Shilchar Technologies Limited

July 04, 2025

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long-term / Short-term bank facilities	103.00	CARE A; Stable / CARE A1	Upgraded from CARE A-; Stable / CARE A2+
Short-term bank facilities	5.00	CARE A1	Upgraded from CARE A2+

Details of facilities in Annexure -1

Rationale and key rating drivers

The revision in the ratings assigned to bank facilities of Shilchar Technologies Limited (STL) considers significant improvement in its scale of operations in FY25 (FY refers to April one to March 31) underpinned by strong demand of transformers from its major segments and healthy profitability supported by presence in niche segment leading to sustenance of strong financial risk profile and liquidity. Ratings, further, continue to derive strength from promoters' vast experience, established track record of operations and STL's reputed clientele base.

Ratings, however, continue to remain constrained on account of its presence in a competitive industry, reputed albeit moderately concentrated customer base, and its profit margin susceptible to volatile raw material prices and foreign exchange rates.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Sustained volume-driven growth in scale of operations with total operating income (TOI) while maintaining healthy profitability and liquidity
- Diversification of customer base

Negative factors:

- Decline in scale of operation with TOI falling below ₹450 crore along with significant moderation in PBILDT margin on a sustained basis.
- Deterioration in capital structure with adjusted overall gearing (net debt adjusting free liquidity) over 0.25x.
- Elongation in operating cycle or any major capex significantly impacting the liquidity of the company

Analytical approach: Standalone

Outlook: Stable

A 'Stable' outlook reflects CARE Ratings Limited's (CareEdge Ratings) expectation that the entity will continue to benefit from its established track record, customised offering and strong demand from renewable segment, enabling it to sustain its financial and operational risk profile in the medium term.

Detailed description of key rating drivers

Key strengths

Significant growth in scale of operations along with healthy profitability

STL's scale of operations expanded significantly in FY25 with TOI of ₹632 crore (PY: ₹405 crore), registering growth of 56% y-o-y on the back of healthy demand from its key segments, resulting in increase in order inflow from exports as well as the domestic market. STL's export revenue increased by 36% y-o-y to ₹271 crore in FY25.

In the current year as well, STL has a healthy order book on hand supported by good demand, and hence, the company is expected to register healthy growth in TOI in FY26. STL receives repeat orders from its existing customers and strives to add new customers on a continuous basis with an order execution cycle ranging from 3-9 months, reflecting reasonable revenue visibility. The company's operating profitability marked by its PBILDT margin remained healthy at 30.72% in FY25 (PY: 29.96%) due to higher sales realisation amid rising demand and customised offerings. Consequently, profit after tax (PAT) margin also remained healthy at 23.23% in FY25 (PY: 22.70%). With this, the company reported strong return on capital employed (ROCE) and return on net worth (RONW) of over 70% and 52%, respectively, in FY25.

[1]Complete definition of ratings assigned are available at www.careratings.com and other CARE Ratings Limited's publications.

Strong financial risk profile

STL had a strong capital structure with overall gearing of 0.01x as on March 31, 2025, on the back of minimal reliance on debt and strong net worth base of ₹347 crore as on March 31, 2025 (PY: ₹210 crore). Total outside liabilities (TOL) / TNW ratio was also comfortable at 0.41x as on March 31, 2025 (PY: 0.38x).

STL's debt coverage indicators remained strong due to the company's low reliance on external debt as marked by interest coverage ratio of 440x (PY: 578x) in FY25.

CareEdge Ratings expects the company to sustain its financial risk profile over the medium term on the back of healthy profitability and no major planned debt funded capex.

Reputed customer base though moderate customer concentration

Over the years, STL has well-established its position and caters to reputed private clients across sectors. STL mainly focuses on private sector clients due to lower collection period. STL has moderate customer concentration as marked by its top five domestic customers forming 58% of its domestic sales in FY25 (PY: ~62%).

Healthy demand prospects from renewable energy sector

STL registered ~60% of its TOI from domestic market in FY25, which further dominated by renewable energy sector. India has 169 GW of renewable energy projects under implementation and 65 GW of projects already tendered (Source: pib.gov.in). The sector is expected to experience favorable demand outlook in the medium term on the back of key government initiatives to achieve its vision of 500 GW of renewable energy by 2030.

Established track record of operations

STL has an operational track record of over two decades with an established position in the domestic market for renewable energy segment. It also exports its products to destinations such as the USA, Canada, the Middle East, and African nations including Kenya and Nigeria. Over the years, STL has established its product and customer base. STL manufactures distribution transformers ranging from 5 KVA to 3,000 KVA and power transformers ranging from 3,000 KVA to 50,000 KVA. STL's major revenue comes from the power and energy sector, accounting for ~60% of its net sales, while the company is also expanding its footprint in the steel and cement industries. STL is accredited with ISO 9001-2015 certificate from Bureau Veritas for its design, manufacturing and dispatch of transformers and special transformer up to size 650KV peak basic impulse level and is BIS certified. STL's transformer testing laboratory in Gavasad, Vadodara, has been accredited by the National Accreditation Board for Testing and Calibration Laboratories (NABL).

