

**Company Essentials**

Market Cap	₹16,075.4 Cr.
Total Shares	23.34 Cr.
P/E	87.54
P/B	5.84
Cash	₹ 285.31 Cr.
Debt	₹ 18.39 Cr.
EPS	₹ 7.87
ROE	-30%
Profit Growth	124.58%
Sales Growth	85.62%
Promoter Holding	52.91%

<b>Construction</b>	<b>NSE: SWSOLAR</b>	<b>BSE: 542760</b>
<b>Rating: Accumulate</b>	<b>CMP: Rs. 724.05</b>	<b>Price Target: Rs. 905 (12M)</b>

**About the Company**

Sterling and Wilson Renewable Energy Limited provides solar power technology, procurement and construction (EPC) solutions. The company is headquartered in Mumbai, Maharashtra and was listed on August 20, 2019, provides EPC services primarily for utility-scale solar power projects, with a focus on project design and engineering, and manages all aspects of project execution from conception to commissioning. The company provides O&M services including for third-party built projects, customized and comprehensive solutions for solar power projects to its clients including Independent Power Producers (IPPs), developers and equity funds. They operate an asset-light business model and provide integrated and customized solutions. S&W has a presence around 25 countries with offices across India, Southeast Asia, Middle East, Africa, Europe, Australia, US and Latin America.

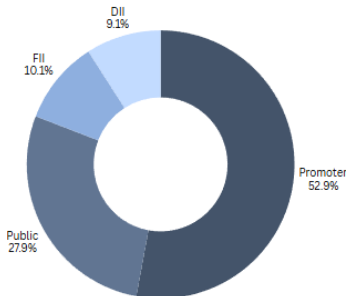
**Efficiency**

Gross Margin	10%
Operating Margin	1%
Net Margin	-3%
FCF Margin	16%
ROA	-3%
ROIC	3%
ROCE	3%

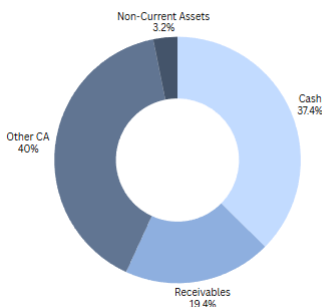
**Solvency**

D/E	0.52
D/A	0.77
Cash Ratio	0.11
Quick Ratio	0.53
Current Ratio	1.35
Altman Z-Score	4.04

**Share-Holding Pattern**



**Balance Sheet Decomposition**



A record 507 GW of new renewable energy capacity was added globally in calendar year 2023, up 50% year-on-year. The International Energy Agency forecasts 3,178 GW to be added between 2024 and 2028. In India, capacity is expected to reach 500 GW by 2030 (up from 192 GW at the end of FY24), benefiting EPC companies. Sterling & Wilson is a pure play global solar EPC and O&M services provider. We forecast solar EPC order book across all markets to be -Rs 496 billion in FY25-27. RIL's plan to build 100 gigawatts of renewable energy capacity (mostly solar PV and battery storage) by 2030 to achieve net-zero target could generate EPC opportunities of -Rs 1.1 trillion in FY26-31, with -Rs 3,000 billion for S&W and -Rs 24 billion for O&M services. The company's significant improvement in financial position is supported by timely fundraising and RIL stake sale, positioning it to benefit from solar capacity additions worldwide (2,317 GW in FY24-28, IEA estimates). This will be driven by domestic and international order book of Rs 268 billion; new order worth Rs 93.5 billion from Reliance Industries for solar PV and storage; and order from Nigeria worth USD 1.5 billion (Rs 134.3 billion) nearing signing, pending final terms negotiation. RIL's RE plan is expected to offer a multi-year opportunity. RIL plans to enable the installation of 100 GW of renewable energy generation capacity by 2030, aiming for a net-zero target by 2035. The renewable capacity will consist mainly of solar PV and storage. This could result in total EPC opportunities of Rs 1.1 trillion, along with O&M services of Rs 24 billion, along with Rs 300 billion in outsourcing work for S&W (assuming 50% share) between FY26-31.

