

November 11, 2025

Sterling E-Mobility Solutions Limited: Ratings reaffirmed

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Long-term – Fund-based – Term Loan	25.00	15.00	[ICRA]A- (Stable); reaffirmed
Long-term/ Short-term – Working Capital	85.00	55.00	[ICRA]A- (Stable)/[ICRA]A2+; reaffirmed
Long-term/ Short-term – Interchangeable Limits	(71.50)	(38.00)	[ICRA]A- (Stable)/[ICRA]A2+; reaffirmed
Short Term-Non Fund Based- Others	-	4.33	[ICRA]A2+; reaffirmed
Long-term/Short term – Unallocated	-	35.67	[ICRA]A- (Stable)/[ICRA]A2+; reaffirmed
Total	110.00	110.00	

*Instrument details are provided in Annexure I

Rationale

The reaffirmation of the ratings for the bank facilities of Sterling E-Mobility Solutions Ltd. (SEMS) continues to factor in its established position in the motor controller unit (MCU) market for electric two-wheelers (e2Ws), its strategic importance within the Sterling Tools Limited (STL) Group, and continued financial and managerial support from STL. SEMS is a wholly owned subsidiary of STL ([ICRA]AA-/Stable/[ICRA]A1+), which has infused Rs. 28.5 crore in equity and provides ongoing technical support via Jianguo Gtake Electric Co. Ltd. (Gtake), China.

Founded in January 2020 as STL's EV electronics arm, SEMS was initially planned as a joint venture (JV) with Gtake, which did not materialise due to delays in approvals. Nevertheless, SEMS continues to benefit from Gtake's technical expertise and component supply arrangements. SEMS established itself as a leading supplier of motor controller units (MCUs) for electric two-wheelers (e2Ws) and has subsequently expanded its product portfolio and customer base to include OEMs in the electric three-wheeler (e3W) and electric light commercial vehicle (e-LCV) segments.

SEMS recorded revenues of Rs. 380 crore in FY2025, contributing 37% to STL's consolidated revenues, up from 35% in FY2024 and 23% in FY2023. The growth was driven by continued scale-up with its largest customer, OLA Electric Technologies Limited (Ola), as well as incremental business from OEMs such as Euler Motors, Ashok Leyland/Switch Mobility, and Ampere in the e3W and e-LCV segments. Despite this diversification, OLA remained the dominant contributor, accounting for 87.5% of SEMS's revenue in FY2025, down slightly from 94.1% in FY2024. Further, SEMS's operating profit margin (OPM) stood at 6.8% in FY2025, marginally lower than 7.1% in FY2024.

However, in Q1 FY2026, SEMS's performance weakened materially, with revenues declining to Rs. 30 crore from Rs. 130 crore in Q1 FY2025, following OLA's transition to in-house MCU production for its Gen 3 scooters. This led to a steep drop in margins for SEMS to 1.2% in Q1 FY2026, compared to 8% in Q1 FY2025. Given the material reduction in the scale of operations, ICRA expects SEMS's FY2026 performance to remain subdued over the near term. While SEMS has been nominated by several OEMs in the e3W and e-LCV segments, revenue traction from these segments has remained subdued due to low volume growth in the industry. Nevertheless, several customers are currently in the homologation stage, and new product introductions are expected to support future growth.

Despite near-term challenges, SEMS is expected to benefit from STL's financial and operational backing. The company maintains low debt levels, with a net cash position of Rs. 5.4 crore as of March 31, 2025 (liquidity of Rs. 53 crore). While debt

metrics may weaken in FY2026, healthy cash reserves of Rs. 32 crore as of September 30, 2025, and moderate working capital buffers offer comfort.

SEMS is actively expanding its EV ecosystem through a series of strategic partnerships aimed at product and customer diversification. In FY2026, SEMS announced a partnership with Landworld Technology Co., Ltd. (China) to manufacture key EV power electronic components such as on-board chargers, DC/DC converters, and multi-function units at its Faridabad facility. Furthermore, SEMS entered into a technology licensing agreement with Advanced Electric Machines Ltd. (UK) to produce rare-earth-free traction motors at its Faridabad plant.

