

May 06, 2026

Sandhar Engineering Private Limited: Ratings upgraded to [ICRA]A+(Stable)/[ICRA]A1 and rated amount enhanced

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating Action
Long term fund-based Term loans	196.00	95.66	[ICRA]A+ (Stable); upgraded from [ICRA]A(Stable)
Long term/short term – fund based working capital facilities	40.00	85.00	[ICRA]A+ (Stable) / [ICRA]A1; upgraded from [ICRA]A (Stable) / [ICRA]A2+ and assigned for enhanced limits
Long term – Unallocated limits	-	69.34	[ICRA]A+ (Stable); upgraded from [ICRA]A (Stable) and assigned for enhanced limits
Total	236.00	250.00	

*Instrument details are provided in Annexure-II

Rationale

The upgrade of ratings on the bank lines of Sandhar Engineering Private Limited (SEPL) considers its strengthened business profile, post consolidation of the sheet metal components business of the group into this entity, and consequent improvement in its financial profile. The ratings continue to remain supported by its strong parentage with Sandhar Technology Limited (STL), a key player in the domestic auto ancillary industry, holding 100% stake in SEPL.

SEPL is one of the largest subsidiaries of STL in terms of revenues and houses the entire sheet metal component operations of the Group. SEPL manufactures mufflers, swingarm frames and other automotive products, including sheet metal components. It derives revenues from the two-wheeler (2W) segment, supplying products to Hero MotoCorp Limited (HMCL) and TVS Motor Company Limited (TVS). During 9M FY2026, SEPL reported a healthy scale-up in revenues, supported by expansion at its three greenfield facilities as well as the transfer of three Group plants during the year. Buoyed by these developments, SEPL's revenue from operations grew to Rs. 546.7 crore in 9M FY2026 from Rs. 394.9 crore in FY2025, with an operating profit margin of 7.1% as compared to 7.0% in FY2025 and 2.8% in FY2024. Given the favourable 2W demand outlook, SEPL's revenue and earnings growth are expected to continue in the medium term.

The ratings draw comfort from SEPL's strong parentage and the expectation of continued operational and financial support from its parent. Historically, STL has extended need-based funding support to SEPL, the latest being equity infusion of Rs. 26.3 crore in FY2026 and has also extended corporate guarantees to some of SEPL's bank facilities. Additionally, as part of the internal restructuring exercise, the Group has transferred all sheet metal component operations to SEPL. This, along with the equity infusion, has resulted in improved credit metrics, with gearing strengthening to 1.1 times as of December 2025 from 1.9 times as of March 2025. Interest coverage also improved to 6.7 times in 9M FY2026 from 2.5 times in 9M FY2025.

The ratings are, however, constrained by the moderate margin profile of the company, with operating margin of 7.1% in 9M FY2026, albeit on an improving trend, and vulnerability of its earnings to input price movements. The company is also exposed to customer concentration risk, with its top customer accounting for more than 70% of its revenues. Moreover, with over 90% of its revenues derived from the 2W segment, its earnings remain exposed to demand fluctuations in the sector.

The stable outlook on the long-term rating reflects ICRA's expectation that SEPL will continue to maintain a stable credit profile, supported by growth prospects in the underlying 2W industry as well as established relationships with its key customers.

Key rating drivers and their description

Credit strengths

Strong parentage - STL is the parent company of SEPL and has an established presence in the auto component industry, catering to multiple automotive segments. Its operations are carried out across more than 40 manufacturing plants. The promoters have extensive experience in the auto ancillary business, which supports growth and business plans. SEPL is a wholly owned subsidiary of STL, primarily set up to house the Group's sheet metal component operations. It is STL's largest subsidiary in terms of revenues and manufactures mufflers, swingarm frames and other automotive components. Like other investee entities, SEPL also leverages STL's strong business profile and customer relationships. Additionally, STL extends need-based financial support to SEPL and has also provided corporate guarantees for certain bank facilities availed by the company.

