

April 07, 2025

## Sudhir Power Projects Limited: Long-term ratings upgraded and short-term ratings reaffirmed; outlook revised to Stable from Positive

### Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Short term - Non-fund based working capital facilities	78.00	78.00	[ICRA]A1+; reaffirmed
Long term - Non-fund based working capital facilities	27.00	27.00	[ICRA]AA(Stable); upgraded from [ICRA]AA-(Positive) and outlook revised to Stable from Positive
Long term - Fund-based working capital facilities	3.00	3.00	[ICRA]AA(Stable); upgraded from [ICRA]AA-(Positive) and outlook revised to Stable from Positive
Long term - Interchangeable CC limits	(7.01)	(7.01)	[ICRA]AA(Stable); upgraded from [ICRA]AA-(Positive) and outlook revised to Stable from Positive
Long-term-Unallocated limits	41.50	41.50	[ICRA]AA(Stable); upgraded from [ICRA]AA-(Positive) and outlook revised to Stable from Positive
<b>Total</b>	<b>149.50</b>	<b>149.50</b>	

\*Instrument details are provided in Annexure I

### Rationale

For arriving at the ratings, ICRA has taken a consolidated view of Sudhir Power Limited<sup>1</sup>, Sudhir Sales and Services Limited<sup>1</sup>, Sudhir Transformers Limited<sup>1</sup> and Sudhir Power Projects Limited<sup>1</sup>, given their strong business linkages as well as a common management. Together, these are referred to as the Sudhir Group or the Group.

The upgrade in the ratings reflects ICRA's expectation that the Sudhir Group is likely to report consistent revenue growth along with a sustained healthy profitability and liquidity profile, benefiting from its strong brand presence, its wide product/services portfolio and the association with Cummins India Limited (CIL), translating into a robust credit profile. ICRA also notes that while the domestic gensets business is expected to grow at a steady pace, the demand prospects for the West Asia-based equipment leasing segment remains favourable which is likely to result in a consistent healthy growth in its operating income, going forward.

The ratings continue to factor in the Sudhir Group's established position as one of the leading players in the diesel generator (DG) industry, supported by its long track record of operations, the extensive experience of its promoters and the competitive advantage by virtue of being one of three original equipment manufacturers (OEM) for DG sets for CIL (a leading manufacturer for DG set engines/alternators) in India. The Sudhir Group is associated with CIL for more than 45 years, with predefined geographical territories for sales of DG sets. The Group is also into equipment leasing, after-sales services and executing projects in India and abroad.

The revival in the capex cycle in various end-user industries and a healthy growth in the overseas equipment leasing business helped the Group register a strong operating income (OI) growth of 35% in FY2024 over the previous fiscal; the growth trend is likely to continue in FY2025 as well. Manufacturing/trading revenues have been witnessing strong growth of 37%/30%/44% YoY in FY2024/FY2023/FY2022 to Rs 2,073 crore, after declining 18% in FY2021 and 2% in FY2020, because of the capex revival among the end users. Equipment rental revenues also grew by 38%/34%/92%/42% YoY in FY2024/FY2023/FY2022/FY2021 to

<sup>1</sup> Rated [ICRA]AA(Stable)/[ICRA]A1+

Rs ~947 crore in FY2024, driven by organic as well as inorganic expansion in the domestic and overseas markets. During FY2025, the consolidated revenues are expected to report 17-20% YoY growth, followed by a 10-15% expansion thereafter.

The Group is expected to register consistent revenue growth, going forward, benefitting from the continued capex cycle in India as well as the identified markets of the UK and West Asia. Additionally, the ratings continue to factor in the Group's comfortable financial profile and strong liquidity position, as demonstrated in the steady internal accrual generation, healthy net worth and sizeable cash and investments. This has also kept the Group's reliance on external debt low and allowed it to maintain strong debt coverage metrics.

