Press Release

Stelmec Limited

Feb 27, 2025

Ratings

Instrument Facility	Amount (Rs. Crore)	Current Ratings	Previous Rating	Rating Action	Complexity Indicator
Long term Bank Facilities	73.00	IVR A-/ Stable (IVR A Minus with Stable outlook)	IVR BBB+/ Stable (IVR Triple B Plus with Stable outlook)	Upgraded	Simple
Short Term bank Facilities	360.00	IVR A2+ (IVR Single A Two Plus)	IVR A2 (IVR Single A Two)	Upgraded	Simple
Total	**433.00**	**Rupees Four Hundred and Thirty-Three Crore Only**			

Details of Facilities/Instrument are in Annexure 1

Facility wise lender details are at Annexure 2

Detailed explanation of covenants is at Annexure 3

Detailed Rationale

Infomerics Valuation and Rating Private Limited (IVR) has upgraded the long/Short Term rating to IVR A Minus with a Stable outlook & IVR A2+ for the bank loan facilities of Stelmec Limited.

The upgradation of the rating to the bank facilities of Stelmec Limited continues to derive comfort from the established track record of operations and experienced management, reputed clientele, healthy order book, recent equity infusion by Abakkus Four2eight Opportunity fund and improved financial risk profile during FY2024 (Audited) (refers to period April 01, 2023 to March 31 2024). However, these strengths are partially offset by tender based nature of business and susceptibility of operating margin to volatile input prices & high average collection period and long outstanding debtors.

The stable outlook indicates a low likelihood of rating change in the medium term. IVR believes that the stelmec Limited business & financials risk profile will be maintained over the over the medium term considering the overall risk profile of the company.

IVR has principally relied on the standalone audited financial results of Stelmec Limited up to FY24(A) & 9MFY25 unaudited results and three years projected financials till FY27, and publicly available information/ clarifications provided by the company's management.

Key Rating Sensitivities:

Upward Factors

- Substantial improvement in the scale of operations with TOI above Rs. 1,200.00 crore and maintain profitability margins over the medium term.
- Timely execution of orders hand.
- Sustenance of capital structure with improvement in debt protection metrics.
- Improvement in liquidity position.

Downward Factors

- Moderation in total operating income and/or moderation in profitability.
- Any delay in execution of orders in hand.
- Moderation in the capital structure with moderation in overall gearing and/or moderation in interest coverage.
- Moderation in liquidity position with increase in working capital intensity.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Experienced Promoters and Management Team with Proven Operational Excellence:

The promoters of the company have an experience of over three decades in the electrical equipment manufacturing business which has enabled them to establish healthy relationships with its suppliers and clientele. Mr. Hamza Arsiwala (Managing Director) is at the helm of affairs of the company and looks after the overall operations of the company. He is well supported by the other directors and a team of experienced and qualified professional in managing the day-to-day affairs of the company.

Diversified Product Portfolio and Established Clientele:

Stelmec has three manufacturing facilities across Ahmedabad, Mumbai such as MV switchgears comprising of Indoor VCB Panels, Outdoor VCB Kiosks & Outdoor VCBs, HV & EHV Disconnectors, LV and HV Switchgears, Relay Panels, Bus Ducts etc. which reduces dependency of single product segment. Besides, Stelmec has Pan India presence through its established network of branch offices in most of the major States which enables it to generate geographically diversified revenue.

Improvement in financial performance in FY2024 and in 9MFY25

Stelmec over the past couple of years has registered growth at a CAGR of ~16.84% with improvement in topline from Rs.662.42 crore in FY23 to Rs.888.10 crore in FY24. On the back on continuous improvement in topline, the absolute EBITDA has also improved and stood at Rs.51.24 crore in FY24 as compared to Rs.28.48 crore of FY23. The operating margin of the company which stood around 4.30% in FY23 has improved and stood at 5.77% in FY24 on the back of better overhead recovery led by better capacity utilisation. Consecutively, despite the increase in finance cost, PAT margin of the company stood comfortable at 2.44% in FY24. Aided by improved profitability, Net cash accrual (NCA) has also increased gradually over the years and stood satisfactory at Rs.16.53 crore in FY24. ***In 9MFY25, the company has generated revenue of Rs.813.14 crore with an EBITDA margin of 9.66% and PAT margin of 6.05%.***

Comfortable capital structure coupled with improvement in debt coverage indicators in FY2024(A)

The capital structure of the company remained satisfactory over the past three account closing dates marked by its satisfactory leverage ratios and comfortable debt protection metrics. The long-term debt to equity and overall gearing ratio of the company stood comfortable at 0.19x and 0.35x respectively as on March 31, 2024. Overall indebtedness marked by TOL/TNW though deteriorated at 2.92x as on March 31, 2024, due to increase in the sundry creditors by Rs. 94.07 crore as 33%. of the total sales pertains the last quarter of March 2024. Notwithstanding the increase in finance cost in FY24, backed by the improved absolute EBITDA, debt protection metrics marked by interest coverage ratio stood comfortable at 2.49x in FY24. Other debt protection parameters like total debt to EBITDA and total debt to NCA also stood satisfactory at 1.02x and 3.17 years respectively as on March 31, 2024.

Key Rating Weaknesses

Large working capital requirement:

The company operations are working capital intensive in nature marked by comfortable operating cycle of 49 days for FY24 (69 days in FY23). The working capital cycle remains comfortable since the company provides high credit of ~133 days to its customers and raw material procurement (primarily copper) is on spot payment basis.

