Sterling & Wilson Renewable Energy Ltd — Oct 2026 Quarterly Analysis

1. VERDICT & BUSINESS QUALITY SNAPSHOT

Result: Miss (Revenue) | Beat (PAT YoY - Low Base) | Inline (Operational EBITDA) **One-line:** SWREL is traversing a prolonged "execution valley" as administrative and supply chain bottlenecks delay the start of □9,000 Cr+ in new orders, resulting in a second consecutive guidance downgrade and a dangerously backend-heavy H2.

Dimension	This Quarter	Signal / Evidence	Sentiment
Beat/Miss vs Guidance / Prior Quarter	**Weak Miss**	Revenue (□1,527 Cr) fell QoQ; FY27 growth guidance cut to "up to 10%" (was 10-15% in Q1).	□
Earnings Quality	**Moderate**	PAT is positive (□17 Cr) but thin; operational EBITDA (□56 Cr) hampered by low operating leverage.	□
Guidance Confidence	**Weak**	Achieving 10% growth now requires a □2,600 Cr/qtr H2 run-rate—65% higher than the H1 average.	□
Management Credibility	**Deteriorating**	Second guidance walk-back in two quarters; inability to convert L1 to NTP (Notice to Proceed) persists.	□
Business Quality Signal	**Improving (Backlog)**	Record Order Book (□12,481 Cr) and O&M surge (18.9 GW) prove strong fundamental demand.	□
Key Q&A Exchange	**Q#1 - Execution Delay**	Management admitted the "transition period" is lasting longer than expected due to PPA/transmission issues.	□
The Street's Primary Anxiety	**H2 Execution Wall**	Skepticism on the ability to nearly double revenue in H2. Mgmt: "Q4 will be our strongest ever."	□
Capital Cycle Stage	**Harvesting Delayed**	Massive unexecuted order value (UOV) waiting for mobilization; credit lines now adequate.	□
Margin Trajectory	**Stable**	Gross margins (9.2%) holding in the 8-10% guided range despite revenue volatility.	□
Pricing Power	**Selective**	Pivoting to International (90% of H1 wins) to avoid "crazy" aggressive bidding in India.	□
FCF Conversion & Quality	**Distorted**	Negative NWC model remains, but Receivable Days spiked to 176 (vs 138 in March).	□
Competitive Moat Signals	**Stable**	Global No. 1 Solar EPC status intact; Tier-1 BESS integrator (South Africa/Egypt wins).	□
Balance Sheet Strength	**Adequate**	Net Debt stable at □601 Cr; Net D/E improved to 0.84x (vs 1.1x in FY24).	□
Working Capital Efficiency	**Deteriorating**	Receivable cycle lengthening; partially offset by Payable cycle expansion (164 days).	□
Mgmt Guidance Track Record	**Unreliable**	Sequential downgrades (15%+ → 10-15% → "Up to 10%") suggest poor visibility on client timelines.	□
Key Vulnerability / Red Flag	**Concentration Risk**	Extreme dependency on Q4 FY27 execution; any site delay triggers a massive annual miss.	□
Management Tone	**Defensive/ Cautious**	Acknowledged "subdued" H1; shifting focus to the □45k-50k Cr H2 pipeline.	□

Sentiment: □Neutral

Key Takeaways: * **Positives:** The fundamental investment thesis of "order book growth" is being delivered, with a record **□12,481 Cr backlog** providing multi-year visibility. The **O&M portfolio (18.9 GW)** is a high-margin annuity machine, growing 55% YoY in revenue and now contributing nearly 6.5% of the top line. Deleveraging is on track, with gross debt falling by **□244 Cr** in H1. * **Negatives:** SWREL is suffering from a "timing mismatch." While they are winning orders, the transition from LOI to "Notice to Proceed" (NTP) is stalled by India's module supply constraints (ALMM-II) and grid bottlenecks. This has forced a **guidance cut to "up to 10%"** (from 15%+ at the start of the year). * **Street Concern:** Analysts are fixated on the **H2 execution load**. The company must deliver roughly **□5,180 Cr** in H2 to hit even the 10% growth target. Management's defense relies on a repeat of Q4 FY25 performance, but the lengthened receivable cycle (176 days) suggests cash flow may not scale as fast as revenue. * **Forward Watchpoint:** The start of the **Reliance Kutch project**. While management claims it is "at the fag end of planning," another quarter without a firm Reliance order will likely break the Street's patience on the "promoter synergy" narrative.

