

October 10, 2023

BSE Limited Phiroze Jeejeebhoy Towers Dalal Street Mumbai – 400 001 Scrip Code: 542760 Scrip Code: 725032 (CP)	National Stock Exchange of India Limited Exchange Plaza Bandra Kurla Complex Bandra (East), Mumbai – 400 051 Symbol: SWSOLAR
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Sub.: Credit Rating - Disclosure under Regulation 30 read with Schedule III of SEBI (Listing Obligations and Disclosure Requirements), Regulations, 2015 (“Listing Regulations”)

Dear Sir/ Ma’am,

Pursuant to Regulation 30 of the Listing Regulations, please note that India Ratings and Research (Ind-Ra) has published a rating of ‘IND D’ while resolving the Rating Watch with Negative Implications. The report published by India Ratings and Research Private Limited is enclosed.

Request you to take the same on records.

Thanking you,

Yours faithfully,

For Sterling and Wilson Renewable Energy Limited

Jagannadha Rao Ch. V.
Company Secretary and Compliance Officer

Sterling and Wilson Renewable Energy Limited

(Formerly known as Sterling and Wilson Solar Limited)

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India Ratings Downgrades Sterling and Wilson Renewable Energy's Bank Facilities to 'IND D'; off Rating Watch with Negative Implications

Oct 10, 2023 | Civil Construction

India Ratings and Research (Ind-Ra) has downgraded Sterling and Wilson Renewable Energy Limited's (SWREL) bank facilities' ratings to 'IND D' from 'IND BB-' while resolving the Rating Watch with Negative Implications. The instrument-wise rating actions are as follows:

Instrument Type	Date of Issuance	Coupon Rate	Maturity Date	Size of Issue (million)	Rating/Rating Watch	Rating Action
Fund-based working capital facilities (Long term/short term)	-	-	-	INR2,720	IND D	Downgraded; off Rating Watch with Negative Implication
Non-fund-based working capital facilities (Long term/short term)	-	-	-	INR61,460	IND D	Downgraded; off Rating Watch with Negative Implication
Term loan (Long term)	-	-	March 2027	INR15,500	IND D	Downgraded; off Rating Watch with Negative Implication
Proposed fund-based working capital facilities (Long term/short term)	-	-	-	INR780	IND D	Downgraded; off Rating Watch with Negative Implication
Proposed non-fund based working capital facilities (Long term/short term)	-	-	-	INR32,540	IND D	Downgraded; off Rating Watch with Negative Implication

Analytical Approach: Ind-Ra continues to take a consolidated view of SWREL and its subsidiaries on account of the strong strategic and operational linkages among them.

The downgrade and resolution of Rating Watch with Negative Implications reflect SWREL's delays in timely servicing of its debt obligations during September 2023 owing to its poor liquidity situation. Furthermore, the agency believes the company's operating cash flows would not be sufficient to meet its debt obligations in October 2023 as well. The liquidity situation worsened owing to the invocation of bank guarantees (BG) at its foreign subsidiary, Sterling and Wilson Solar Solutions Inc. SWREL had previously informed the agency that the company planned to meet the near-term financial obligations through a mix of tie-up of additional debt facilities, project advances, collection of receivables and early request of claim receipt under the indemnity agreement; however, the aforementioned measures have proven to be insufficient, leading to the default.

Over the 12 months ended August 2023, the agency had received no-default statements from SWREL on a regular basis as per the Securities and Exchange Board of India's requirement (circular number SEBI/HO/MIRSD/MIRSD4/CIR/P/2017/71 dated 10 August 2021).

Key Rating Drivers

Liquidity Indicator - Poor: SWREL had a scheduled repayment of INR4,261 million in September 2023, out of which INR2,177 million (INR1,350 million, excluding invoked BG) was not paid on the due date due to insufficient liquidity. Furthermore, the internal cashflow would be inadequate to meet the repayments of INR3,323 million (INR2,200 million excluding invoked BG) in October 2023.

During 1QFY24, the overseas subsidiary received an intimation regarding the invocation of BGs amounting to INR3.9 billion (USD47.2 million) with respect to two projects. The company has partially honoured the BGs; however, as on 30 September 2023, around INR2.7 billion (USD33.1 million) was yet to be honoured. While Ind-Ra expects a recovery in the operating performance in FY24, with the company's gross margin having turned positive in 1QFY24, the accruals from operations will not be sufficient to meet the near-term repayment obligations.

