

June 20, 2025

SEDEMAC Mechatronics Limited (erstwhile SEDEMAC Mechatronics Pvt Ltd): Ratings upgraded to [ICRA]A-(Stable)/[ICRA]A2+

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long Term / Short Term- Fund Based / Non-fund-Based Working Capital Facilities	64.00	64.00	[ICRA]A-(Stable) / [ICRA]A2+; upgraded from [ICRA]BBB+(Stable) / [ICRA]A2
Long Term- Fund Based- Term Loans	45.44	49.50	[ICRA]A-(Stable); upgraded from [ICRA]BBB+(Stable)
Long Term / Short Term: Unallocated Limits	16.14	0.00	-
Total	125.58	113.50	

*Instrument details are provided in Annexure-1

Rationale

The rating upgrade for SEDEMAC Mechatronics Limited (erstwhile SEDEMAC Mechatronics Pvt Ltd; SEDEMAC) favourably takes into consideration the significant improvement in SEDEMAC's financial profile in FY2024 and FY2025 and ICRA's expectation that the same would sustain, going forward. SEDEMAC demonstrated a robust revenue growth momentum in FY2024 and FY2025, aided by increasing penetration of its flagship product – the sensor-less integrated starter generator (ISG) among the domestic two-wheeler (2W) original equipment manufacturers (OEMs). ICRA notes the presence of two prominent domestic 2W OEMs in SEDEMAC's clientele, with the company expected to commence supplies to another key 2W OEM in the next 2-3 months. With this, the revenue growth momentum is expected to remain healthy, going forward. Aided by the operating leverage benefits and cost optimisation measures undertaken by the company, its operating profit margin (OPM) rose to 18.6% in FY2025 from 14.2% in FY2024, with the expectation of a further gradual improvement in profitability, going forward, in line with the expanding scale of operations and widening product portfolio.

The ratings continue to factor in the established presence of SEDEMAC in the niche segment of designing and manufacturing powertrain controllers. SEDEMAC's promoters have a strong background with experience that spans over 15 years. The deep-rooted business relations developed by the company with its key clients, both from automotive and non-automotive sectors, have resulted in a steady ramp-up in the scale of operations over the years (as reflected by the company's revenue base increasing at a CAGR of 26.7% during FY2020-FY2025). As the company onboards new clients across product categories and sectors, the revenue growth momentum is expected to remain healthy over the near-to-medium term. SEDEMAC's principal product - sensor-less ISG, a device that controls the starting mechanism for small vehicles is one of the key product offerings from SEDEMAC. With the increasing adaptability of this device in the automotive industry, especially from the 2W and three-wheeler (3W) OEMs, ICRA expects SEDEMAC to report a steady ramp-up in its scale of operations for its principal product - ISG devices, over the medium term. Further, the company has also been increasing its presence over the years in other product verticals, such as EV controllers, genset controllers, battery chargers, actuators, etc., which is expected to provide further momentum to the expansion of revenue base, going forward. ICRA also notes the limited competition faced by SEDEMAC for its principal product in the sensor-less ISG technology, given the patented nature of its products in this category. SEDEMAC's financial profile remains comfortable, aided by comfortable gross margins and healthy accrual generation. Timely equity infusion from promoters and investors in the past (with the latest equity infusion of ~Rs.75.0 crore in FY2025) has provided support to the capital structure and leverage, with the company's gearing and total debt/OPBITDA remaining healthy at 0.2 times and 0.4 times, respectively, as of March 31, 2025 (previous year [PY]: 0.6 times and 1.3 times, respectively).

The ratings strengths are, however, partially offset by the high customer concentration risk exhibited by SEDEMAC. Its largest customer has contributed 81% to revenues in FY2025 (84% in FY2024), exposing it to OEM-specific slowdown risks. The

company's active efforts to onboard other customers, from automotive as well as non-automotive sectors, are expected to reduce customer concentration over the medium term and thus provide some comfort against the said risk to an extent. While SEDEMAC's flagship product – sensor-less ISG remains the key revenue contributor for the company, this results in a sizeable operational dependence over a single product. ICRA notes the other products (such as electronic fuel injector / EFI control units and EV controller) being supplied by SEDEMAC. Ramp up in volumes of these products is likely to reduce the company's dependence over its principal product ISGs in the medium term. With a sizeable (over 80%) revenue share from the domestic 2W and 3W automotive clients, SEDEMAC's business profile remains exposed to the inherent cyclicity associated with these underlying markets. ICRA notes the company's extensive dependence on imports of key raw materials (such as semiconductors and passive electronic components), rendering the operations vulnerable to the global supply chain related challenges. The company's established relationships with the overseas suppliers, however, provide some comfort against the stated risk to an extent.

