May 13, 2026

Incap Contract Manufacturing Services Private Limited: Ratings reaffirmed

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Long-term – Fund-based – Cash credit	5.00	5.00	[ICRA]A- (Stable); reaffirmed
Short-term – Fund-based	38.00	38.00	[ICRA]A2+ reaffirmed
Short-term – Non-fund based – Letter of credit	5.00	5.00	[ICRA]A2+ reaffirmed
Short-term – Non-fund based – Bank guarantee	(5.00)	(5.00)	[ICRA]A2+ reaffirmed
Short-term – Non-fund based – Forward cover	2.00	2.00	[ICRA]A2+ reaffirmed
Total	**50.00**	**50.00**	

**Instrument details are provided in Annexure II*

Rationale

The reaffirmation of ratings for Incap Contract Manufacturing Services Private Limited (ICPL) considers the stable financial performance, with ~10% YoY growth, supported by steady order execution and consistent demand from key customers. Its operating margins rose to ~14.5% (FY2025: 14.0%), on the back of improved efficiency. Despite a sizeable dividend payout, the company maintained free cash and bank balances of ~Rs. 180 crore as on March 31, 2026, along with fully unutilised fund-based working capital limits. On an overall basis, ICPL's financial risk price remains comfortable, marked by healthy profitability, nil external debt and robust debt coverage metrics. The order book of ~Rs. 495 crore as of March 2026 provides near-term revenue visibility. ICRA expects the revenues to remain at around Rs. 1,300 crore in FY2027, with operating margins likely to be range-bound at 13-14%, supporting a strong financial risk profile. The ratings consider the established track record of the entity in the electronics manufacturing services (EMS) industry, aided by the technical and marketing backing from its parent, Incap Corporation, Finland, which has been instrumental in facilitating customer additions, new business wins and expansion into new markets. Further, the company's demonstrated ability to remain profitable across business cycles continues to be a credit positive. In addition, the medium-term outlook for the EMS industry remains favourable, driven by Government initiatives aimed at strengthening the domestic electronics manufacturing ecosystem, which augurs well for ICPL's growth prospects.

The ratings, however, remain constrained by the high customer concentration, with a significant share of revenues (~84%) derived from its largest customer, exposing ICPL to counterparty-specific risks. Nonetheless, the long track record of repeat orders from its largest customer remains a source of comfort. The company is vulnerable to risks related to volatility in input prices, supply-chain disruptions and fluctuations in customer ordering patterns. Given that the company is dependent on imports of critical components, extended adverse geopolitical developments may result in challenges in their timely availability and exposes ICPL to fluctuations in input materials prices. This can affect the company's margins as well as block the working capital due to the long lead time of delivery, adversely impacting liquidity. Lastly, the ratings factor in the competitive nature of the EMS industry (which limits pricing flexibility), and the sector's exposure to the risk of technological obsolescence and regulatory changes. Nevertheless, ICPL's strong balance sheet nil leverage, and consistent cash flow generation mitigate these risks to an extent.

The Stable outlook reflects ICRA's expectation that ICPL will maintain adequate liquidity buffers and healthy financial metrics over the medium term, despite possible dividend payouts and working capital requirements.

Key rating drivers and their description

Credit strengths

Established track record in EMS business – ICPL, along with its parent entity, Incap Oyj, Finland has a long track record in the EMS business. The parent has been involved in contract equipment manufacturing for the power electronics sector for over three decades. The company receives technical and marketing support from Incap Oyj, Finalnd, and in return pays ~5% of the export revenues and 1% of the total sales as commission to the parent. The key managerial personnel have more than two decades of experience in the EMS industry. The company's ability to scale operations in line with customer requirements and adhere to stringent quality and delivery standards drives its competitive position within its niche EMS segment.

Comfortable financial risk profile – ICPL's financial risk profile remains comfortable, characterised by healthy operating margins, strong cash flow generation and a debt-free balance sheet. The company has maintained nil external debt since FY2024, resulting in the absence of debt servicing obligations. Healthy profitability translated into strong operating cash flows in FY2026, supporting strong free cash and bank balances, despite sizeable dividend distribution (~Rs. 240 crore). Going forward, ICRA expects ICPL to maintain a conservative capital structure and robust debt coverage indicators, even as operating margins remain moderate (13-14%) vis-à-vis the historically high levels (15-16%).

Stable industry outlook for electronics industry – The electronics manufacturing sector benefits from a favourable medium-term outlook, supported by sustained demand across end use segments such as consumer electronics, industrial applications and electrical equipment. Policy measures promoting domestic manufacturing, coupled with increasing localisation and supply chain diversification, continue to support growth for EMS players. For ICPL, this trend supports steady order inflows from its customer base and provides visibility for scaling operations without significant balance sheet stretch.