---

2. BUSINESS PERFORMANCE

2A. KEY METRICS

Metric	Current Qtr (Q2 FY27)	YoY Change	QoQ Change	Trend	Mgmt Commentary
Total Income (□ Cr)	1,527	↓ 12.7%	↓ 4.0%	□	Volume hit by delayed NTPs for 8 projects; Intl Rev down 82% YoY.
Gross Margin (%)	9.2%	↑ 30 bps	↓ 70 bps	□	Stabilizing in 8-10% range; O&M mix helping (23% GP).
EBITDA (□Cr)	66	↑ (LTP)	↓ 31.2%	□	Reported EBITDA; Operational EBITDA was □56 Cr (3.7% margin).
PAT (□Cr)	17	↑ (LTP)	↓ 67.9%	□	Prior year loss was due to one-time US arbitration (□478 Cr).
Order Book (□ Cr)	12,481	↑ 34.0%	↑ 5.1%	□	Record high; Domestic: □6,943 Cr (56%), Intl: □5,538 Cr (44%).
Order Inflows (□ Cr)	985	↓ 68.6%	↓ 62.7%	□	Selective bidding; H1 total □3,626 Cr (90% International).
Net Debt (□Cr)	601	→ Stable	↑ 2.0%	→	Gross debt reduced to □920 Cr; Cash balances declined.
O&M Capacity (GW)	18.9	↑ 79.1%	↑ 3.3%	□	50% in-house EPC, 50% third-party; highly profitable.
NWC (□Cr)	(301)	→ Stable	↓ 15.8%	□	Negative NWC model intact; DSO 176 vs DPO 164.
Bid Pipeline (GW)	34.0	↑ 22.7%	↑ 22.7%	□	Sharp jump from 27.7 GW; includes □45k-50k Cr of H2 ops.

2B. SEGMENT BREAKDOWN

Segment	Revenue (□Cr)	YoY Growth	Margin (GP)	Trend	vs Company Avg	Key Development
EPC (Domestic)	1,366	↑ 12.6%*	~8-9%	□	Below	534 MW Rajasthan win; execution of FY26 projects stalled by PPAs.
EPC (International)	62	↓ 82.2%*	~9%	□	Below	4 projects completed; new Egypt/South Africa start in H2.
O&M	99	↑ 55.0%	23.0%	□	**Above**	Surged to 18.9 GW; high-margin steady-state business.
**YoY growth based on H1 segment performance provided in PPT.*						

3. MANAGEMENT OUTLOOK & EXECUTION TRACKER

Dimension	Category	Management Target / Claim	Required Run-Rate / Mathematical Feasibility	Historical Delivery	Risk Flag
Guidance	Revenue	"Up to 10% growth" for FY27.	Needs ~□5,182 Cr in H2 (□2,591 Cr/qtr). Q4 FY25 (□2,500 Cr) is the only precedent.	**Missed** (Prev: 10-15%)	**High**
Guidance	Margins	EPC: 8-10%; O&M: ~20%.	H1 GP at 9.5%. Achievable as high-margin Intl/O&M mix increases.	**Met**	**Low**
Guidance	O&M Rev	>□400 Cr for FY27.	H1 at □183 Cr; needs □108 Cr/qtr. 18.9 GW portfolio makes this highly likely.	**On Track**	**Low**
Strategy	Intl Mix	Shift to International wins.	90% of H1 inflows were International. Proves cost-competitive globally.	**On Track**	**Low**
Strategy	Reliance	"Good news soon"; post-monsoon start.	Binary. Timing depends on Reliance technology finalization.	**Delayed**	**Medium**
Macro	India Awards	Temporary slowdown.	Mgmt expects cell prices to settle as 100GW capacity comes by Dec '27.	**Delayed**	**Medium**
Balance	Deleveraging	Debt reduction cycle.	□244 Cr repaid in H1; Net D/E improved to 0.84x.	**On Track**	**Low**
Litigation	Indemnity	□156 Cr promoter recovery.	Promoter indemnity remains the safety net for legacy claims.	**On Track**	**Low**