The Stable outlook on SEDEMAC's rating reflects ICRA's opinion that the company will continue to benefit from its established position as a supplier of electronic controllers for both automotive and non-automotive applications. The company's plans to onboard new clients across product segments and industries are expected to reflect positively in steady revenue growth momentum over the medium term.

Key rating drivers and their description

Credit strengths

Established presence in the niche segment of powertrain engine controllers; strong promoter background – SEDEMAC has over 15 years of track record of being operational in the niche segment of electronic controllers used in powertrain engines as well as non-automotive applications such as gensets. The company benefits from the strong technological background of its qualified promoter team, which lends support to client retention as well as new client acquisition. This has also helped the company to attract marquee investors, with the entity raising ~ Rs. 190 crore through multiple rounds of funding since its inception.

Limited competitive scenario coupled with IP-backed product offerings to support margin profile – As SEDEMAC operates in the niche segment of electronic controllers used in the automotive powertrains, the entity faces limited competition in the domestic market, which in turn supports profitability through pricing structure. Moreover, SEDEMAC has developed IP-backed product offerings in the field of sensor-less technology, which has resulted in no material competition in this segment over the years, thus paving way for a steady revenue growth momentum, with the trend likely to continue over the near to medium term (with onboarding of new OEMs for its sensor-less device, and traction of other product lines).

Increasing adaptability of key product offerings likely to maintain the robust revenue growth momentum – SEDEMAC has seen an increasing adaptability to its key product offerings in the recent past, which gels well with the revenue growth trajectory for the company. With several other products recently launched, and scheduled to be launched in the near term, incremental revenue contribution from these products should further aid in attaining higher revenue growth potential for SEDEMAC, for a longer time frame.

Comfortable financial profile, healthy gross margins and coverage indicators – SEDEMAC's capital structure is characterized by a comfortable gearing position which stood at 0.2 times as of March 31, 2025 (0.6 times as of March 31, 2024), aided by a steady expansion of net-worth position over the years. ICRA also notes the healthy gross margins demonstrated by the entity on back of its pricing structure and expanding revenue base. The coverage indicators, backed by healthy profitability, remain fairly comfortable, as reflected by interest coverage ratio which stood at 11.5 times in FY2025 (PY: 6.5 times). ICRA expects the company to report OPBITDA margins in the range of 18-20% in FY2026, while maintaining steady growth in its top line.

Credit challenges

High customer concentration risk; sizeable operational dependence on a single product – With its largest customer – a leading domestic 2W OEM, having contributed to ~81% of its revenues in FY2025 (~84% in FY2024), SEDEMAC remains exposed to a high degree of customer concentration risk, wherein any operational challenges faced by key client could have a material impact on the business operations of the company. SEDEMAC's deep-rooted relations with its key clients over the years and additional of two of the leading domestic 2W OEMs in its clientele in the recent past, however, provide some comfort against the said risk. In addition, ICRA also notes the sizeable operational dependence of the company on a single product (with this product having contributed 64% and 67% of revenues in FY2024 and FY2025, respectively), making its operations vulnerable to any product-specific slowdown/technological risks. The IP-backed nature of products in this product category, however, mitigates the said risk to an extent. In addition, ICRA notes on a strong product development pipeline, which should translate into revenues in the medium to longer term.

Business operations exposed to the inherent cyclicity associated with the domestic automotive industry – With a sizeable (80%+) revenue share from the domestic 2W and 3W automotive clients, SEDEMAC's business profile remains exposed to the inherent cyclicity associated with these underlying markets. The well-established relations of the company with its key clients coupled with the IP-backed nature of its products leading to the sole/major-supplier status for various products, however, provides some comfort against the said risk.

Extensive dependence on imports for raw material procurement exposing the operations to the global supply chain related issues – Given the nature of industry it operates in, SEDEMAC shows an extensive dependence over imports for raw material procurement (with around 75% of the overall raw material requirement being met through imports, especially for semiconductors and passive electronic components), which exposes the company to the global supply chain related issues – any impact on the procurement channels could therefore affect the business operations to a large extent. The company's well-established relations with its overseas suppliers coupled with sufficient stocking of imported inventory, however, provide some comfort against the said risk.

Liquidity position: Adequate

SEDEMAC's liquidity position remains adequate, as reflected by a comfortable buffer in its undrawn working capital lines (buffer stood at ~Rs. 49 crore as of March 2025 and typically maintained at Rs. 40-50 crore) and cash and liquid investments balances of Rs. 27.8 crore as of March 2025. Moreover, comfortable cash flow generation from operations, projected to remain ~Rs. 60-80 crore per annum over the near to medium term, is expected to provide further comfort to the liquidity profile. Against this, the capex outlay for FY2026 remains ~Rs. 80-90 crore, while the debt repayment quantum for next 1-2 years stands at ~Rs. 10-15 crore per annum, which is likely to be met comfortably from steady accruals generation. ICRA also notes that regular infusion of equity from promoters / investors has also extended material support to SEDEMAC's liquidity in the past.

