Reliability
Trade Payables	□1,508 Cr (Mar-24)	□2,750 Cr (Mar-25)	↓ Higher Leverage on Vendors
FX Impact	Minimal.	□22 Cr translation loss.	↓ Accounting Volatility

Investor Note: Does this quarter change the thesis? **No, it de-risks it.** The "worst-case" scenario of a liquidity-led execution failure has been averted. SWREL has proven it can deliver □2,500 Cr in a single quarter and generate 10% domestic gross margins. The long-term investor is now waiting for two things: (1) The "unfreezing" of bank limits to allow the company to bid for even larger project clusters, and (2) The conversion of the Reliance/Nigeria "optionality" into actual revenue. The structural recovery is done; the growth story is now the focus. STOP HERE.