However, the ratings are constrained by the intense competition in the industry and the susceptibility of the operations to the capex cycle of its key end-user industries (real estate, data centres, telecom, hospitality, infrastructure, etc). While the demand from these sectors was subdued till FY2021, the capex cycle picked up after FY2022, leading to a healthy growth in revenues. Additionally, the demand for DG sets remains vulnerable to increasing demand for alternative power back-ups as the industry embraces cleaner fuel.

The ratings also factor in the concentration risk as the Sudhir Group is reliant on a single vendor (CIL) for the key components for its DG sets. Nonetheless, ICRA notes that the Sudhir Group is one of the three OEMs for CIL and handles the key geographic territories, which makes the relationship equally important for the latter. Further, with the diversification of the product/service base, the concentration has reduced to some extent in recent years. However, the overseas leasing/rental business remains susceptible to cyclical downturn risks in the key end-user industries like infrastructure and oil & gas.

## Key rating drivers and their description

### Credit strengths

#### **Established operational track record of Sudhir Group in DG set industry and diversification into overseas equipment rentals**

– The Group has an established operational track record in the DG set industry. While DG sets remain the key revenue generator over the years, the Group has developed a wide range of other products/services that cater to the power equipment industry (transformers, distribution panels, substations, etc), along with executing electrification/solar projects, after-sales servicing for DG sets and equipment leasing (DG sets, aerial work platform, forklifts). In addition to its operations in India, the Group has ventured into equipment leasing business in the past three years in the Gulf countries (UAE and Saudi Arabia) and the UK – which continues to be in the ramp-up phase. As on date, the Group has a sizeable fleet of over ~10,000 equipment in the overseas leasing business, being operated out of 14 depots across the UK, the UAE and Saudi Arabia, while its fleet size in India is ~2,800 being serviced out of five depots.

**Key OEM of CIL with strong presence in North and West India** – The Sudhir Group is one of the three OEMs for CIL, with a long-standing business association of over 45 years. It has exclusive rights for selling DG sets based on CIL's technology/components in North India (Punjab, Haryana, Himachal Pradesh, Rajasthan, Jammu and Kashmir), Gujarat and Madhya Pradesh. The Group has developed a strong brand presence in these states, which is supported by a well-entrenched distribution network. Moreover, CIL's position among the leading players in the DG engines industry, with a dominant market share in the DG set market (especially for medium and high horse power categories), provides a competitive advantage to the Sudhir Group. However, predefined geographical territories limit the Group's DG set sales to these states, thereby constraining its ability to scale up the revenues from this segment to some extent.

**Comfortable financial profile and liquidity position; healthy near-term demand outlook** – The Group's liquidity and financial profile is healthy, indicated by steady internal accrual generation, a sizeable net worth, comfortable debt protection metrics, moderate repayment obligations in the overseas leasing business and considerable investments. Moreover, the Group's reliance on external debt for the Indian operations is limited. The revival in the capex cycle in various end-user industries and a steady growth in the equipment leasing business helped the Group register a strong operating income (OI) growth of 35% YoY in FY2024, after growing by 36% YoY in FY2023. While manufacturing/trading revenues rebounded during FY2022-FY2025 from the adverse impacts of Covid-19 in FY2021 that curtailed demand, a steady increase in the overseas equipment rental business with both organic and inorganic expansion has also been supporting the Group's revenues and profits. The Group is

expected to register healthy revenue growth in FY2025 as well, benefitting from growing capital investments in sectors such as manufacturing, construction, data centres, MRTS/RRTS, residential and commercial real estate. The liquidity remains strong with the presence of sizeable cash and financial investments of above Rs. 1,000 crore as on December 31, 2024.

### Credit challenges

**Vendor concentration with high dependence on CIL** – The Sudhir Group is dependent on CIL for sourcing its key component—diesel engines—for the DG sets. Moreover, the geographical territories are defined by CIL, which limits market expansion. Nonetheless, ICRA notes that the Sudhir Group is the largest OEM for CIL and handles the key geographical territories, which makes the relationship equally important for CIL. Further, the dependence has reduced to some extent recently with diversification of the product/service base, especially with the equipment leasing business.