Tender driven nature of business

Stelmec business is dependent on the company's ability to successfully bid for the tenders. Further, the domestic electrical sector is fragmented with presence of many players with varied statures & capabilities. This restricts Stelmec's operating and financial flexibility.

Profitability susceptible to raw material price volatility

The key raw materials for Epoxy group are copper, aluminium, laminations, CRGO and other moulding material. Prices of these metals are linked with international metal prices that have exhibited a volatile trend in the past. Moreover, raw material procurement is majorly order backed and has claimed price escalation from its customers in the past in case of steep increase of copper prices. These factors and expertise of management in handling RM procurement act as mitigants to a certain extent against the volatile raw material prices.

Analytical Approach: Standalone

Applicable Criteria :

Rating Methodology for Manufacturing entities
Financial Ratios & Interpretation Non- Financial Sector
Criteria for assigning rating outlook
Policy on Default Recognition
Complexity Level of Rated Instruments/Facilities

Liquidity – Adequate

The liquidity profile of the company is expected to remain adequate in the near to medium term on the back of its expected sufficient cash accruals vis-à-vis its debt repayment obligations of Rs. 6.99 crore – Rs. 0.50 Crore during FY2024-FY2027. Stelmec earned gross cash accruals of Rs.16.53 crore – Rs. 202.45 Crore from FY24 – FY27. Overall gearing ratio was comfortable at 0.35x as on March 31, 2024, indicating a sufficient gearing headroom. However, the average utilisation of fund-based limits remained moderate at ~34.61% during the last twelve months ended Nov 2024 indicating a moderate cushion. Further, Stelmec had unencumbered cash and cash equivalent of Rs.12.72 crore as on 31st March 2024(A)

About the Company

Stelmec Limited (STL) was incorporated on 29th February 2000 as Stelmec (India) Pvt Limited in Mumbai and subsequently in August 2005 the name was changed to Stelmec Private Limited and again on July 17, 2007 got itself converted into a limited company and since then is known as Stelmec Limited. It has also taken over its associated concern namely Stelmec Switchgear in 2005. Stelmec Limited is engaged into manufacturing products such as MV switchgears comprising of Indoor VCB Panels, Outdoor VCB Kiosks & Outdoor VCBs, LV Switchgears comprising of Distribution panels, Control & Relay Panels. Bus Ducts etc. STL has three manufacturing units; one in Gujarat and two in Thane (Maharashtra).

Financials (Standalone):

(Rs. crore)

For the year ended* As on	31-03-2023	31-03-2024
	Audited	Audited
Total Operating Income	662.42	888.10
EBITDA	28.48	51.24
PAT	9.92	21.69
Total Debt	90.30	52.36
Tangible Net worth*	127.91	141.69
EBITDA Margin (%)	4.30	5.77
PAT Margin (%)	1.49	2.44
Overall Gearing Ratio (x)	0.78	0.44
ISCR (x)	1.84	2.49

**as per Infomerics standards*

Status of non-cooperation with previous CRA : Brickwork Ratings has continued the rating under Issuer Not Cooperating vide Press release dated May 20, 2024 due to Non submission of informations.

Any other information: : Nil

Rating History for last three years:

Sl. No.	Name of Instrument/ Facilities	Current Rating (Year 2024-25)			Rating History for the past 3 years			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2024-25 (Dated: June 24, 2024)	Date(s) & Rating(s) assigned in 2023-24 Dated : April 26, 2023	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22
1	Cash Credit	Long Term	73.00	IVR A-/ Stable (IVR A Minus with Stable outlook)	IVR BBB+/ Stable (IVR Triple B Plus with Stable outlook)	IVR BBB+/ Stable (IVR Triple B Plus with Stable outlook)	-	-
2	Letter of Credit/ Bank Guarantee	Short Term	360.00	IVR A2+ (IVR Single A Two Plus)	IVR A2 (IVR Single A Two)	IVR A2 (IVR Single A Two)	-	-
3.	BULC	Short Term	-	Withdrawn	IVR A2 (IVR Single A Two)	IVR A2 (IVR Single A Two)	-	-

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About Infomerics:

Infomerics Valuation And Rating Ltd (Infomerics) [Formerly Infomerics Valuation and Rating Pvt. Ltd] was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit

Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).

Adhering to best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates wide range of debt instruments which helps corporates access to financial markets and provides investors credit ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks.

Infomerics has a pan India presence with Head Office in Delhi and Corporate Office at Mumbai, with branches in major cities and representatives in several locations.

Infomerics also has international presence with credit rating operations in Nepal through its JV subsidiary.

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Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Long Term Bank Facilities – Cash Credit			-	73.00	IVR A-/ Stable (IVR A Minus with Stable outlook)

Short Term Bank Facilities – BULC			-	-	Withdrawn
Short Term Bank Facilities – Bank Guarantee/Letter of Credit			-	360.00	IVR A2+ (IVR Single A Two Plus)

Annexure 2: Facility wise lender details:
https://www.infomerics.com/admin/prfiles/Len-Stelmec-Limited-27feb25.pdf

Annexure 3: Detailed explanation of covenants of the rated instrument/facilities: Not Applicable

Annexure 4: List of companies considered for consolidated analysis: Not applicable

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com