April 29, 2025

Sany Heavy Industry India Private Limited: Ratings upgraded to [ICRA]A-(Stable)/ [ICRA]A2+

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Long-term – Unallocated	100.00	100.00	[ICRA]A-(Stable); upgraded from [ICRA]BBB+(Stable)
Short-term – Unallocated	100.00	100.00	[ICRA]A2+; upgraded from [ICRA]A2
Total	**200.00**	**200.00**	

**Instrument details are provided in Annexure I*

Rationale

The rating upgrade for Sany Heavy Industry India Private Limited (SHIL) considers the notable expansion in its operating margin to 5.8% in FY2024 from 2.0% in FY2023, driven by higher unit realisations, rising localisation and increased share of high-margin products. The same is likely to sustain in the near to medium term driven by focus on higher share of manufacturing sales. This, coupled with an improvement in working capital cycle led to an enhancement in the company's coverage metrics. The interest cover improved to 3.0 times in FY2024 from 1.5 times in FY2023. Similarly, the DSCR increased to 3.8 times in FY2024 from 2.5 times in FY2023.

The ratings consider the company's diversified product portfolio with leading market position domestically in its product categories, which has driven revenue growth over the years, despite significant volatility in the end-user industry. The ratings factor in SHIL's large scale of operations with its operating income (OI) witnessing a CAGR growth of 41% over FY2020-24, with a YoY growth of 31% in FY2024 to Rs. 6,060.6 crore from Rs. 4,631.9 crore in FY2023. The excavator and hoisting equipment (HE) product categories (together accounting for 74% of OI in FY2024)), grew YoY by 13% and 22%, respectively, in FY2024, aided by the Government's continued focus on infrastructure spending. Additionally, in FY2024, the company reported strong YoY growth of 14 times in telehandlers (accounting for 16% of OI in FY2024), driven by notable growth in volumes. Sales for telehandlers are estimated to decline materially in the near term due to a dampening of demand in the US market, though revenues would be supported by a recovery in the mining category following a revival in demand from key customers based in states which held elections in FY2024. ICRA estimates the OI to grow by ~3%-5% in FY2025 and ~8%-10% FY2026, backed by steady growth in the excavator, HE and mining categories. The ratings note the operational and technological support that SHIL receives from its parent, i.e., Sany Heavy Industry Co. Ltd. (SANY), one of the largest mining and construction equipment (MCE) manufacturers globally. SHIL meets a significant proportion of its raw material requirements from SANY and its Group companies. Over the years, SHIL has a track record of receiving support in the form of extended credit period from these Group entities, which aided the working capital cycle to a large extent. The company benefits from the Group's financial flexibility by raising funds at attractive rates, as a part of the SANY Group. Senior personnel of the SANY Group, including the Group's Vice Chairman are on SHIL's board, indicating its strategic importance for the parent entity.

The ratings, however, remain constrained by the elevated leverage (which though improved, remains high with TOL/TNW of 5.5 times as of December 2024), stiff competition in the industry and the competitive pricing strategy adopted by the company leading to improved, though moderate operating profitability. Notwithstanding the provision made towards sticky receivables, sizeable exposure to customers with moderate credit profiles expose SHIL to the risk of bad debt write-offs, which could further impact its profitability. This apart, its operations have remained working capital-intensive in nature, owing to high inventory levels and elongated receivables, which though improved, remain elongated. While the same is being met largely through the extended credit period from its parent, it has resulted in elevated leverage and exposes SHIL to fluctuation in input prices and sizeable unhedged foreign currency exposure. However, the same is likely to be reduced sequentially through a reduction in debtors (through prudent bill discounting policy). SHIL has capex plans of Rs. 250 crore over the medium term, which are expected to be funded through a mix of internal accruals and long-term debt. Hence, the company's ability to further improve its working capital cycle, while maintaining the profitability, remains a key monitorable.

The Stable outlook reflects ICRA's opinion that the company will benefit from its established position domestically in its product categories, which will support its revenue growth, while maintaining its operating profitability on account on rising localisation and improving share of manufacturing sales.

