March 31, 2025

Sandhar Technologies Limited: [ICRA]AA-(Stable)/[ICRA]A1+; Assigned

Summary of rating action

Instrument*	Current Rated Amount (Rs. crore)	Rating action
Long-term fund based Term Loans	150.00	[ICRA]AA-(Stable); Assigned
Long term/short term fund based working capital facilities	585.00	[ICRA]AA-(Stable)/[ICRA]A1+; Assigned
Total	**735.00**	

**Instrument details are provided in Annexure-I*

Rationale

The assigned ratings factor in Sandhar Technology Limited's (STL) established presence in the auto component industry and its healthy business profile marked by a wide array of product offerings catering to OEMs in two-wheelers (2W), passenger vehicles (PV), commercial vehicles (CV), tractors and off-highway vehicles. The business profile is also supported by a high wallet share with its key clientele, strong product engineering and development capabilities, and technological tie-ups with global players for certain products. The ratings also consider STL's comfortable financial profile, which has been characterised by strong revenue growth, earnings and cash flows in the last five years. Moreover, the expectations of sustained growth going forward amid a favourable demand outlook (especially 2W), focus on rising content per vehicle, new product additions and business collaborations provide further comfort.

The ratings, however, are constrained by moderate product and segment concentration risks, with ~60% of revenues generated from the 2W segment and the top two customers {Hero Motocorp Limited (HMCL) and TVS Motor Company Limited (TVS)}, representing over 50% of revenues. Nevertheless, the risk is partially mitigated by STL's strong share of business across product segments and the dominant market position of OEMs in the 2W industry. In the last few years, STL has incurred significant debt-funded capex and investments in new businesses as well as its overseas subsidiary. This has led to lower RoCE levels (~12.5% in FY2024) and moderation in the debt protection metrics (total debt to operating profits at ~2.2x in FY2025e as against ~1.5x in FY2022 and interest cover at 6.5x in FY2025e as against over 10x in FY2022). The debt indicators are likely to improve in the near to medium term, with likely improvement in earnings and cash flows. The ratings also consider the vulnerability of STL's earnings to competition, raw material price movements and foreign exchange fluctuations. Any potential impact of tariff actions by the US Government on STL's operations is a critical monitorable.

The stable outlook on long-term rating reflects an expectation that STL would record healthy revenue growth over the near to medium term following the ramp-up in capacities that were added in recent years, coupled with continued business from existing customers. The enhanced scale of operations, combined with an improved financial risk profile, is likely to support the expansion in profit margins and improve the debt coverage indicators.

Key rating drivers and their description

Credit strengths

Established presence in the auto component industry - STL has an established presence in the auto component industry across both domestic and overseas markets. It caters to segments like automotive, construction equipment etc., and its operations are carried out from over 40 manufacturing plants across India, apart from facilities in Romania, Spain, Poland and Mexico. The plants are in proximity to the manufacturing locations of OEMs, enabling the company to maintain strong relationships and share of business. This apart, the promoter's vast experience in the auto ancillary business also supports STL's growth and business plans. STL has six subsidiaries, three step-down subsidiaries and a few joint ventures based on target markets and scalability of product segments.

Strong revenue growth backed by diversified product profile and improving geographical presence - STL has a well-diversified product range catering to 2W, PV, CV and Off-Highway vehicles. It generates ~60% revenue from 2Ws, 20% from the PV segment, 15% from OHV, 2% from the CV segment and balance from other segments like 3W, non-autos, aftermarket, scrap etc. The product line includes locking systems, cabin and fabrication, sheet metal components, assemblies of vehicle parts, vision systems, etc. STL derives over 85% revenues from the domestic market and has been growing its presence in overseas markets. Over the last five years, STL's consolidated sales grew by ~15% (CAGR), supported by growth across products and segments. Of these, revenue from sheet metals, aluminium die castings (ADC) and cabins have grown relatively higher with the ramp-up of operations. Its recent announcement of a business transfer agreement to take over the ADC facilities of Sundaram Clayton Limited will keep its revenue share from ADC business higher in the near to medium term. To mitigate potential risks from vehicle electrification, STL (through its subsidiary) has made investments towards designing and manufacturing motor controllers, battery chargers and DC converters, sales of which are expected to commence in the near term.

