

August 05, 2025

## Sunstar Precision Forge Limited: Ratings upgraded to [ICRA]BBB+ (Stable); removed from Issuer Not-Cooperating category

### Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Issuer Rating	-	-	[ICRA]BBB+ (Stable); upgraded from [ICRA]BB+(Stable); and removed from Issuer Not-Cooperating category
<b>Total</b>	-	-	

\*Instrument details are provided in Annexure I

### Rationale

ICRA has upgraded the rating of Sunstar Precision Forge Limited (Sunstar) and removed the same from the Issuer Not Cooperating category, based on adequate information received from the client for carrying out a detailed credit assessment.

The rating action factors in Sunstar's established operational track record in manufacturing forged and machined automotive and non-automotive components, and its long relationships with established auto ancillaries like Meritor, Dana Incorporated and Sona Comstar across North America and the European Union (EU). This has resulted in repeat orders from these clients with a healthy share of business. The rating also factors in Sunstar's comfortable financial profile, as marked by stable profit margins and modest leverage. The company's revenue rose at a healthy CAGR of approximately 25% from FY2021 to FY2025, reaching Rs. 365 crore with relatively stable operating margins of 11-12%. Additionally, debt protection metrics have also remained comfortable, despite debt-funded capex incurred in FY2025 for capacity expansion.

The rating, however, remains constrained by the company's moderate scale of operations and working capital-intensive nature of operations primarily owing to the comparatively longer realisation period for export sales. In addition, the company's profit margins remain exposed to volatility in foreign exchange rates, mitigated to some extent by the hedging policy adopted by the company. While the company faces input price volatility, it can pass on most of the escalation, albeit with a lag, which can result in fluctuations in margins on a YoY basis. As prevalent in this space, the company is also exposed to competition from other players. Moreover, a large part of the company's revenues comes from the commercial vehicle (CV) segment, and it remains exposed to the cyclical nature inherent in the auto industry.

The Stable outlook on Sunstar's rating reflects ICRA's opinion that the company will continue to benefit from its established position as a supplier of commercial vehicle (CV) components as well as its foray into electric vehicle (EV) components, which would lead to revenue diversity.

### Key rating drivers and their description

#### Credit strengths

**Established operational track record** – Incorporated in 2005, Sunstar has built a strong track record in manufacturing forged and machined components for diverse applications across both automotive and non-automotive sectors. With a facility in Greater Noida and a portfolio of over 70 products, the company serves segments including commercial vehicles, passenger cars, tractors, off-highway vehicles, and railways.

**Long relationships with a large client base** – Sunstar’s client base consists of large organised automotive component suppliers such as Meritor (now part of Cummins) and Dana Incorporated. The company has been able to secure repeat orders consistently with a high share of business with its key clients for the components it supplies, which is expected to continue over the medium term. Sunstar has also started supplying components to Sona Comstar for EVs, which augurs well for its prospects, given the global push for EV adoption. It plans to further expand its clientele in the near-to-medium term.

**Comfortable financial risk profile** – Sunstar’s financial profile continues to be comfortable, characterised by steady revenue growth and consistent earnings, and modest leverage levels. The company witnessed a revenue growth of 7% in FY2025, along with stable operating margins at around 12%. Notwithstanding some moderation due to debt-funded capex incurred towards enhancing manufacturing capacity, debt protection metrics remained comfortable with an interest cover of 7.2 times and DSCR of 3.9 times in FY2025. The same are expected to improve, going forward, aided by stable margin profile, ramp-up of new capacities and no material increase in debt levels.

### Credit challenges

**High working capital intensity of operations** – Sunstar’s operations remained working capital intensive with NWC/OI of 44% in FY2025, similar to the previous year. The same is expected to be on similar lines in the current fiscal. While the company has to offer credit days of up to 90 and 180 to its domestic and export clients, respectively, it also keeps inventory of around 60 days.