Experienced promoters

Alay Shah, Chairman and Managing Director of the company, has rich experience of around three decades in transformer industry and looks after the company's overall operations. He is assisted by his sons, Aashay Shah (Director) and Aatman Shah. They are supported by a team of experienced and well-qualified key professionals, associated with the company for over a decade.

Key weaknesses

Presence in a competitive industry

The transformer manufacturing industry is highly fragmented with presence of large number of medium-sized players and large established players having reputed brand names. Hence, players' profitability margin remains under pressure due to the competitive industry. However, STL caters to niche industry segments such as renewable energy, where it has established presence, and hence, fetches better profitability.

Raw material volatility and forex fluctuation risk

STL's major raw material includes copper, transformer oil, cold rolled grain-oriented (CRGO) steel, and aluminium forming ~80-85% of the total raw material cost, whose prices have historically remained volatile. Raw materials prices are driven by international demand-supply dynamics and have exhibited a volatile trend in the past. CRGO steel is imported in India due to lack of domestic manufacturing facilities, resulting in added volatility in its prices due to movement in foreign exchange (forex) rates. However, as articulated by the management, the company purchases raw material back-to-back on receipt of orders, hence, raw material fluctuation risk is largely mitigated.

In FY25, 43% of STL's TOI (PY: 50%) was from export sales against negligible direct import of raw material and in absence of active hedging policy, its profitability is exposed to foreign currency fluctuation risk. However, with depreciating trend of Indian Rupee against US Dollar, the company reported foreign exchange gain of ₹3.98 crore in FY25 against gain of ₹2.64 crore in FY24.

Liquidity: Strong

STL's liquidity position was strong marked by healthy cash accruals, positive cash flow from operations (CFO) and liquid funds against nil scheduled debt repayment obligations along with negligible utilisation of its fund-based working capital limits, though non-fund-based limits remained moderately utilised.

The company reported a healthy net cash accruals (NCA) of ₹141 crore in FY25 and is expected to generate NCA of over ₹170 crore in FY26-FY28 period against nil long-term debt repayment obligations in the same period. STL's cashflow from operations (CFO) decreased due to increased working capital requirement in tandem with TOI (significant increase in receivables and inventory to support high Q4FY25 sales), though remained positive at ₹35 crore in FY25 against ₹72 crore in FY24. The company holds healthy liquid funds to the tune of ₹87 crore as on March 31, 2025 (PY: ₹81 crore), comprising unencumbered cash and bank balance of ₹32 crore and other liquid investments to the tune of ₹56 crore. Average utilisation of its fund-based working capital facilities remained negligible for 12 months ended May 2025, while non-fund-based limits remained ~73% utilised in the same period. STL's operating cycle elongated from 79 days in FY24 to 90 days in FY25 due to increase in receivables and inventory levels as on March 31, 2025, though remained moderate.

Assumptions/Covenants: Not applicable

Environment, social, and governance (ESG) risks:

Environmental	1. There are adequate systems and processes in the company to monitor and ensure compliance with following acts: • The Water (prevention and control of pollution) Act, 1974 & Rules • Air (Prevention & Control of Pollution) Act, 1981 & Rules • Environment Protection Act, 1986 & Rules • Water Cess Act, 1997 & Rules The company has generally complied with the provisions of the Act, Rules, Regulations, Guidelines, and Standards etc. 2. The company has implemented a mechanism of Zero Liquid Discharge in both manufacturing units and office. 3. STL is actively reducing its Green House Gas emission by installing solar and windmills. These projects have reduced its greenhouse gas intensity by 57%.
Social	1. STL has established a robust Health, Safety, and Environment (HSE) management system in line with the ISO 14001 and 45001 standards.
Governance	1. **Board Composition:** STL's board of directors has six directors, which include four independent directors, of which one is a woman director. 2. Chairman of audit and nomination and remuneration committees are independent directors. 3. The Board of Directors, through its committees, oversee the ESG initiatives and performance.

Applicable criteria:

Definition of Default
Liquidity Analysis of Non-financial sector entities
Rating Outlook and Rating Watch
Manufacturing Companies
Financial Ratios – Non financial Sector
Short Term Instruments

About the company and industry
Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Industrials	Capital goods	Electrical equipment	Other electrical equipment

Vadodara-based (Gujarat) STL was established in 1986 and is engaged in manufacturing various categories of transformers including power, distribution, and electronics & telecommunication. The company manufactures and supplies customised transformers of various ratings and power specifications tailor-made according to needs and specifications of customers, having application in niche industry segments. It caters to the demand of domestic market and export market mainly including Africa, the USA, Canada, and the Middle East.