Key rating drivers and their description

Credit strengths

Strong sponsor profile; access to SANY's global product portfolio – SHIL is a wholly-owned subsidiary of the China-based SANY, which is a global major in the construction equipment industry. The company benefits from the extensive product portfolio, its global presence and the Group's technological knowledge. SHIL meets a significant proportion of its raw material requirements from SANY and its Group companies. It benefits from the financial support in the form of extended credit period by the Group companies. SHIL benefits from the Group's strong financial flexibility, as reflected in fund raised at attractive rates. The involvement of senior personnel from the SANY Group, including the Vice Chairman on SHIL's board, indicates its strategic importance for the parent Group.

Diversified product portfolio with leading market position domestically in HE, excavators and mining dumpers – The company has a diversified product profile with HE (cranes and piling rigs) segment accounting for ~44%, excavators contributing to ~30%, mining equipment constituting ~10% and telehandlers for ~16% of the overall revenues in FY2024. SHIL is also focusing on introducing new product categories like aerial work platforms, forklifts, port pullers, etc, which will support its revenue growth and operating margins, going forward.

Large scale of operations with an improvement in margins – The company's OI witnessed a CAGR of 41% during FY2020-2024, with a YoY growth of 31% in FY2024 to Rs. 6,060.6 crore from Rs. 4,631.9 crore in FY2023. The excavator and HE product categories (together accounting for 74% of OI in FY2024)), grew YoY by 13% and 22% respectively in FY2024, supported by the Government's continued focus on infrastructure spending. ICRA estimates the OI to rise by ~3%-5% in FY2025 and ~8%-10% FY2026, driven by steady growth in the excavator, HE and mining categories. The margins have improved in FY2024 and are expected to improve over the near term, given the focus on localisation and manufacturing sales.

Credit challenges

Vulnerability to fluctuations in input prices and forex rates – SHIL's profitability remains vulnerable to fluctuations in input prices and forex rates, amid intense competition. Raw material and trading goods purchase costs accounted for 80-85% of the OI, which exposes the company to volatility in raw material prices. Further, being a net importer (as the company relies on Group companies for the procurement of trading stock), it has sizeable unhedged foreign currency exposures, which make SHIL susceptible to any adverse movements in forex rates, as seen in the past.

Leveraged capital structure; elongated receivables leading to high reliance on support from parent – SHIL's operations remain working capital-intensive due to the high inventory requirements and stretched receivables, which remain elongated, despite improvement in FY2024. In FY2024, despite a ~31% higher turnover, receivables have largely remained same (Rs. 2,823 crore as of March 2024 vs Rs. 2,874 crore as of March 2023), supported by non-recourse receivable discounting and reduced quantum of deferred sales. The company has funded its working capital requirement by getting extended credit period from its parent entity, resulting in an elevated leverage (TOL/TNW of 5.5 times as of December 2024). Despite steps to gradually reduce its creditor outstanding, the overall leverage is likely to remain high in the near to medium term. Given the asset liability mismatch, SHIL's ability to get extended credit period from its supplier remains important to support its liquidity position.

Competitive industry and inherent cyclicality in end-user industry – The industry is intensely competitive across the product segments, limiting its overall pricing power. Further, the MCE industry is cyclical in nature with performance dependent on investments in the end-user industry such as infrastructure, mining, and construction. The cyclical nature of the industry exposes SHIL's operating performance to demand swings that reflect the prevalent economic cycles.

Liquidity position: Adequate

SHIL's liquidity position is expected to remain adequate, aided by undrawn working capital lines of over ~Rs. 900 crore and free cash and bank balances of ~Rs. 65 crore (as of December 2024). Against this, the company intends to undertake capex of Rs. 250 crore in FY2026, which will be funded through a mix internal accruals and term debt. Owing to negligible term debt as of December 2024, it has minimal debt repayment obligations in FY2026. Notably, its working capital cycle is largely supported by the extended credit period from its Group entities. Any revision in the SANY Group's policy towards the extended credit period to SHIL, adversely impacting its liquidity position, remains a key monitorable.