**Exposed to cyclicity in automotive industry amid intense competition from peers** – Sunstar is exposed to industry cyclicity due to significant revenue dependence on the CV segment. While its current presence in the EV segment is limited, it is expected to scale up, going forward. As prevalent in this sector, the company faces competition from other domestic players – both organised as well as unorganised ones, which constrains its scale of operations.

**Exposure to foreign exchange fluctuations and input price volatility** – More than 30% of the company’s revenues is derived from export sales. Hence, its profit margins remain exposed to volatility in foreign exchange prices, although the same is mitigated to some extent by the hedging policy adopted by the company. ICRA also notes that the company’s margins are exposed to input price volatility. However, it can pass on most of the cost variations, albeit with a lag, which results in some margin volatility.

### Liquidity position: Adequate

Sunstar’s liquidity position remains adequate, supported by cash and liquid investment of around Rs. 19 crore and unutilised working capital of Rs. 6 crore as of May 31, 2025, along with steady accrual generation. Additionally, the company has annual repayment of Rs. 4-5 crore along with maintenance capex of Rs. 10 crore during FY2026 and FY2027, which are expected to be adequately funded through internal accruals.

### Rating sensitivities

**Positive factors** – The rating could be upgraded in case of any significant scale-up in revenues and profitability of the company, along with diversification in its geographical and customer industry profiles on a sustained basis.

**Negative factors** – The rating could witness a downward revision in case of any sustained adverse impact on the revenue/profitability of the company or any larger-than-expected debt-funded capex, resulting in a deterioration in debt protection metrics. Further, a higher working capital requirement, leading to an adverse impact on the liquidity position of the company, can trigger a downward rating action. A specific credit metric for a rating downgrade includes Total Debt/OPBITDA of more than 2.5 times on a sustained basis.

## Analytical approach

Analytical approach	Comments
Applicable rating methodologies	<a href="#">Corporate Credit Rating Methodology</a> <a href="#">Rating Methodology –Auto Components</a>
Parent/Group support	Not Applicable
Consolidation/Standalone	Standalone

## About the company

Promoted by the Garg and Gupta families, Sunstar is involved in forging and machining of auto and non-automotive components of various applications for medium and heavy commercial vehicles, cars, tractors, off-highway vehicles, railways and other applications. The company's manufacturing facility is in Greater Noida, Uttar Pradesh.

### Key financial indicators (audited)

Sunstar Standalone	FY2023	FY2024	FY2025*
Operating income	314.8	341.0	365.2
PAT	24.0	26.7	23.9
OPBDIT/OI	12.9%	11.9%	12.2%
PAT/OI	7.6%	7.8%	6.5%
Total outside liabilities/Tangible net worth (times)	0.8	0.7	1.1
Total debt/OPBDIT (times)	1.1	1.4	2.4
Interest coverage (times)	17.0	11.7	7.2

Source: Company, ICRA Research; \* Provisional numbers; All ratios as per ICRA's calculations; Amount in Rs. crore  
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

Current rating (FY2026)						Chronology of rating history for the past 3 years					
						FY2026	FY2025	FY2024	FY2023		
Instrument	Type	Amount rated (Rs. crore)	Aug 05 2025	Date	Rating	Date	Rating	Date	Rating	Date	Rating
Issuer Rating	Long term	-	[ICRA]BBB+ (Stable)	-	-	Mar-27-2025	[ICRA]BB+ (Stable); ISSUER NOT COOPERATING	Jan-23-2024	[ICRA]BBB+ (Stable)	-	-

## Complexity level of the rated instruments

Instrument	Complexity indicator
Issuer Rating	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 I: Instrument details**

ISIN	Instrument name	Date of issuance	Coupon rate	Maturity	Amount rated (Rs. crore)	Current rating and outlook
NA	Issuer Rating	NA	NA	NA	-	[ICRA]BBB+ (Stable)

Source: Company

**Annexure II: List of entities considered for consolidated analysis – Not Applicable**

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