The company has capacity of 5,500 MVA as on March 31, 2025, to manufacture distribution transformers ranging from 5 KVA to 3,000 KVA and power transformers ranging from 3 MVA to 15 MVA.

Brief Financials (₹ crore)	March 31, 2024 (A)	March 31, 2025 (Pb)
Total operating income	404.81	632.03
PBILDT	121.26	194.18
PAT	91.89	146.85
Overall gearing (times)	0.00	0.01
Interest coverage (times)	577.99	440.11

A: Audited Pb: Published results and schedules; Note: these are latest available financial results

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated facility: Annexure-3

Complexity level of instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT/ ST-CC/Packing Credit	-	-	-	-	10.00	CARE A; Stable / CARE A1
Fund-based - ST-Bank Overdraft	-	-	-	-	1.00	CARE A1
Fund-based - ST-Working Capital Demand loan	-	-	-	-	4.00	CARE A1
Fund-based/Non-fund-based-LT/ST	-	-	-	-	10.00	CARE A; Stable / CARE A1
Non-fund-based - LT/ ST-Bank Guarantee	-	-	-	-	83.00	CARE A; Stable / CARE A1

Annexure-2: Rating history for last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2025-2026	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023
1	Fund-based - LT/ ST-CC/Packing Credit	LT/ST	10.00	CARE A; Stable / CARE A1	-	1)CARE A-; Stable / CARE A2+ (30-Dec-24) 2)CARE A-; Stable / CARE A2+ (11-Jun-24)	1)CARE BBB+; Stable / CARE A2 (22-Jun-23)	1)CARE BBB; Stable / CARE A3+ (06-Jun-22)
2	Fund-based/Non-fund-based-LT/ST	LT/ST	10.00	CARE A; Stable / CARE A1	-	1)CARE A-; Stable / CARE A2+ (30-Dec-24) 2)CARE A-; Stable / CARE A2+ (11-Jun-24)	1)CARE BBB+; Stable / CARE A2 (22-Jun-23)	1)CARE BBB; Stable / CARE A3+ (06-Jun-22)
3	Non-fund-based - LT/ ST-Bank Guarantee	LT/ST	83.00	CARE A; Stable / CARE A1	-	1)CARE A-; Stable / CARE A2+ (30-Dec-24) 2)CARE A-; Stable / CARE A2+ (11-Jun-24)	1)CARE BBB+; Stable / CARE A2 (22-Jun-23)	1)CARE BBB; Stable / CARE A3+ (06-Jun-22)
4	Fund-based - LT-Term Loan	LT	-	-	-	-	1)Withdrawn (22-Jun-23)	1)CARE BBB; Stable (06-Jun-22)
5	Fund-based - ST-Bank Overdraft	ST	1.00	CARE A1	-	1)CARE A2+ (30-Dec-24)	-	-
6	Fund-based - ST-Working Capital Demand loan	ST	4.00	CARE A1	-	1)CARE A2+ (30-Dec-24)	-	-

LT: Long term; ST: Short term; LT / ST: Long term / Short term

Annexure-3: Detailed explanation of covenants of rated instruments/facilities:

Not applicable

Annexure-4: Complexity level of instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT/ ST-CC/Packing Credit	Simple
2	Fund-based - ST-Bank Overdraft	Simple
3	Fund-based - ST-Working Capital Demand loan	Simple
4	Fund-based/Non-fund-based-LT/ST	Simple
5	Non-fund-based - LT/ ST-Bank Guarantee	Simple

Annexure-5: Lender details

To view lender-wise details of bank facilities please click here

Note on complexity levels of rated instruments: CareEdge Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for clarifications.

Contact us

Media Contact	**Analytical Contacts**
Name: Mradul Mishra Director **CARE Ratings Limited** Phone: +91-22-6754 3596 E-mail: mradul.mishra@careedge.in	Name: Kalpesh Patel Director **CARE Ratings Limited** Phone: +91-79-4026 5611 E-mail: Kalpesh.patel@careedge.in
Relationship Contact Name: Ankur Sachdeva Senior Director **CARE Ratings Limited** Phone: +91-22-6754 3444 E-mail: Ankur.sachdeva@careedge.in	Name: Anuja Parikh Associate Director **CARE Ratings Limited** Phone: +91-79-4026 5616 E-mail: anuja.parikh@careedge.in Name: Harsh Desai Assistant Director **CARE Ratings Limited** E-mail: harsh.desai@careedge.in

About us:

Established in 1993, CareEdge Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the Reserve Bank of India. With an equitable position in the Indian capital market, CareEdge Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CareEdge Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CareEdge Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit. For more information: www.careratings.com

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