Credit challenges

Customer and sector concentration risks – ICPL's revenue profile remains exposed to high customer and sector concentration, with a significant share of revenues derived from a single large customer (~84% in FY2026). This concentration exposes the company to counterparty-specific risks, including changes in procurement strategy, volume offtake or financial performance of the customer. Any adverse developments at the key customer level could materially impact ICPL's revenues, cash flows and capacity utilisation. Additionally, sectoral exposure limits diversification benefits, constraining earnings stability across business cycles. While long-term relationship and track record of repeat orders from key customer mitigate risks to some extent, concentration remains a structural credit challenge. The company has been making efforts to diversify its clientele, its ability to sustainably do so remains to be seen.

High working capital requirements – The EMS business is inherently working capital intensive, requiring significant investment in inventories and receivables to support uninterrupted production schedules and customer delivery timelines. ICPL's imports majority of its raw materials and components from countries like China, USA and Taiwan and around 90% of the products are exported. The long inventory cycle of 4-6 months, coupled with around 40 days of debtors and a creditor day of around 50- 60 days results in moderate to high working capital intensity. Although the company's comfortable liquidity mitigates the near-term stress, elevated working capital requirements may constrain its cash flows during periods of rapid growth or input price volatility, particularly in absence of diversified customer contracts. Further, any shock in the supply chain will adversely impact the working capital required to continue operating smoothly.

Stiff competition and risk of technology obsolescence associated with electronic industry – ICPL remains a mid-sized player, which faces intense competition in the electronic contract manufacturing services industry. The company is not involved in designing Printed Circuit Boards (PCBs), but only assembles components based on the designs provided by its customers. Hence, value addition in its operations remains limited. This restricts its pricing flexibility and bargaining power. The electronic products industry remains in a state of flux, with continuous product and process innovations, along with rapid adoption of new technology. Given the risk of technological obsolescence, the industry players are required to regularly invest in process upgrades, automation and skill development to remain relevant amid evolving customer specifications and shorter product life cycles. For ICPL, the technical and marketing support provided by the parent company has played a critical role in new business/customer acquisition and expanding footprint in new markets even as the royalty/commission paid by ICPL to the parent constrains its profit margins to an extent.

Liquidity position: Adequate

ICPL's liquidity profile is expected to remain adequate, led by positive cash flows from operations, along with free cash and bank balance of ~Rs. 184 crore (as of March end 2026) and undrawn fund-based working capital limits of Rs. 43 crore. The working capital utilisation remained nil in FY2026, and the company is debt-free. Despite a sizeable dividend payout (~Rs. 240 crore) in FY2026 and the possibility of further distributions, the liquidity is likely to remain comfortable, as there are no firm major near-term capex or investment plans.

Rating sensitivities

Positive factors – ICRA could upgrade the ratings if there is a steady increase in the company's scale of operations and earnings, along with material improvement in customer diversification, while maintaining comfortable liquidity and leverage metrics on a sustained basis.

Negative factors – Negative pressure on the ratings could arise if there is any notable deterioration in top line or margins and/or any large debt-funded capex weakens its leverage or coverage metrics. Any large dividend payouts or stretch in the working capital cycle leading to a material deterioration in the company's liquidity would be a negative for the ratings.

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 ICPL

About the company

Incorporated in 2007, Incap Contract Manufacturing Services Private Limited (ICPL) provides EMS mainly to companies operating in the power electronics segment. The company, which started its operations by taking over TVS Electronic Limited's contract manufacturing services division, is a 100% subsidiary of Incap OYJ, Finland. It manufactures products based on design specifications given by its customers at its manufacturing facility in Tumkur (near Bengaluru). Its major products are inverters, printed circuit board assemblies (PCBA), uninterruptible power-supply systems (UPS) and emergency rescue devices (ERD).

Key financial indicators (audited)

ICPL standalone	FY2024	FY2025	FY2026*
Operating income (Rs. Crore)	845.24	1,080.62	1,185.59
PAT (Rs. Crore)	84.32	105.21	114.0
OPBDIT/OI (%)	15.4%	14.0%	14.5%
PAT/OI (%)	10.0%	9.7%	9.6%
Total outside liabilities/Tangible net worth (times)	0.4	0.3	0.3
Total debt/OPBDIT (times)	0.0	0.0	0.0
Interest coverage (times)	106.0	136.6	441.6