Comfortable financial profile - STL's financial profile is comfortable and is supported by strong revenue growth, earnings and cash flows in the last five years. The company's revenue growth and earnings are likely to remain strong going forward amid a favourable demand outlook (especially 2W) and STL's focus on increasing content per vehicle, new product additions and business collaborations. The consolidated capex during FY2022-24 was over Rs. 800 crore towards capacity additions and new product developments, and ~Rs. 173.0 crore was spent towards setting up new plants and upgradation of plants in YTD FY2025. The benefits of the capex spend and investments are likely to accrue going forward with the ramp-up of operations. STL's liquidity profile is adequate, which is supported by stable cash flow from operations and large undrawn working capital lines.

Credit challenges

Concentration risks related to product and segments - While STL has an established presence in PV and off-highway vehicle segments, the 2W segment constitutes a major part of revenues (~60%). It is noted that STL has outgrown the industry in recent years, led by its wide product offerings, new customer additions and high wallet share with customers. Nevertheless, a high concentration in the 2W segment exposes its earnings to any sharp slowdown in the segment. STL is also exposed to moderate customer concentration risk, with its two customers, HMCL and TVS, contributing over 50% of its revenues. The moderate client and segment customer concentration risk is mitigated to an extent by the reputed client profile, which holds a dominant market share, strong share of business enjoyed by STL with the OEMs and long-term associations.

Vulnerability to earnings to competition, raw material price movements and foreign exchange fluctuations – STL's margins are susceptible to any major price variations of raw materials (steel, aluminium, zinc). However, improved operating leverage, negotiation-based pass-throughs and periodic cost-optimisation measures have historically capped the moderation in margins, and these are likely to continue going forward. The margins are also susceptible to any unfavourable movements in forex, by virtue of its overseas operations and foreign currency loans.

Moderate return and debt indicators amid large capex and investments in recent years - In the last few years, STL has incurred significant debt-funded capex and investments in new businesses as well as its overseas subsidiary, the returns from which are expected over the medium term. This has led to lower RoCE levels (12.5% in FY2024) and moderation in its debt protection metrics (total debt to operating profits at ~2.2x in FY2025e as against ~1.5x in FY2022 and interest cover at 6.5x in FY2025e as against over 10x in FY2022). The indicators are likely to improve in the near to medium term with likely improvement in earnings and cash flows.

Environmental and social risks

Environmental considerations – STL, being an auto component supplier, remains exposed to climate transition risks because of its automotive OEM customer's manufacturing products being used across different fuel power trains. Accordingly, the company's prospects remain linked to the ability of its customers to meet tightening emission requirements. The company is exposed to stringent environmental regulations regarding waste and pollution norms, which can lead to an increase in operating costs and new capacity instalment costs. However, STL has been taking steps to minimise its carbon footprint by enhancing its reliance on energy-saving efforts such as the adoption of energy-efficient fixtures/equipment and water recycling.

Social considerations – STL, like most automotive component suppliers, has high dependence on human capital. Attracting and nurturing skilled manpower is critical as it seeks to keep pace with innovation and technological changes. Maintaining healthy employee relationships and a safe working environment remains essential for disruption-free operations. On the product front, vehicle recalls by OEMs because of defective auto parts could create additional cost burdens and liabilities. STL is also exposed to changing consumer preferences, including but not restricted to increasing awareness of potential environmental damage from emissions, usage of sustainable materials and societal trends like a preference for ridesharing.

Liquidity position: Adequate

STL's liquidity position is adequate, supported by its healthy cash flows, undrawn lines and anticipated healthy accruals from the business going forward. The company had unencumbered cash and bank balances of Rs. 35.0 crore. Sandhar has repayment obligations of Rs. 27.2 crore in Q4 FY2025, Rs. 104.0 crore in FY2026 and Rs. 82.3 crore in FY2027 on its existing term loans and will be supported by its healthy cash profits and collections. In terms of support to subsidiaries and other Group entities, STL has been extending standby letter of credit (SBLC) or corporate guarantee on the loans being availed by the investee company. STL is expected to provide any need-based support to investee entities and ensure that such entities meet their obligations in a timely manner.