**Exposed to capex cycle of end-user industries as well as changes in regulations** – The Group’s operations remain susceptible to the capex cycle of its key end-user industries such as real estate, telecom, hospitality and infrastructure. While the demand for DG sets from these sectors was subdued over the last few fiscals, it has started picking up with the revival of the capex cycle. Thus, the Group is expected to register healthy YoY revenue growth in FY2025 with a likely expansion in revenues from DG sets and a steady rise in the equipment leasing business. Implementation of the new CPCB-4 norms (Central Pollution Control Board) from July 2024 has led to lead to substantial price hikes for new products as they have to comply with more stringent emission norms. This poses a risk to medium-term demand growth and is a key monitorable.

**Vulnerable to increasing demand for alternative power back-ups with industries embracing cleaner fuels** – With the worldwide shift towards less carbon-intensive sources of energy, industries are planning to migrate to alternative power back-ups, including solar. This structurally reduces the demand for DG sets and can limit the growth prospectus over the medium to longer term.

### Liquidity position: Strong

Sudhir Group’s liquidity remains strong, supported by steady internal accrual generation, sizeable financial investments and cash balances of above Rs. ~1,000 crore as of February 2025, which also generate non-operating income. As a result, the reliance on external debt funding in the manufacturing business has remained low. However, the overseas leasing business has high reliance on borrowings for hire purchase. Additionally, cushion in the form of undrawn bank lines coupled with moderate debt repayment liabilities in the overseas leasing business provides comfort.

### Rating sensitivities

**Positive factors** – A healthy growth in the scale of operations along with an improvement in the profitability metrics could lead to an upgrade.

**Negative factors** – The ratings may be downgraded if there is any material decline in revenue and profitability. Moreover, a sizeable debt-funded capex, resulting in a deterioration of the capital structure and debt protection metrics, or a considerable decline in liquid investments and cash balances could warrant a downgrade rating action.

### Analytical approach

Analytical approach	Comments
Applicable rating methodologies	<a href="#">Corporate Credit Rating Methodology</a>
Parent/Group support	Not applicable
Consolidation/Standalone	For arriving at the ratings, ICRA has taken a consolidated view of Sudhir Power Limited, Sudhir Sales and Services Limited, Sudhir Transformers Limited and Sudhir Power Projects Limited, given their strong business linkages as well as common management. Further, ICRA has considered the consolidated financial of Sudhir Power Limited and its subsidiaries and joint ventures which are all enlisted in Annexure II

## About the company

SPL was promoted by Mr. Sudhir Seth in 1973 and is the flagship company of the Sudhir Group. The company is an OEM of CIL and one of the leading producers of DG sets in the range of 7.50 KVA to 3,300 KVA. The company also manufactures ancillary equipment such as control panels and acoustics and has a dominant position in the northern and northwestern states of India. The Sudhir Group is also involved in the manufacturing of products for the power equipment industry, execution of electrification and solar projects, equipment leasing (DG sets, aerial work platform equipment and forklifts) in India and the Gulf countries, and after-sales service for DG sets.

SPPL is a wholly-owned subsidiary of SPL and part of the Sudhir Group. The company is involved in executing electrification and solar power projects

## Key financial indicators (audited)

Sudhir Power Limited/Sudhir Group (Consolidated; Audited)	FY2023	FY2024
Operating income	2,403.6	3,246.3
PAT	223.5	525.1
OPBDIT/OI	22.0%	24.0%
PAT/OI	9.3%	16.2%
Total outside liabilities/Tangible net worth (times)	0.4	0.4
Total debt/OPBDIT (times)	0.76	0.71
Interest coverage (times)	30.8	23.6