- India's solar energy capacity has snowballed, reaching 81.8 GW in FY24 (2.6 GW a decade ago). Solar capacity added in FY24 reached a record high of 15 GW (12.8 MW in FY23) and the trend is expected to accelerate by lowering commission cost, among renewable energy sources, solar energy is the technology with the lowest cost per MW.
- The tariffs are among the lowest at 2.5-3 rupees/unit, as opposed to 3.5 rupees for wind energy. Over the last decade, the cost of solar panels and system costs have also come down due to advanced technology and better design, resulting in less material consumption, economies of scale, etc. A sharp decline in module prices to \$0.12 per watt (around \$0.5 in FY15) has accelerated the adoption of solar power in India. Faster commissioning of solar projects within six months (versus 18-24 months for wind and almost 60 months for thermal) is another positive aspect.
- Another aspect is the growing C&I market, commercial and industrial (C&I) subsegment is increasingly looking to procure solar power for its businesses through rooftop solar projects or open access. With solar tariffs coming down to around Rs 2.5-3 per unit (compared to grid power costs of Rs 8-10), more companies will be looking to secure low-cost solar power.
- The bid target was also raised to triple renewable energy capacity to 500GW by 2030, the central government plans to open renewable energy tenders for 50GW per year between FY24-28. 50GW of bids were received in FY24 (compared to 12GW last year).
- The government has mandated RPO for states by 2030 and mandates a 43.33% RPO for new coal or lignite power plants from April 1, 2023. This policy change will encourage the use of renewable resources in electricity generation.

**Key Strengths**

The company will establish and enable solar energy generation capacity of 100GW over CY26-30, potentially offering EPC opportunities of Rs1.1 trillion. However, S&W is now executing a pilot project from RIL involving solar and battery storage. This could offer it EPC opportunities of Rs300bn over FY26-31, assuming a ~50-70% share for the company. Nigeria has huge plans to add solar capacity. For this, Sun Africa LLC, the largest US renewable-energy company operating in Africa, and the Nigerian government signed a development and EPC agreement to construct 5,000MW of solar generation capacity and 2,500MWh of a battery storage power plant for \$10bn from the US government. The first phase of the project would include 961MW of solar PV production infrastructure and 455MWh of energy storage. All technical and financial due diligence for phase 1 of the grid-connected solar plant is complete. Management expects to sign the contract in the near term; it will then take 3-6 months for financial closure.