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 & Sons	Revenue Delays	Financials	"What exactly is the problem? Why are the new projects... not starting?"	Management explained that 4 Indian projects (including Coal India/ NTPC) are stalled by PPA/ transmission delays, while 4 International projects were slowed by financing arrangements. This confirms a "revenue hole" in H1 that forces a massive, high-risk execution load onto H2.	None	4.0	Clear and Honest
2	4.0	Sameer Dalal / Natverlal & Sons	HQ Costing	Financials	"The cost is continually moving up... where do you see it stabilizing?"	Management clarified that recurring overheads are flat in absolute terms (□79-84 Cr/qtr) and the percentage rise is purely due to lower revenue denominator. This suggests operating leverage will expand sharply once H2 revenue scales to □2,500 Cr+.	None	4.5	Logical
3	4.5	Sameer Dalal / Natverlal & Sons	Reliance Timing	Strategy	"By when do we expect Reliance to actually give the orders?"	Management stated that site readiness is complete and they are finalizing tracking technology with a "good	Specific Date	2.5	Evasive

Q#	Relevance	Analyst / Firm	Theme Cluster	Category	Underlying Concern	Management Response & Investment Implication	Evaded / Not Addressed	Credibility	Verdict
						news soon" stance. This remains the largest valuation catalyst, yet timing remains entirely in the hands of the parent company.			
4	5.0	Disha / Sapphire Capital	Guidance Feasibility	Mgmt Outlook	"Do we see any risk in execution for us to achieve these targets?"	Management admitted Q3/ Q4 must carry the load but insisted the international projects have now "taken off" and there are no internal execution bottlenecks. This implies the 10% growth target is a "line in the sand" that leaves no room for further external delays.	Quarterly split	3.0	High Pressure
5	4.0	Disha / Sapphire Capital	Intl Margins	Financials	"Do we see a major margin differential between domestic and international?"	Management confirmed international markets offer healthier competition and higher absolute profits as they are often full-wrap Turnkey projects vs. Domestic BoS. A higher International mix (currently 44% of UOV) should defend consolidated	None	4.5	Specific

Q#	Relevance	Analyst / Firm	Theme Cluster	Category	Underlying Concern	Management Response & Investment Implication	Evaded / Not Addressed	Credibility	Verdict
						margins against domestic price wars.			
6	4.5	Faisal Hawa / H.G. Hawa	Bank Limits	Financials	"When do we see our banking situation coming back to normal?"	Management noted they added ₹2,800 Cr of new limits this year (₹4,600 Cr total since last year) and are at 70% utilization. Financial constraints are no longer the bottleneck for bidding on mega-projects like Adani/ Reliance.	None	5.0	Quantified
7	4.0	Faisal Hawa / H.G. Hawa	Competition	Business Overview	"Do you see this competition now weakening?"	Management expects "consolidation" as smaller players fail to execute low-priced BESS bids, citing recent order terminations in the industry. SWREL's discipline in avoiding "crazy" domestic bids is a long-term quality signal but short-term growth headwind.	None	4.0	Strategic
8	4.0	Jayesh Shroff / Cask Capital	Guidance Cut	Mgmt Outlook	"It is actually a downgrade of guidance... why has management said we are maintaining it?"	Management backtracked, clarifying that while they were aiming for 10-15%, they now see 10% as the	None	3.0	Walk-back