*Source: Company, ICRA Research; * Provisional numbers; Note - All ratios as per ICRA's calculations; 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 (FY2027)		Chronology of rating history for the past 3 years					
				FY2026		FY2025		FY2024	
Instrument	Type	Amount rated (Rs. crore)	May 13, 2026	Date	Rating	Date	Rating	Date	Rating
Cash credit	Long-term	5.00	**[ICRA]A- (Stable)**	Apr 22, 2025	[ICRA]A- (Stable)	-	-	Mar 15, 2024	[ICRA]BBB+ (Stable)
Term loan	Long-term	0.00	-	Apr 22, 2025	-	-	-	Mar 15, 2024	[ICRA]BBB+ (Stable)
Fund based	Short-term	38.00	**[ICRA]A2+**	Apr 22, 2025	[ICRA]A2+	-	-	Mar 15, 2024	[ICRA]A2
Letter of credit	Short-term	5.00	**[ICRA]A2+**	Apr 22, 2025	[ICRA]A2+	-	-	Mar 15, 2024	[ICRA]A2
Bank guarantee^	Short-term	(5.00)	**[ICRA]A2+**	Apr 22, 2025	[ICRA]A2+	-	-	Mar 15, 2024	[ICRA]A2
Forward cover	Short-term	2.00	**[ICRA]A2+**	Apr 22, 2025	[ICRA]A2+	-	-	Mar 15, 2024	[ICRA]A2

^ Sub limit of "Letter of credit"

Annexure I: Disclosure pursuant to the SEBI Circular SEBI/HO/DDHS/DDHS-PoD-2/I/4685/2026 dated February 10,2026

ICRA rated Instruments fall under regulatory purview of various Financial Sector Regulators (FSR) as under:

Sr. No.	Instrument	FSR
1	Listed/Proposed to be listed Bonds/Debentures/Preference Shares (all securities)	SEBI
2	Unlisted/Proposed to be unlisted Bonds/Debentures/ Preference share (all securities)	MCA
3	Listed PTCs / Securitisation Notes (originated by entities regulated by RBI) (*)	SEBI
4	Listed PTCs / Securitisation Notes (originated by entities not regulated by RBI) (*)	SEBI
5	Unlisted PTCs / Securitisation Notes (originated by entities regulated by RBI) (*)	RBI
6	Listed Commercial Paper and NCDs with original maturity less than 1 year	RBI
7	Unlisted Commercial Paper and NCDs with original maturity less than 1 year	RBI
8	Loan Facilities (Fund/Non-Fund Based) from Bank / NBFCs/ NHB/ FIs ($)	RBI
9	External Commercial Borrowings/Loans from overseas branches of Indian Banks/other similar borrowings	RBI
10	Certificates of Deposit	RBI
11	Fixed Deposits raised by NBFCs, Banks, HFCs, FIs	RBI
12	Fixed Deposits raised by corporates other than NBFCs, Banks, HFCs, FIs	MCA
13	Inter Corporate Deposits/Loans extended by Corporates	MCA
14	Listed Security Receipts	SEBI
15	Unlisted Security Receipts	RBI
16	Unlisted PTCs / Securitisation Notes (originated by entities not regulated by RBI) (*)	Investor-side Regulator such as IRDAI, PFRDA (%)

(*) Includes securitisation transactions involving assignee payout, acquirer's payout.
($) Includes bank facilities such as liquidity facility, second loss facility that are part of securitisation transactions.
(%) These ratings were assigned prior to the introduction of SEBI CRA Circular dated Feb 10, 2026 and accordingly, investor side FSRs have been mentioned.

Other Activities offered by ICRA fall under regulatory purview of various Financial Sector Regulators (FSR) as under:

Sr. No.	Activity Name	FSR
1	Credit Ratings for Capital Protection Oriented Schemes (by Mutal Funds and AIFs)	SEBI
2	Credit quality ratings (CQRs) for Mutual Fund Schemes and Schemes of AIFs	SEBI
3	Independent Credit Evaluation (ICE)	RBI
4	Expected Loss Ratings (For Loan Facilities [Fund/Non-Fund based] from Banks/NBFCs/NHB/FIs)	RBI
5	Expected Loss Ratings (Listed / Proposed to be listed Bonds / Debentures / Preference Shares (all securities))	SEBI
6	Expected Loss Ratings (Unlisted / Proposed to be unlisted Bonds/ Debentures / Preference Shares (all securities))	MCA
7	Credit Rating of Borrowing programme	(@)
8	Issuer Ratings	(#)
9	Monitoring Agency	SEBI
10	Research activities, incidental to rating such as research for Economy & Industries (permitted by SEBI vide SEBI Master Circular for CRAs)	NA

(@) The rated instrument may involve issuance of different instruments such as debt securities (listed or otherwise), bank loans, commercial paper (listed or otherwise), etc. The regulator of the instrument can only be determined upon issuance. Accordingly, ICRA shall capture the rated quantum details along with names of respective FSR in the press release(s) after the issuance(s) of the instruments.