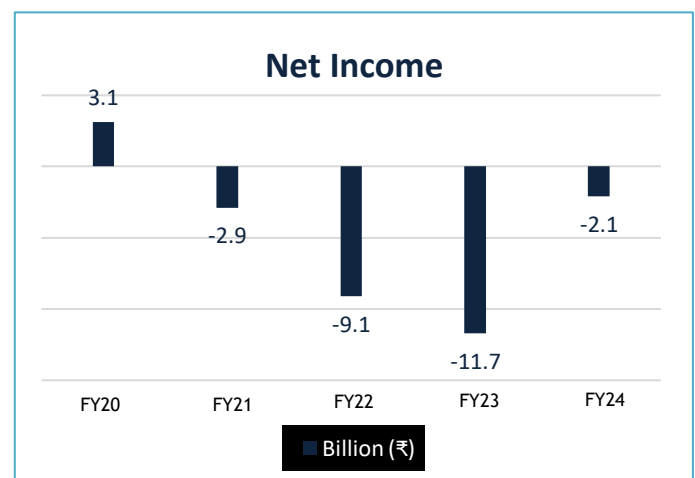
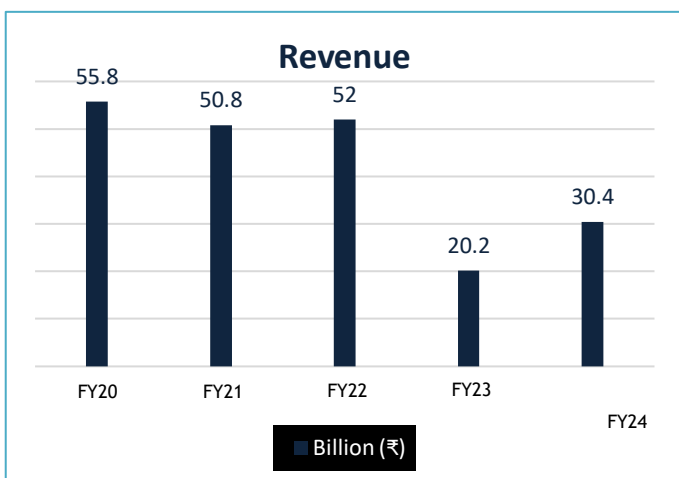
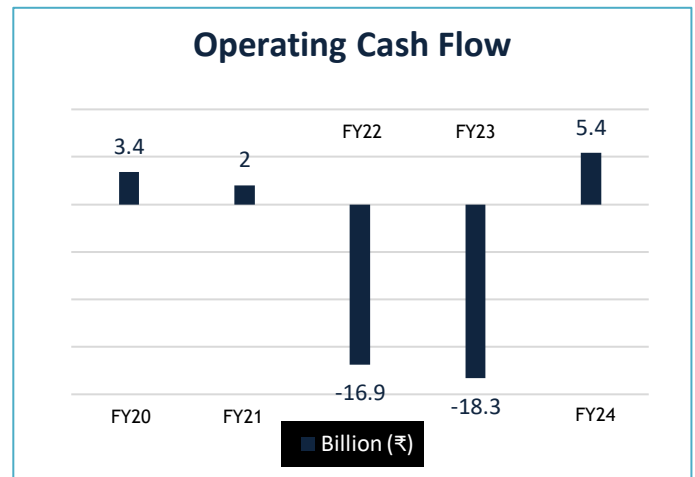
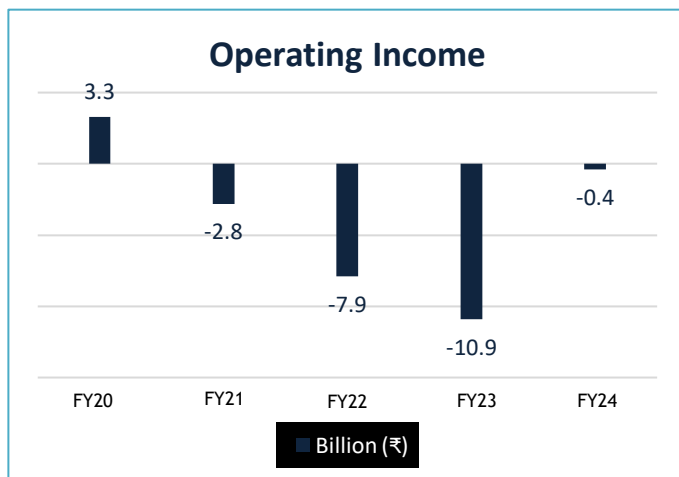
**Quarterly Result**

Particulars	Rs Cr.			
	SEP 2023	DEC 2023	MAR 2024	JUN 2024
Net Sales	759.52	582.88	1,178.01	915.06
Total Expenditure	758.05	599.06	1,148.66	890.38
Operating Profit	1.47	-16.18	29.35	24.68
Other Income	17.21	27.43	33.39	12.83
Interest	64.34	67.55	24.54	18.84
Depreciation	4.29	4.49	4.46	4.01
Profit Before Tax	-49.95	-60.79	33.74	14.66
Profit After Tax	-54.51	-62.39	1.40	4.83
Tax	9.13%	2.63%	95.85%	67.05%
Adjusted EPS	-2.86	-2.73	0.06	0.18