ICRA notes SEMS's early-stage operations, exposure to electronic component price and forex volatility (partially hedged), and high customer concentration risk. However, this is expected to ease over the medium term with customer additions across the e2W, e3W, and e-LCV segments.

The Stable outlook reflects ICRA's view that SEMS will continue to benefit from STL's support and strategic positioning in the EV value chain. While near-term performance may remain weak, diversification, new products, and customer additions are expected to drive medium-term recovery and growth.

Key rating drivers and their description

Credit strengths

Access to financial and operational support from parent, STL – SEMS benefits from the managerial, operational and financial support extended by STL, the second largest player in the fastener segment in India. STL has infused equity worth Rs. 28.5 crore till date in SEMS and has also extended an unconditional and irrevocable corporate guarantee for its bank debt. Besides, the company continues to receive management support and is likely to benefit from the parent's long-term relationships with auto OEMs. SEMS is likely to remain strategically important to its parent. While the company is expected to remain self-sufficient in servicing its debt obligations, its parent is likely to provide need-based support.

Technical support from Gtake, a leading Chinese supplier of MCUs – Gtake produces AC drives, MCUs, bi-directional DC sources and test rigs etc., with advanced algorithms and technology for industrial automation and new energy applications. It has a healthy market share in the MCU segment in China, as per the management. SEMS imports technology from the Chinese entity and customises it as per its business requirements. It is expected to have its own proprietary technology by FY2025. Both entities are in the process of signing a formal technical licence agreement. The royalty payout, if any, is expected to be partially adjusted against the cost incurred in procuring components, helping SEMS to maintain its healthy operating margins. As MCU is a critical component in an EV, requiring strong technical and R&D capabilities, the technological support from Gtake and its own technical know-how are likely to aid SEMS in maintaining its healthy market position over the medium term.

Credit challenges

Modest scale of operations – While SEMS's revenues increased to Rs. 380 crore in FY2025, the scale of operations continues to remain modest, especially in the context of the broader EV components market. The company benefited from strong demand from Ola Electric, which drove volumes. However, realisations declined marginally due to quantity discounts passed on to the OEM. The sharp drop in volumes in Q1 FY2026, following Ola's shift to in-house MCU production, has further highlighted the vulnerability of SEMS's scale. Despite being an early mover in the EV electronics space, SEMS's ability to improve market share may remain constrained over the medium term due to intensifying competition and its limited customer diversification. Given the nascent stage of both the EV industry and SEMS's operations, its business scalability and ability to maintain healthy realisations without compromising volume growth remain key monitorables.

High customer and segment concentration risks – SEMS's revenue profile remains exposed to high customer and segment concentration risks. In FY2025, Ola Electric accounted for 87.5% of SEMS's revenues, down from 94.1% in FY2024, underscoring the company's dependence on a single customer in the e-2W segment. Additionally, SEMS's product portfolio is currently limited to MCUs, further amplifying concentration risk. While the company has been nominated by several OEMs in the e3W and e-LCV segments and has engaged with ~40 active customers, firm SOPs have only been secured from a handful. The loss

of volumes from Ola has materially impacted performance in FY2026, and traction from other segments has remained subdued due to low industry volumes. Although diversification efforts are underway, including new product introductions and strategic partnerships, a meaningful improvement in customer and segment profile is likely only over the medium term.

Margins susceptible to fluctuations in electronic components prices and unfavourable forex movement – SEMs’s operating margins remain vulnerable to fluctuations in electronic component prices and adverse foreign exchange movements. The company sources all its electronic components from China and is a net importer, exposing it to currency volatility. In FY2025, margins were relatively stable at 6.8%, but dropped sharply to 1.2% in Q1 FY2026 due to volume loss and fixed cost absorption challenges. While SEMs hedges approximately 50% of its forex exposure and has mechanisms to pass on sustained cost increases when currency fluctuations breach certain thresholds, its profitability remains susceptible to demand-supply dynamics and input cost pressures. The ability to manage cost volatility while scaling new product lines will be critical for margin recovery going forward.