Rating sensitivities

Positive factors – ICRA may upgrade STL's long-term rating if it demonstrates a sustained and significant improvement in its scale of operations and profitability, along with business diversification, while maintaining debt protection metrics.

Negative factors – The ratings could witness a downward revision in case of a material impact on the company's earnings, leading to a deterioration in its debt protection metrics. Specific credit metric for downgrade includes total debt / OPBITDA increasing to more than 2.3 times at a consolidated level.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Rating Methodology for Auto Components
Parent/Group support	Not applicable
Consolidation/Standalone	For arriving at the ratings, ICRA has considered the consolidated financials of Sandhar Technologies Limited. Details are provided in Annexure-II.

About the company

STL is primarily involved in the manufacturing of component products, catering to different auto segments such as 2W, PVs and CVs, apart from tractors and off-highway vehicles. The company's product line includes locking systems, cabin and fabrication, sheet metal components, assemblies of vehicle parts, vision systems, etc. Its products also find application in the non-auto segments. STL has six subsidiaries as on date, three step-down subsidiaries and a few joint ventures based on target markets and scalability of product segments. STL's operations are carried out from over 40 manufacturing plants across India, apart from facilities in Romania, Spain, Poland and Mexico. It also has technical tie-ups and collaborations with entities located in Japan, South Korea and Taiwan. STL derives 75% of its revenues from standalone operations, ~15% from overseas subsidiaries and the balance from domestic subsidiaries. The promoters held a 70.38% stake in the company as on December 31, 2024.

Key financial indicators (audited)

Consolidated	FY2023	FY2024
Operating income	2,909.1	3,523.0
PAT	76.4	106.3
OPBDIT/OI	8.6%	9.7%
PAT/OI	2.6%	3.0%
Total outside liabilities/Tangible net worth (times)	1.3	1.4
Total debt/OPBDIT (times)	2.7	2.2
Interest coverage (times)	7.0	6.7

Amount in Rs crore; Source: Company, ICRA Research; Financial ratios in this document are ICRA adjusted figures and may not be directly comparable with results reported by the company in some instances; PAT: Profit after Tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation; total debt includes lease liabilities

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

		Current rating (FY2025)			Chronology of rating history for the past 3 years		
		Type	Amount rated (Rs. crore)	Date & rating in FY2025	Date & rating in FY2024	Date & rating in FY2023	Date & rating in FY2022
				March 31, 2025	-		
1	**Term Loans**	Long term	150.00	[ICRA]AA- (Stable)	-	-	-
2	**Working Capital facilities**	Long term/ Short term	585.00	[ICRA]AA- (Stable)/ [ICRA]A1+	-	-	-

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-term Term Loans	Simple
Long term/short term 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	Term loans	FY2022-FY2024	5.75%-8.50%	FY2027-FY2029	150.00	[ICRA]AA- (Stable)
NA	Working Capital facilities	NA	NA	NA	585.00	[ICRA]AA- (Stable)/[ICRA]A1+

Source: Company

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

Annexure II: List of entities considered for consolidated analysis

Company Name	Ownership	Consolidation Approach
Sandhar Technologies Limited	100.00%	Rated Entity
Sandhar Ascast Private Limited	100.00%	Full Consolidation
Sandhar Technologies Barcelona	100.00%	Full Consolidation
Sandhar Engineering Private Limited	100.00%	Full Consolidation
Sandhar Auto Castings Private Limited	100.00%	Full Consolidation
Sandhar Automotive Systems Private Limited	100.00%	Full Consolidation
Sandhar Auto Electric Solutions Private Limited	100.00%	Full Consolidation
Sandhar Han Sung Technologies Private Limited	50.00%	Equity Method
Jinyoung Sandhar Mechatronics Private Limited	50.00%	Equity Method
Sandhar Whetron Electronics Private Limited	50.00%	Equity Method
Sandhar Amkin Industries Private Limited	50.00%	Equity Method
Kwangsung Sandhar Technologies Private Limited	50.00%	Equity Method
Sandhar Han Shin Auto Technologies Private Limited	50.00%	Equity Method
Winnercom Sandhar Technologies Private Limited	50.00%	Equity Method

Source: Company

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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.

For more information, visit www.icra.in

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