ICRA

November 18, 2025

Stelmec Limited: [ICRA]A-(Stable)/[ICRA]A2+; assigned

Summary of rating action

Instrument*	Current Rated Amount (Rs. crore)	Rating Action
Long-term/Short-term-Fund-based/Non-fund based-Others	700.00	[ICRA]A-(Stable)/[ICRA]A2+; assigned
Total	**700.00**	

**Instrument details are provided in Annexure-I*

Rationale

ICRA assigned rating for Stelmec Limited (Stelmec) favourably factors in its healthy market position in the assembly of medium voltage (MV) switchgear panels and other related products such as circuit breakers, within the utilities market segment, which is a tender driven business.

Stelmec is supported by the extensive experience of the promoters, led by Mr. Hamza Arsiwala, for over three decades in the electrical equipment industry. Stelmec's OI (operating income) grew by ~38% YoY and ~34.4% YoY in FY2025 and FY2024, respectively, as investment by state utilities picked up in the electrical distribution sector driven by a combination of policy reforms, rising electricity demand, and infrastructure modernization initiatives. OI is expected to witness growth of over ~25% in FY2026 as well. Stelmec had an order book of Rs. 1358 crore as on March 31, 2025, to be executed largely during FY2026-H1FY2027, with Products and Projects mix of 73%:23%. Execution during FY2026 will be supported by incremental product order inflows as well. However, the order book pertaining to project business is highly concentrated towards top two clients which account for ~83% of the order book.

The rating also factors in a healthy financial risk profile marked by comfortable capital structure (net cash of Rs. ~181 crore as on March 31, 2025), resulting in comfortable debt coverage indicators, though the operating margins remain moderate, given the relatively low value-added nature of the business. However, operating profit margin (OPM) has increased from ~4-4.5% levels during FY2020-FY2023, to 6.8%/10.3% in FY2024/FY2025, primarily due to operating leverage benefits from increasing scale. Asset light nature of the assembly process has resulted in strong ROCE levels over FY2024-FY2025 (24.0% and 35.9% in FY2024 and FY2025 respectively) despite moderate margin profile.

Abakkus Asset Manager's Four2Eight Opportunities Fund (part of Mr. Sunil Singhania's Abakkus Asset Management, LLP) infused Rs. ~150 crore in Stelmec in February 2025. The investment was made to help Stelmec accelerate its expansion, enhance R&D, and strengthen its market presence. Hence, ICRA expects capex/investment intensity to pick up over FY2026-FY2028.

Going forward, the company is expected to continue growing at a healthy rate over the medium term on the back of healthy demand for its products and order inflows in its projects segment, supported by the Government's push towards energy infrastructure, while maintaining a healthy financial risk profile.

These strengths are partially offset by susceptibility to cyclicality in end-user industries. The rating also takes into consideration the moderately high working capital-intensive nature of the company's operations, amid elongated payment cycles from customers and moderately high inventory holding requirements against a high creditor period as well, as prevalent especially in the EPC business.

The ratings also remain constrained by the company's moderate scale of operations and a modest operating profit margin profile on account of the intense competition faced by it from both organised and unorganised players along with the exposure of the profit margin to the volatility in the prices of key raw materials.

Key rating drivers and their description

Credit strengths

Established presence in the MV switchgear industry – Stelmec, operating on a moderate scale, is an established player in the Indian medium-voltage (MV) switchgear industry with presence spanning three decades. The company has a reputed clientele, almost entirely within public discoms space. Its integrated manufacturing setup and introduction of new products in the recent past helped in sustaining profitability despite the intense competition in the industry. The company has a pipeline of new products and backward integration initiatives lined up for implementation over the medium term, for which it will be utilizing its sizeable cash balances.

Healthy order book providing near-term revenue visibility – The company had a sizeable outstanding order-book position of around Rs. 1,358 crore as on March 31, 2025. Most of its orders are likely to be completed in FY2026-H1FY2027 resulting in near-term revenue visibility. Its clients primarily include Gujarat Energy Transmission Corporation Limited , Rajasthan Discom (JVVNL,JDVNL,AVVNL); UP Discom, MP Discom, Bihar Discom, Tata Power, L&T, Maharashtra State Electricity Transmission Company Limited Limited, Rajasthan Rajya Vidyut Prasaran Nigam Limited, , JSW Renewable, BSES Rajdhani, apart from others. Order inflows have ramped over the past couple of years to from Rs. 530 crore in FY2023 to Rs. 992 crore in FY2024 and Rs. 1,755 crore in FY2025.

Financial profile characterised comfortable capital structure and debt protection metrics – The company's capital structure remained healthy with net cash of Rs. ~181 crore as on March 31, 2025 {total debt (TD) of Rs. ~50 crore and cash/cash equivalents of Rs. 231 crore, including encumbered cash}. However, due to sizeable creditors, TOL/TNW stood moderately high at 1.3 times as on March 31, 2025, albeit much lower from previous level of ~3 times during FY2021-FY2024, largely due to higher TNW post equity infusion by Abakkus.

Interest coverage remained at a healthy level of 6.5 times in FY2025, and DSCR also stood comfortable at 2.4 times in FY2025. With lower repayment obligations and higher cash accruals, DSCR is expected to significantly improve during FY2026.