The management intends to honour the balance BGs and the scheduled repayments through raising of funds by way of issuance of equity shares, global depository receipts, depository receipts, foreign currency convertible bonds fully/partly convertible debentures, non-convertible debentures, and/or any other financial instruments convertible into equity shares (including warrants) or a combination of any of the securities mentioned above in one or more tranches through one or more public and/ or private offerings, including by way of a qualified institutions placement, or any combination for an aggregate amount not exceeding INR15 billion. The said fund-raising plan was approved by the board of directors on 27 September 2023.

The net working capital cycle (debtors including unbilled revenue plus inventory and security deposits less creditors including advances) elongated to around 58 days in FY23 (FY22: negative two days), mainly due to an increase in trade receivable days to 143 days (55 days) and fall in trade payable days to 86 days (91 days).

Credit Metrics Likely to Remain Weak During FY24: On a consolidated basis, the credit metrics deteriorated in FY23 as the company availed a large debt to meet working capital requirements and fund the operating loss, which is mainly attributed to the legacy international projects. The gross debt increased to around INR20 billion at FYE23 (FYE22: INR4.35 billion). Moreover, during 1QFY24, the company raised commercial paper of INR1 billion, and the net debt stood at INR21 billion as on 30 June 2023. Ind-Ra expects the credit metrics to remain weak during FY24 as a material reduction in debt is likely only by the end of the year.

Rating Sensitivities

Positive: Timely debt servicing for at least three consecutive months could result in a positive rating action.

Company Profile

SWREL is one of the largest non-original equipment manufacturers and solar engineering, procurement and construction players globally with a diversified presence across geographies. It was demerged from Sterling and Wilson Private Limited (IND BBB-/Rating Watch with Negative Implications/IND A3/ Rating Watch with Negative Implications) in March 2018. SWREL has been listed on the BSE Limited and National Stock Exchange of India Limited since August 2019.

FINANCIAL SUMMARY - CONSOLIDATED

Particulars	FY23	FY22
Revenue (INR billion)	20.15	51.99
EBITDA (INR billion)	-10.80	-8.28
EBITDA margins (%)	Not meaningful	Not meaningful
Total debt (INR billion)	20.15	4.35
Interest coverage (x)	Not meaningful	Not meaningful
Net leverage (x)	Not meaningful	Not meaningful
Source: SWREL Ind-Ra		

Non-Cooperation with previous rating agency

Not applicable

Solicitation Disclosures

Additional information is available at www.indiaratings.co.in. The ratings above were solicited by, or on behalf of, the issuer, and therefore, India Ratings has been compensated for the provision of the ratings.

Ratings are not a recommendation or suggestion, directly or indirectly, to you or any other person, to buy, sell, make or hold any investment, loan or security or to undertake any investment strategy with respect to any investment, loan or security or any issuer.

Rating History

Instrument Type	Current Rating			Historical Rating/Rating				
	Rating Type	Rated Limits (million)	Rating	22 September 2023	4 September 2023	3 August 2023	2 May 2023	27 May 2023
Issuer rating	Long-term	-	-	WD	IND BB-/Rating Watch with Negative Implications	IND BBB-/Rating Watch with Developing Implications	IND BBB+/Rating Watch with Negative Implications	IND A+/S

Fund-based working capital limits	Long-term/Short-term	INR3,500	IND D	-	IND BB-/Rating Watch with Negative Implications/IND A4+/ Rating Watch with Negative Implications	IND BBB-/Rating Watch with Developing Implications/IND A3/ Rating Watch with Developing Implications	IND BBB+/Rating Watch with Negative Implications/IND A2/Rating Watch with Negative Implications	IND A+/Stable A1+
Non-fund-based working capital limits	Long-term/Short-term	INR94,000	IND D	-	IND BB-/Rating Watch with Negative Implications /IND A4+/Rating Watch with Negative Implications	IND BBB-/Rating Watch with Developing Implications /IND A3/Rating Watch with Developing Implications	IND BBB+/Rating Watch with Negative Implications/IND A2/Rating Watch with Negative Implications	IND A+/Stable A1+
Term loan	Long-term	INR15,500	IND D	-	IND BB-/Rating Watch with Negative Implications	IND BBB-/Rating Watch with Developing Implications	IND BBB+/Rating Watch with Negative Implications	-

Bank wise Facilities Details

Click here to see the details

Complexity Level of Instruments

Instrument Type	Complexity Indicator
Term loan	Low
Fund-based limits	Low
Non-fund-based limits	Low

For details on the complexity level of the instruments, please visit <https://www.indiaratings.co.in/complexity-indicators>.

Contact

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APPLICABLE CRITERIA

Parent and Subsidiary Rating Linkage

Evaluating Corporate Governance

Default Recognition and Post-Default Curing Period

Short-Term Ratings Criteria for Non-Financial Corporates

Corporate Rating Methodology

The Rating Process

DETAILED FINANCIAL SUMMARY

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