Liquidity position: Adequate

SEMS’s liquidity position remains adequate, characterised by free cash/liquid investments of ~Rs. 32 crore as of September 2025 and moderate working capital buffer, even as cash accruals are likely to remain limited in the near term. It has repayment obligations of Rs. 4.6 crore in FY2026. The company is expected to incur capex of ~Rs. 18 crore in FY2026 mainly towards adding new product lines and R&D, funded by internal accruals. While the company is expected to remain self-sufficient in servicing its debt obligations, STL is likely to extend funds to meet any cash flow mismatch on a need basis.

Rating sensitivities

Positive factors – The ratings could be upgraded in case of sustainable improvement in revenues and profitability of the company, along with diversification in its business risk profile.

Negative factors – The ratings could witness a downward revision in case of an inability to scale up revenues over the medium term, leading to continuation of weak debt protection metrics and deterioration in liquidity profile. Specific credit metric for ratings downgrade includes total debt/OPBITDA increasing to more than 3.5 times on a sustained basis. A deterioration in the credit profile of the parent entity (STL) or a weakening in the linkages between the entities could also exert pressure on ratings.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Auto Components
Parent/Group support	Parent Company: Sterling Tools Ltd. ICRA takes comfort from the track record of financial support as well as the bank lines guaranteed by STL, which highlights its commitment towards the company. Accordingly, ICRA expects it to continue to support the company, should the need arise, given the strategic importance it holds.
Consolidation/Standalone	Standalone

About the company

SEMS, incorporated in January 2020, manufactures and supplies motor controller units (MCUs) for the emerging high speed 2W, 3W and LCV electric vehicle market. It is a 100% subsidiary of Sterling Tools Ltd. (STL). Earlier, it was planned to set up as a joint venture of STL and Jiangsu Gtake Electric Co. Ltd. (leading Chinese supplier of MCUs), however, considering the delay in obtaining the requisite FDI approvals, it became a wholly owned subsidiary of STL. Even as the equity infusion from Jiangsu Gtake Electric Co. Ltd. did not materialise, the entity continues to benefit from technical support from the latter. Its manufacturing facility is located at Faridabad, Haryana. The company initially started with an installed capacity of 2.4 lakh MCUs per annum, which has subsequently increased to ~4 lakh MCUs as of FY2025. The company has a high customer concentration with a single customer accounting for the majority of the company's revenues.

Key financial indicators (audited)

SEMS Standalone	FY2024	FY2025
Operating income	323.9	385.3
PAT	16.6	16.6
OPBDIT/OI	7.1%	6.8%
PAT/OI	5.1%	4.3%
Total outside liabilities/Tangible net worth (times)	1.6	1.4
Total debt/OPBDIT (times)	0.8	1.9
Interest coverage (times)	12.4	6.7

Source: Company, ICRA Research; 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

Instruments	Type	Current (FY2026)		Chronology of rating history for the past 3 years					
		Amount rated (Rs. crore)	Nov 11, 2025	FY2025		FY2024		FY2023	
				Date	Rating	Date	Rating	Date	Rating
Fund-based – Term Loan	Long term	15.00	[ICRA]A- (Stable)	Nov 26, 2024	[ICRA]A- (Stable)	Sep 04, 2023	[ICRA]A-(Stable)	-	-
				Nov 14, 2024	[ICRA]A- (Stable)				
Working Capital Limits	Long term/Short term	55.00	[ICRA]A-(Stable)/[ICRA]A2+	Nov 26, 2024	[ICRA]A-(Stable)/[ICRA]A2+	Sep 04, 2023	[ICRA]A-(Stable)/[ICRA]A2+	-	-
				Nov 14, 2024	[ICRA]A-(Stable)/[ICRA]A2+				
Interchangeable Limits	Long term/Short term	(38.00)	[ICRA]A-(Stable)/[ICRA]A2+	Nov 26, 2024	[ICRA]A-(Stable)/[ICRA]A2+	Sep 04, 2023	[ICRA]A-(Stable)/[ICRA]A2+	-	-
				Nov 14, 2024	[ICRA]A-(Stable)/[ICRA]A2+				
Non Fund Based-Others	Short term	4.33	[ICRA]A2+	-	-	-	-	-	-
Unallocated	Long term/Short term	35.67	[ICRA]A-(Stable)/[ICRA]A2+	-	-	-	-	-	-