Rating sensitivities

Positive factors – The ratings can be upgraded if there is a material and sustained improvement in profitability and working capital cycle and/or upon long-term fund infusion resulting in an improvement in asset-liability position and liquidity profile on a sustained basis.

Negative factors – Negative pressure on SHIL's ratings could arise in case a deterioration in the profit margins and/or working capital cycle, or if it undertakes any large debt-funded capex, which impacts its coverage metrics and capital structure. Specific credit metric for a downgrade could be the operating margin declining below 5% on a sustained basis.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Construction Vehicles
Parent/Group support	Not applicable
Consolidation/Standalone	For arriving at the ratings, ICRA has considered the consolidated financials of Sany Heavy Industry India Private Limited. As on March 31, 2024, the company had one subsidiary that is listed in Annexure II.

About the company

SHIL, incorporated in 2002, was initially set up as a marketing company for the SANY Group's products in India. The Group invested in a manufacturing facility in 2006 and the plant became operational in 2009. The company manufactures and/or assembles excavators, hoisting equipment, mining equipment and concrete equipment such as truck cranes, concrete mixers and batching plants and motor graders in India. It also trades some of the products of its parent company in India. SHIL is present in the export markets (Southeast Asia, North America and the SAARC nations) and has a subsidiary in Bangladesh. However, at present, its revenue profile is dominated by the domestic market.

Key financial indicators (audited)

SHIL Consolidated	FY2023	FY2024
Operating income	4,631.9	6,060.6
PAT	147.2	450.7
OPBDIT/OI	2.0%	5.8%
PAT/OI	3.2%	7.4%
Total outside liabilities/Tangible net worth (times)	9.4	5.2
Total debt/OPBDIT (times)	3.4	0.1
Interest coverage (times)	1.5	3.0

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)	Apr 29, 2025	Date	Rating	Date	Rating	Date	Rating
Long-term-Unallocated	Long Term	100.00	[ICRA]A- (Stable)	-	-	Jan 31, 2024	[ICRA]BBB+ (Stable)	Mar 13, 2023	[ICRA]BBB+ (Negative)
Short-term-Unallocated	Short Term	100.00	[ICRA]A2+	-	-	Jan 31, 2024	[ICRA]A2	Mar 13, 2023	[ICRA]A2

Complexity level of the rated instruments

Instrument	Complexity indicator
Long-term – Unallocated limits	Not Applicable
Short-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	**Long-term - Unallocated limits**	NA	NA	NA	100.00	[ICRA]A- (Stable)
NA	**Short-term - Unallocated limits**	NA	NA	NA	100.00	[ICRA]A2+

Source: Company

Annexure II: List of entities considered for consolidated analysis

Company Name	Relation	Ownership	Consolidation Approach
Sany Heavy Industry Bangladesh Limited	Subsidiary	100.00%	Full Consolidation

Source: Company

ANALYST CONTACTS

Ashish Modani
+91 22 6169 3300
ashish.modani@icraindia.com

Suprio Banerjee
+91 22 6114 3443
supriob@icraindia.com

Rohit Agarwal
+91 22 6169 3329
rohit.agarwal@icraindia.com

Anirudh Goel
+91 22 6169 3300
anirudh.goel@icraindia.com

RELATIONSHIP CONTACT

L. Shivakumar
+91 22 6114 3406
shivakumar@icraindia.com

MEDIA AND PUBLIC RELATIONS CONTACT

Ms. Naznin Prodhani
Tel: +91 124 4545 860
communications@icraindia.com

HELPLINE FOR BUSINESS QUERIES

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

info@icraindia.com

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.