Rating sensitivities

Positive factors – The rating could be upgraded in case of significant scale up in the revenues and earnings of the company, along with diversification in its product and customer profile on a sustained basis.

Negative factors – The rating could witness a downward revision in case of any adverse impact on the revenue/ profitability of the company leading to deterioration in debt protection metrics. Further, any sizeable capital expenditure or higher working capital requirement leading to an adverse impact on the liquidity position of the company can trigger a downward rating revision. Specific credit metrics that could lead to a downward rating pressure would be TD/OPBITDA above 2.0 times on a sustained basis.

Analytical approach

Analytical Approach	Comments
Applicable Rating Methodologies	Corporate Credit Rating Methodology Rating Methodology for Auto Components
Parent/Group Support	Not applicable
Consolidation/Standalone	For arriving at the ratings, ICRA has considered the standalone financials of SEDEMAC Mechatronics Limited.

About the company

Incorporated in 2007, SEDEMAC is an innovative controls company engaged in manufacturing of electronic components primarily powertrain controllers for automotive (catering majorly 2W and 3W OEMs), gensets and EVs. The company presently generates around 83% of its revenues from the domestic automotive sector, with the two-wheeler segment being the major contributor. It presently has an installed capacity of about 40,00,000 units per annum, and has two manufacturing plants - one in Chakan and the other one in Dhayari, Pune. The company's corporate office, and R&D centre are located at Baner, Pune. The company was founded by technocrats - Mr. Shashikanth Suryanarayanan, Mr. Amit Dixit and Mr. Manish Sharma who are the alumni of Indian Institute of Technology, Mumbai. Apart from promoters and friends and relatives who control around 27% stake in the company, several investors including PE funds have around 73% stake in the company.

Key financial indicators

SEDEMAC	FY2023 Audited	FY2024 Audited	FY2025 Provisional
Operating Income (Rs. crore)	428.6	532.0	656.7
PAT (Rs. crore)	11.1	27.8	57.1
OPBDIT/OI (%)	11.8%	14.2%	18.6%
PAT/OI (%)	2.6%	5.2%	8.7%
Total Outside Liabilities/Tangible Net Worth (times)	1.3	1.3	0.7
Total Debt/OPBDIT (times)	1.6	1.3	0.4
Interest Coverage (times)	5.6	6.5	11.5

Source: SEDEMAC, ICRA Research; PAT: Profit after Tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Current rating (FY2026)			Chronology of rating history for the past 3 years					
	Type	Amount Rated (Rs. crore)	June 20, 2025	FY2025		FY2024		FY2023	
				Date	Rating	Date	Rating	Date	Rating
Term Loan	Long-term	49.50	[ICRA]A-(Stable)	3-Apr-24	[ICRA]BBB+ (Stable)	-	-	-	-
Working Capital Facilities	Long-term/Short-term	64.00	[ICRA]A-(Stable) / [ICRA]A2+	3-Apr-24	[ICRA]BBB+ (Stable)/ [ICRA]A2	-	-	-	-
Unallocated	Long-term/Short-term	-	-	3-Apr-24	[ICRA]BBB+ (Stable)/ [ICRA]A2	-	-	-	-

Source: Company

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long Term – Term Loans	Simple
Long Term / Short Term – Working Capital Facilities	Simple
Long Term / Short Term – Unallocated	Not Applicable

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional, or legal aspects. Details on the complexity levels of the instruments, are available on ICRA's website: [Click Here](#)

Annexure-1: Instrument details

ISIN	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. Crore)	Current Rating and Outlook
NA	Term Loan – 1	FY2024	NA	FY2028	10.00	[ICRA]A-(Stable)
NA	Term Loan – 2	FY2024	NA	FY2028	7.50	[ICRA]A-(Stable)
NA	Term Loan – 3	FY2025	NA	FY2029	20.00	[ICRA]A-(Stable)
NA	Term Loan – 4	FY2025	NA	FY2029	12.00	[ICRA]A-(Stable)
NA	Working Capital Facilities	NA	NA	NA	64.00	[ICRA]A-(Stable)/ [ICRA]A2+

Source: Company

[Please click here to view details of lender-wise facilities rated by ICRA](#)

Annexure-2: List of entities considered for consolidated analysis: Not applicable

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