## Highlights

- By FY20, the company was profitable with PAT of Rs 3,000 crore and RoE of 32%. However, it started to incur losses from FY21. EBIT loss in FY20 stood at Rs 6.8 crore against profit of Rs 6.5 crore in FY23. Reasons are, supply chain disruptions due to the pandemic, increase in freight and subcontractor costs/overheads due to project delays, provision for damages due to project delays. Also, due to the impact of COVID-19, around 75% of the ongoing projects are from US and Australia resulting in delays due to border movement restrictions.
- Debt increased from Rs 730 crore in FY20 to Rs 1930 crore in FY23. However, the company has taken steps to shift towards domestic market and reduce borrowings to Rs 970 crore in Q1FY25 to mitigate risks and minimize volatility in revenue/margins.
- Shifting focus towards domestic market and targeting TAM of over 23 GW in FY25 while selectively targeting 5 GW of international projects.
- EPC margins for domestic projects were stable at 10% in 1QFY25 compared to 9.7% in FY23.
- Around 86% of EPC revenues in FY24 came from the domestic market, compared to just 26D44 in FY20. Moreover, over 71% of new orders in 1QFY25 were domestic.
- The company has avoided deals involving land acquisition and is selectively accepting modular projects.
- Reliance New Energy acquired 40% stake in February 2022. The partnership with RIL is expected to provide strong revenue certainty and market advantage, which may help the company capture a significant share of the renewable energy EPC market. EPC
- revenue achieved in FY24 was Rs 28.5 billion and EBIT was Rs 2.97 billion.
- The Company expects significant expansion of domestic capacity and the Company expects to advance approximately 23 GW of
- Solar EPC projects in India and 5 GW overseas.
- With a minimal net debt balance and a strong track record, the company is expected to secure solar EPC orders worth Rs 49600 crore in FY25-27.
- Increasing domestic and international opportunities for solar EPC. Order from RIL for Rs 26,800 crore to build 100 GW of renewable energy generation capacity with solar as a major component. Order from Nigeria for solar EPC and battery storage project worth Rs 5070 crore.

## Financials



## Summary

Sterling & Wilson (S&W) is a global solar EPC and O&M services provider that is well-positioned to capitalize on the burgeoning renewable energy market. With a strong financial foundation and strategic partnerships, S&W is poised to secure substantial EPC opportunities in the coming years. The company's expertise in solar projects, combined with favorable government policies and increasing renewable energy targets, make it a promising player in the sector. S&W has a significant presence in India, where the government's ambitious goal of reaching 500 GW of renewable energy capacity by 2030 offers substantial opportunities. Additionally, the company's international operations, including a recent contract worth USD 1.5 billion in Nigeria, expand its market reach. S&W's partnership with Reliance Industries (RIL) is a key driver of its growth potential. RIL's plans to install 100 GW of renewable energy capacity by 2030 could generate EPC opportunities worth approximately Rs 1.1 trillion for S&W. The company's involvement in RIL's pilot project for solar and battery storage could also lead to EPC opportunities worth up to Rs 300 billion. In terms of contract sizes, S&W has secured significant contracts, such as the Nigeria project worth USD 1.5 billion. The company's ability to secure large-scale projects demonstrates its capacity to execute complex renewable energy projects.

## Key Risks

Sterling & Wilson faces key risks in the solar EPC and O&M services market. Intense competition from other players could limit its ability to secure new projects and negotiate favorable terms. Changes in government policies or regulations could impact the demand for renewable energy and the profitability of solar projects. Large-scale solar projects can be complex and challenging to execute, with potential delays or cost overruns that could impact S&W's profitability. The company's financial performance is dependent on its ability to secure new projects and manage its costs effectively. Rapid technological advancements in the solar industry could make S&W's existing products or services obsolete. Political instability or trade tensions in certain regions could impact S&W's operations and business prospects. Solar projects can have environmental impacts, such as land use and habitat loss, which S&W will need to mitigate through compliance with regulations. Additionally, solar projects can have social impacts, such as displacement of communities or conflicts over land use, that S&W will need to address to ensure its projects are socially responsible.

## Additional Data

### Key management personnel

Khurshed Yazdi Daruvala	Chairman, Non-Executive Non-Independent Director
Rukhshana Jina Mistry	Non-Executive Independent Director
Rahul Dutt	Non-Executive, Independent Director
Balanadu Narayan	Non-Executive, Non-Independent Director

## Top Shareholders

Sr. No.	Holder Name	Holding (%)
1	Reliance New Energy Limited	32.53
2	Shapoorji Pallonji And Company Private Limited	12.73
3	Foreign Institutional Investors	10.07
4	Domestic Institutional Investors	9.08
5	Kainaz K Daruvala	5.57
6	Khurshed Yazdi Daruvala	1.48