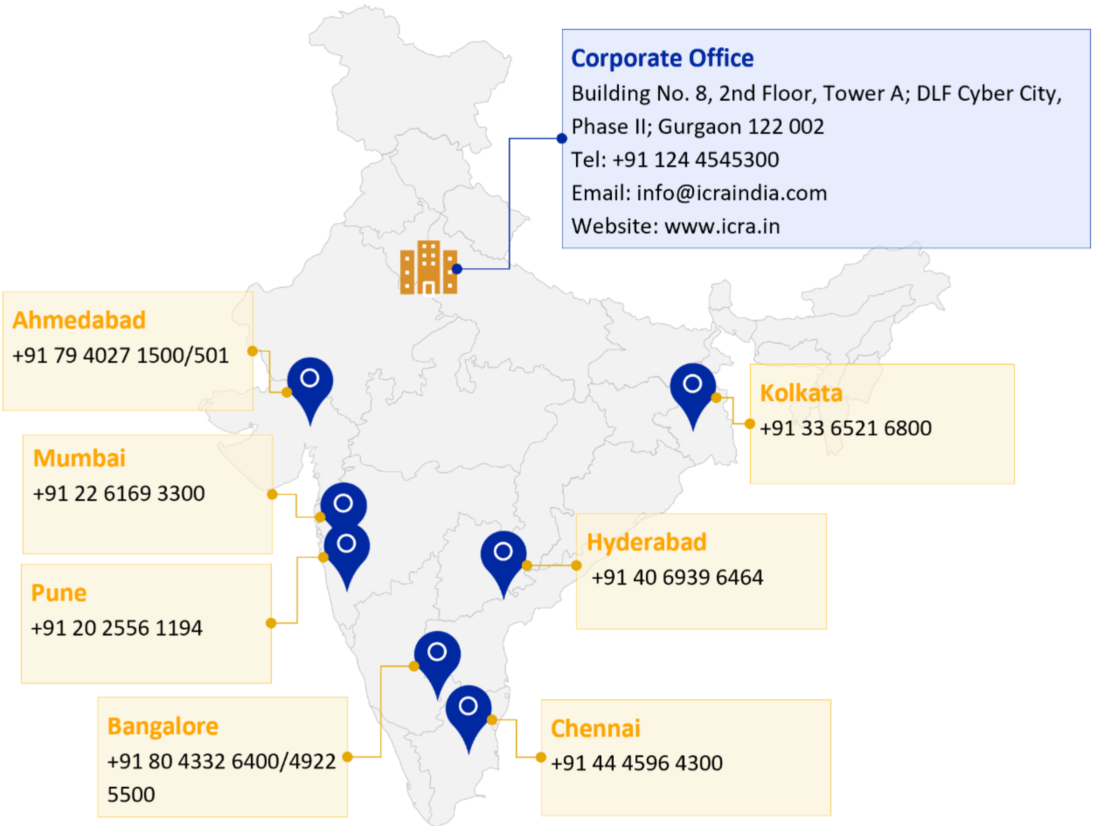
For more information, visit www.icra.in

ICRA Limited

Registered Office

B-710, Statesman House, 148 Barakhamba Road, New Delhi-110001
Tel: +91 11 23357940-45

Branches



ICRA ratings should not be treated as recommendation to buy, sell or hold the rated debt instruments. ICRA ratings are subject to a process of surveillance, which may lead to revision in ratings. An ICRA rating is a symbolic indicator of ICRA's current opinion on the relative capability of the issuer concerned to timely service debts and obligations, with reference to the instrument rated. Please visit our website www.icra.in or contact any ICRA office for the latest information on ICRA ratings outstanding. All information contained herein has been obtained by ICRA from sources believed by it to be accurate and reliable, including the rated issuer. ICRA however has not conducted any audit of the rated issuer or of the information provided by it. While reasonable care has been taken to ensure that the information herein is true, such information is provided 'as is' without any warranty of any kind, and ICRA in particular, makes no representation or warranty, express or implied, as to the accuracy, timeliness or completeness of any such information. Also, ICRA or any of its group companies may have provided services other than rating to the issuer rated. All information contained herein must be construed solely as statements of opinion, and ICRA shall not be liable for any losses incurred by users from any use of this publication or its contents.