Complexity level of the rated instruments

Instrument	Complexity indicator
Long-term – Fund-based – Term Loans	Simple
Long-term/ Short-term – Working Capital	Simple
Long-term/ Short-term – Interchangeable Limits	Simple
Short Term-Non Fund Based-Others	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 I: Instrument details

ISIN	Instrument name	Date of issuance	Coupon rate	Maturity	Amount rated (Rs. crore)	Current rating and outlook
NA	Long-term – Fund-based – Term Loans	FY2023	NA	FY2030	15.00	[ICRA]A- (Stable)
NA	Long-term/ Short-term – Working Capital	-	-	-	55.00	[ICRA]A- (Stable)/[ICRA]A2+
NA	Long-term/ Short-term – Interchangeable Limits	-	-	-	(38.00)	[ICRA]A- (Stable)/[ICRA]A2+
NA	Short Term-Non Fund Based-Others	NA	NA	NA	4.33	[ICRA]A2+
NA	Long-term/Short term – Unallocated	NA	NA	NA	35.67	[ICRA]A- (Stable)/[ICRA]A2+

Source: Company

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

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

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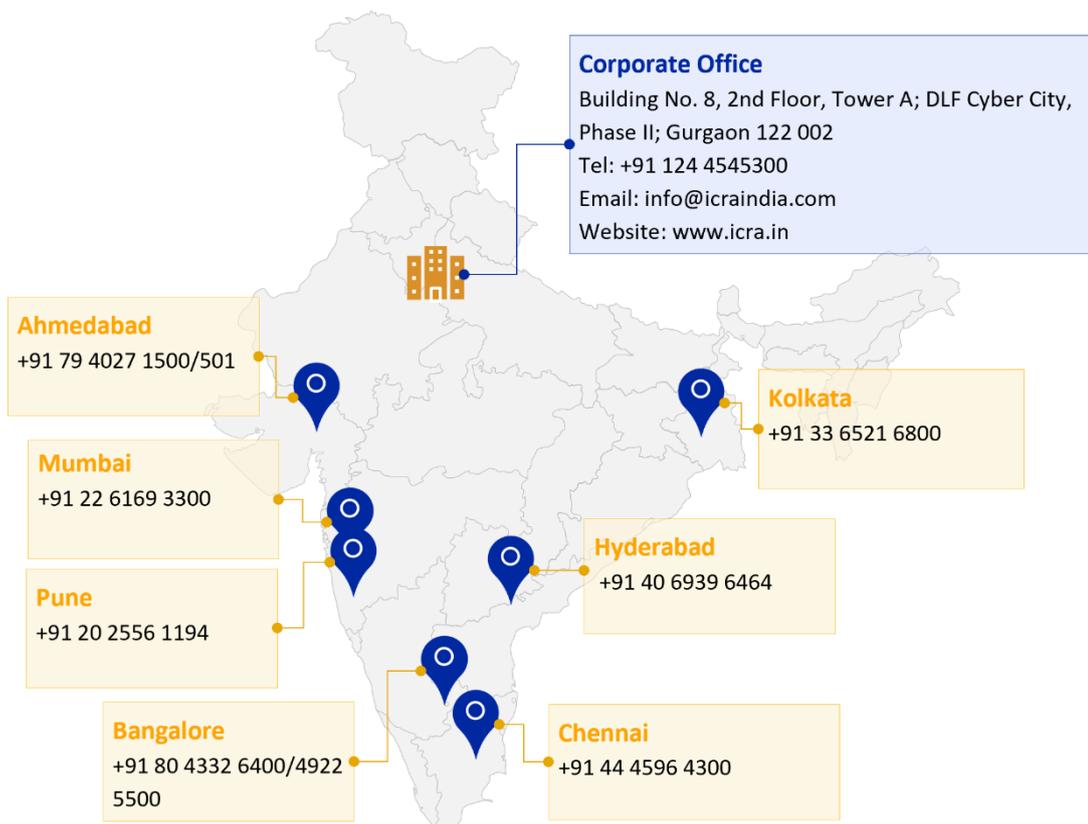
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