Q#	Relevance	Analyst / Firm	Theme Cluster	Category	Underlying Concern	Management Response & Investment Implication	Evaded / Not Addressed	Credibility	Verdict
						realistic floor given the Q2 delay. This confirms the Street's view that the "execution air pocket" was deeper than initially projected.			
9	3.5	Jayesh Shroff / Cask Capital	Finance Cost	Financials	"Why has our finance expenses increased... in spite of lower execution?"	CFO explained higher costs are due to opening longer-tenure LCs and fees for new credit lines despite falling gross debt. This indicates that while debt is falling, the "cost of growth" (guarantees/ LCs) remains a headwind to PAT.	None	4.0	Technical
10	4.5	Nilesh Doshi / Prospero Tree	O&M Model	Business Overview	"Is the complete portfolio under the fees model... and what are the charges?"	Management noted a 50/50 mix between in-house and third-party O&M, with international margins 30-40% higher than domestic. The low overhead in this segment means incremental O&M revenue flows almost entirely to EBITDA.	Specific Pricing	4.0	Directional
11	3.5			Strategy			None	4.5	Clear

Q#	Relevance	Analyst / Firm	Theme Cluster	Category	Underlying Concern	Management Response & Investment Implication	Evaded / Not Addressed	Credibility	Verdict
		Saurabh Srivastava / Arista	O&M Geography		"What sort of international geographies are we looking for?"	Management is targeting Saudi Arabia (large capacity additions), Spain, and Italy for O&M. Expanding the O&M footprint beyond just "captive" EPC projects is a key de-risking move for long-term cash flow.			

PATTERN FLAGS & SENTIMENT

- **The "NTP Gap" Anxiety:** Nearly half of the Q&A was dedicated to why orders aren't starting. Analysts are increasingly frustrated that a □12,500 Cr backlog is not translating into a □2,000 Cr+ revenue run-rate. Management's posture was defensive, blaming PPA adoptions and grid constraints—factors they cannot control. This concern is likely to remain live until Q3 results show a significant sequential jump.
- **The Reliance Waiting Room:** The lack of a firm Reliance order continues to be the "elephant in the room." While management hints at imminent news, the market is starting to view Reliance as a "bonus" rather than a core thesis driver.
- **International vs. Domestic Divergence:** A clear theme emerged that SWREL is intentionally "fleeing" the Indian market's irrational pricing for International Turnkey projects. This pivot is viewed positively by analysts as a margin-protection strategy, but it introduces different risks (geopolitics, currency, mobilization).

Analyst Sentiment Verdict: Analysts were **Skeptical and Impatient**. The repeated guidance walk-back (from 15%+ to 10%) has damaged management's credibility regarding timeline visibility. The core friction point is the H2 revenue target—analysts do not yet believe SWREL can execute at the required scale without further slippage.

GUIDANCE GAPS REVEALED IN Q&A

Topic	What Mgmt Claimed (Prior Q1)	What Q&A Revealed	Gap / Walk-back	Risk to Thesis
Revenue Growth	10% to 15% growth for FY27.	"Up to 10%" growth for FY27.	**Downside Revision**	Medium - Minimal buffer for H2 slippage.
Order Mix	Expected 70/30 Domestic/Intl.	Now "skewed" even more to Intl.	**Strategic Pivot**	Low - Better margins, higher complexity.
Execution Start	H1 was "transition," H2 ramp.	Transition lasted through Q2.	**Timeline Slip**	High - Extreme backend loading.

5. WHAT CHANGED vs PRIOR QUARTER

What Changed	Prior Quarter (Q1 FY27)	This Quarter (Q2 FY27)	Direction
Revenue Growth Guide	10 - 15%	Up to 10%	↓ Deteriorating
Order Book (UOV)	₹13,000 Cr*	₹12,481 Cr	↓ Slight depletion
O&M Portfolio	18.3 GW	18.9 GW	↑ Improving
Receivable Days	~138-140	176	↓ Deteriorating
Credit Lines	₹3,200 Cr	₹4,600 Cr (Cumulative)	↑ Improving
Intl Order Mix	Growing	90% of H1 inflows	↑ Improving (Margin safety)
Gross Debt	~₹1,160 Cr	₹920 Cr	↑ Improving (Deleveraging)
Egypt Project	Signed	NTP Commenced (Work started)	↑ Improving (Visibility)

**Q1 UOV was a rounded management claim; Q2 is the audited ₹12,481 Cr.*

STOP HERE.