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					
FY2026					FY2025		FY2024		FY2023	
Instrument	Type	Amount rated (Rs. crore)	Date	Rating	Date	Rating	Date	Rating	Date	Rating
Non-fund based working capital facilities	Short-Term	78.00	April 07, 2025	[ICRA]A1+	-	-	Mar 08, 2024	[ICRA]A1+	Dec 16, 2022	[ICRA]A1+
Non-fund based working capital facilities	Long-Term	27.00	April 07, 2025	[ICRA]AA (Stable)	-	-	Mar 08, 2024	[ICRA]AA- (Positive)	Dec 16, 2022	[ICRA]AA- (Stable)
Fund-based working capital facilities	Long-Term	3.00	April 07, 2025	[ICRA]AA (Stable)	-	-	Mar 08, 2024	[ICRA]AA- (Positive)	Dec 16, 2022	[ICRA]AA- (Stable)
Interchangeable CC limits	Long-Term	(7.01)	April 07, 2025	[ICRA]AA (Stable)	-	-	Mar 08, 2024	[ICRA]AA- (Positive)	Dec 16, 2022	[ICRA]AA- (Stable)
Unallocated limits	Long-Term	41.50	April 07, 2025	[ICRA]AA (Stable)	-	-	Mar 08, 2024	[ICRA]AA- (Positive)	Dec 16, 2022	-

## Complexity level of the rated instruments

Instrument	Complexity indicator
Short term - Non-fund based working capital facilities	Very Simple
Long term - Non-fund based working capital facilities	Simple
Long term - Fund-based working capital facilities	Simple
Long term - Interchangeable CC limits	Simple
Long-term-Unallocated limits	Not Applicable

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	Short term - Non-fund based working capital facilities	NA	NA	NA	78.00	[ICRA]A1+
NA	Long term - Non-fund based working capital facilities	NA	NA	NA	27.00	[ICRA]AA (Stable)
NA	Long term - Fund-based working capital facilities	NA	NA	NA	3.00	[ICRA]AA (Stable)
NA	Long term - Interchangeable CC limits	NA	NA	NA	(7.01)	[ICRA]AA (Stable)
NA	Long-term - Unallocated limits	NA	NA	NA	41.50	[ICRA]AA (Stable)

Source: Company

## Annexure II: List of entities considered for consolidated analysis

Company name	Ownership	Consolidation approach
Sudhir Power Projects Limited	100%	Full consolidation
Sudhir Transformers Limited	100%	Full consolidation
Sudhir Sales and Services Limited	100%	Full consolidation
Double Ess Estate Private Limited	100%	Full consolidation
Sudhir Cast Resin Transformers Private Limited	100%	Full consolidation
Consortium of Sudhir Power Projects Limited & Sudhir Power Limited	100%	Full consolidation
Consortium of Sudhir Power Projects Limited India & Cobra Instalaciones Y Servicios S.A. Spain	98%	Full consolidation
Sudhir Ready Genset Consortium	55%	Full consolidation
Sudhir Semco LLP	60%	Full consolidation
Sudhir Gensets FZE	100%	Full consolidation
Sudhir Power (UK) Limited	100%	Full consolidation

Source: Annual report FY2024

## ANALYST CONTACTS

**Girishkumar Kadam**

+91 22 6114 3441

[girishkumar@icraindia.com](mailto:girishkumar@icraindia.com)

**Prashant Vasisht**

+91 124 4545 322

[prashant.vasisht@icraindia.com](mailto:prashant.vasisht@icraindia.com)

**Ankit Jain**

+91 124 4545865

[ankit.jain@icraindia.com](mailto:ankit.jain@icraindia.com)

**Rohan Rustagi**

+91 124 4545383

[rohan.rustagi@icraindia.com](mailto:rohan.rustagi@icraindia.com)

## RELATIONSHIP CONTACT

**L. Shivakumar**

+91 22 6114 3406

[shivakumar@icraindia.com](mailto:shivakumar@icraindia.com)

## MEDIA AND PUBLIC RELATIONS CONTACT

**Ms. Naznin Prodhani**

Tel: +91 124 4545 860

[communications@icraindia.com](mailto:communications@icraindia.com)

## HELPLINE FOR BUSINESS QUERIES

+91-9354738909 (open Monday to Friday, from 9:30 am to 6 pm)

[info@icraindia.com](mailto:info@icraindia.com)

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## ICRA Limited



### Registered Office

B-710, Statesman House, 148 Barakhamba Road, New Delhi-110001

Tel: +91 11 23357940-45



### Branches



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