(#) Since no instrument is being rated, FSR is not applicable. The rating scale and definitions stipulated in SEBI Master Circular for CRAs are being followed.

Disclosure: SEBI's grievance redressal/dispute resolution and SEBI investor protection mechanisms such as SCORES and ODR shall not be available for activities and instruments which fall under the regulatory purview of Financial Sector Regulators other than SEBI.

Complexity level of the rated instruments

Instrument	Complexity indicator
Long-term – Fund-based – Cash credit	Simple
Short-term – Fund-based	Simple
Short-term – Non-fund based – Letter of credit	Simple
Short-term – Non-fund based – Bank guarantee	Simple
Short-term – Non-fund based – Forward cover	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 II: Instrument details

ISIN	Instrument name	Date of issuance	Coupon rate	Maturity	Amount rated (Rs. crore)	Current rating and outlook
NA	**Cash credit**	NA	NA	NA	5.00	[ICRA]A- (Stable)
NA	**Fund-based limits**	NA	NA	NA	38.00	[ICRA]A2+
NA	**Letter of credit**	NA	NA	NA	5.00	[ICRA]A2+
NA	**Bank guarantee^**	NA	NA	NA	(5.00)	[ICRA]A2+
NA	**Forward cover**	NA	NA	NA	2.00	[ICRA]A2+

^ Sub limit of "Letter of credit"

Source: Company

Please click here to view details of lender-wise facilities rated by ICRA

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

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ABOUT ICRA LIMITED

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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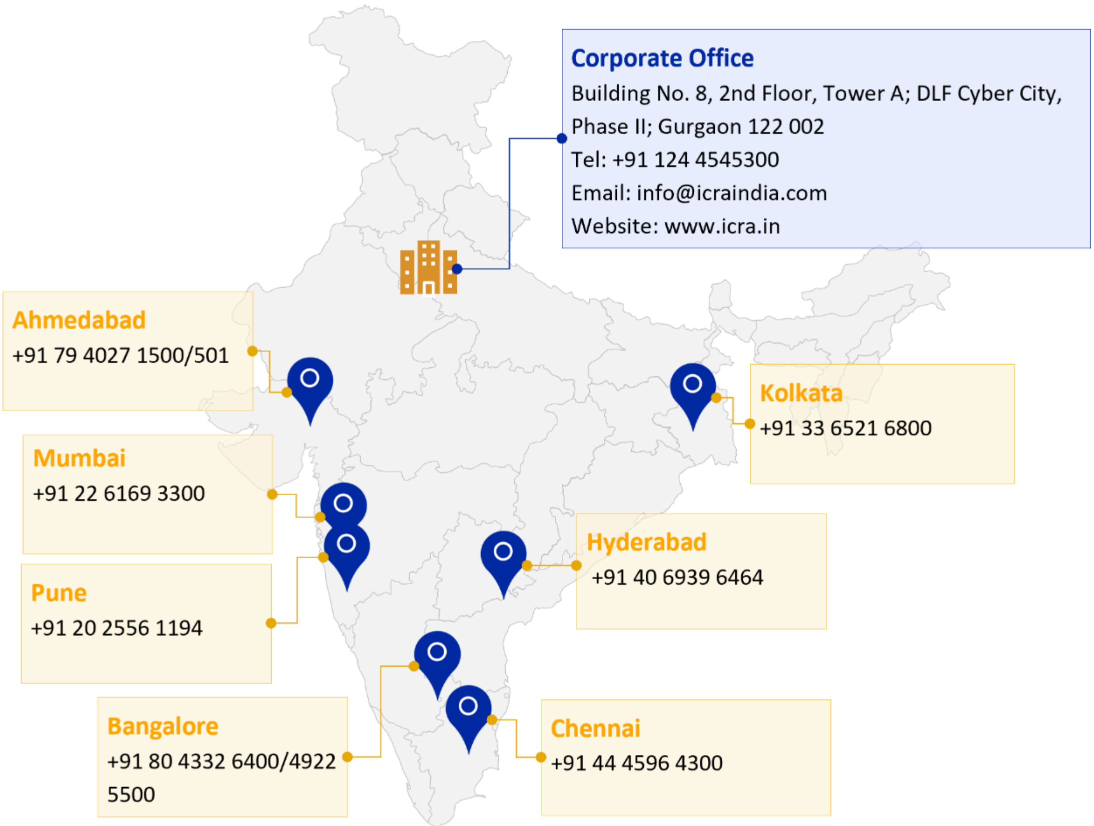

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