Credit challenges

Moderate scale of operation and limited pricing power – The industry is dominated by products manufactured by large OEM (original equipment manufacturer) brands such as ABB, Siemens, Alstom, Schneider Electric, Polycab, KEI, etc., whereas panel-manufacturers like Stelmec procure from these OEMs and focus on assembly of distribution products for last mile power distribution applications, which is a highly fragmented sub-segment. Further, Stelmec relies on tender-based business for majority of its OI, which limits its pricing power. However, Stelmec commands a large market share within the utilities market segment which lends some comfort to its credit profile.

Due to the intense competition in the sector, Stelmec's profitability and revenue growth remains vulnerable in the long term. Given the lack of price fluctuation clauses in the major orders, Stelmec's profitability also remains vulnerable to raw material price fluctuation.

Moderately high working capital intensity primarily due to high debtor levels – NWC/OI stood moderately high at 13.9% in FY2024 and 14.9% in FY2025, which is expected to remain stable going forward as well. Debtor days remained high at 170/141 days in FY2024/FY2025 due to elongated payment cycles from discoms and requirement of retention money during defect liability period. Further, inventory days also remained moderately high at 71/58 days in FY2024/FY2025 as the company needs to maintain high inventory levels, given the wide range of products in which the company deals. Working capital requirements were supported by high creditor days as well at 211/176 days in FY2024/FY2025.

Modest operating margin profile and client concentration risks - The company's operating profit margin profile is modest with an operating profit margin of 10.3% in FY2025, up from 6.8% in FY2024. The OPM is vulnerable to fluctuations in raw material prices during the year coupled with restrictions on its pricing power because of intense competition, even as execution tenor is short limiting the exposure towards highlighted risk.

Stelmec's scale of operations has been growing but remains moderate, reflected in a turnover of Rs. 1,042 crore for FY2025, a YoY increase of 38%. The company's revenues are typically largely concentrated towards top ~3-5 clients in any given year, reflecting client concentration risks.

Intense competition from both organised and unorganised players - The company faces stiff competition from both organised and unorganised players supplying electrical panels, which limits its pricing flexibility and bargaining power with customers, exerting pressure on its revenues and margins

Liquidity position: Adequate

Stelmec's liquidity is supported by improved cash accruals and reduced reliance on external debt. However, the high collection period and inventory buildup necessitate prudent working capital management.

Stelmec's liquidity position (net cash position) remains healthy with expected cash flows from operations expected at Rs. 75-110 crore in FY2026, which will be more than adequate for meeting modest interest and debt repayment obligations (Rs. ~1-3 crore and Rs. ~20-25 crore respectively, during FY2026). Further investment in working capital might increase substantially due to moderately high NWC/OI, owing to increasing scale and increasing share of EPC projects which might elongate WC cycle further, but Stelmec has adequate liquidity (including cushion in FB limits) and cash flow from operations to meet these higher WC requirements..

Rating sensitivities

Positive factors – ICRA may upgrade the ratings if there is a sustained improvement in revenues and profitability, without material deterioration in working capital intensity.

Negative factors – ICRA could downgrade the ratings if there is a decline in profitability margins, or a deterioration in the working capital parameters, weakening the financial risk profile. Any large debt funded capex or acquisition, which may have an adverse impact on the credit profile of Stelmec, shall also be a negative trigger.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology
Parent/Group support	Not Applicable
Consolidation/Standalone	For arriving at the ratings, ICRA has considered the standalone financials of Stelmec.

About the company

Stelmec Limited is an established player in the Indian electrical equipment industry, with over three decades of operational experience and a diversified product portfolio comprising medium voltage switchgears, vacuum circuit breaker (VCB) panels, outdoor kiosks, and high voltage disconnectors. Additionally, the company provides full EPC (engineering, procurement, and construction) services for high-voltage substations, as well as transmission and distribution lines. The company operates three manufacturing facilities across Ahmedabad and Mumbai, and benefits from a reputed clientele including state utilities and infrastructure developers. The company is led by Mr. Hamza Arsiwala. The company is backed by private equity investor - Abakkus Asset Manager.

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Key financial indicators (audited)

Standalone	FY2024	FY2025
Operating income	755.0	1,041.8
PAT	21.7	68.4
OPBDIT/OI	6.8%	10.3%
PAT/OI	2.9%	6.6%
Total outside liabilities/Tangible net worth (times)	2.9	1.3
Total debt/OPBDITA (times)	1.0	0.5
Interest coverage (times)	2.5	6.5

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

Current (FY2026)				Chronology of rating history for the past 3 years					
				FY2025		FY2024		FY2023	
Instrument	Type	Amount Rated (Rs Crore)	Nov 18, 2025	Date	Rating	Date	Rating	Date	Rating
Fund-based/Non-fund based-Working Capital Facilities	Long Term	700.00	[ICRA]A-(Stable)/[ICRA]A2+	-	-	-	-	-	-

Complexity level of the rated instruments

Instrument	Complexity Indicator
Fund-based/Non-fund based-Working Capital Facilities	Simple

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	**Fund-based/Non-fund based-Working Capital Facilities**	NA	NA	NA	700.00	[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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ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

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