Established customer relationships with reputed 2W OEMs - SEPL supplies its products primarily to 2W OEMs such as TVS, Hero MotoCorp Limited and Royal Enfield, with which it has established relationships, enabling it to garner repeat orders and ensuring revenue visibility and stability. Given the favourable 2W demand outlook and strong client relationships, SEPL's revenue and earnings growth are expected to remain robust in the near to medium term.

Improving credit metrics - In FY2026, owing to internal restructuring within the Group, all sheet metal component-related operations were transferred to SEPL, resulting in revenue growth of 90.5% in 9M FY2026 and an improvement in margins to 7.1% for the same period. ICRA notes that debt has not increased proportionately and, hence, the overall credit metrics of the company have improved. The gearing ratio improved to 1.1 times as of December 2025 from 1.9 times as of March 2025, following the infusion of Rs. 26.3 crore equity during the year, while the interest coverage ratio strengthened to 6.7 times in 9M FY2026 from 2.5 times in 9M FY2025.

Credit challenges

Moderate margins – SEPL's margins have been moderate owing to limited value addition. It reported operating profit margin of 6.7% in 9M FY2025 and, despite a 90% growth in its top line, the same has increased by only 40 bps to 7.1% in 9M FY2026. ICRA expects the company's margins to remain range-bound over the medium term, although some improvement may arise from periodic cost optimisation measures, higher operating leverage driven by scale expansion and stabilisation of recent and ongoing capex programmes.

Concentration risks related to customers and segments – Akin to its parent, SEPL's business profile is characterised by a high concentration in the 2W segment. More than 70% of its revenue is derived from a single customer, and over 90% of its revenues are generated from the 2W segment. The client and segment concentration risks are mitigated to an extent by its reputed customer base, which holds a dominant market share in the domestic 2W market, SEPL's strong share of business with OEMs and its long-term associations.

Liquidity position: Adequate

SEPL's liquidity position is adequate, supported by its anticipated healthy annual cash flow from operations of Rs. 40.0-50.0 crore, going forward. The company had unencumbered cash and bank balances of Rs. 12.0 crore and undrawn working capital lines of Rs. 20.0 crore against its sanctioned limits of Rs. 40.0 crore as on December 31, 2025. Against this, SEPL has repayment obligations of Rs. 39.7 crore in FY2027, Rs. 9.0 crore in FY2028 and Rs. 4.0 crore in FY2029 on its existing term loans. Also, the capex plans are moderate at Rs. 30.0-40.0 crore in FY2027 and FY2028, primarily towards maintenance and are expected to be funded through a mix of debt and internal accruals. ICRA expects STL to provide adequate and timely financial support, in case there is a requirement.

Rating sensitivities

Positive factors – The ratings can be upgraded in case of a sustained improvement in the company’s performance, driven by growth in revenues and earnings, reduction in debt levels and efficient working capital management, leading to stronger leverage and coverage metrics.

Negative factors – Pressure on the ratings could arise in case of a significant deterioration in the credit profile, with weakening earnings or a significant sustained increase in debt levels on account of capex, adversely impacting debt metrics. Further, any weakening of STL’s credit profile, dilution of linkages with STL or lack of adequate and timely support from STL could also act as negative rating triggers.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Auto Components
Parent/Group support	Parent company: Sandhar Technologies Limited (STL); ICRA expects STL to extend timely and adequate financial support to SEPL, should there be a need.
Consolidation/Standalone	Standalone

About the company

Sandhar Engineering Private Limited (SEPL) was incorporated in October 2021 as a wholly owned subsidiary of STL. SEPL is involved in the business of manufacturing various mufflers, swingarm frames and other automobile products, including sheet metal components. The parent company, STL, has more than three decades of operations in the auto ancillary sector. Through SEPL, STL established three greenfield projects. SEPL set up one plant in Gujarat and two plants in Karnataka. During FY2026, as part of internal restructuring within the Group, most of the sheet metal component-related operations were transferred to SEPL and three additional plants were added.

Key financial indicators

Sandhar Engineering Private Limited (Standalone)	FY2025 (audited)	9M FY2026 (prov.)
Operating income (OI)	394.9	546.7
PAT	(2.2)	12.2
OPBDIT/OI	7.0%	7.1%
PAT/OI	-0.6%	2.2%
Total outside liabilities/Tangible net worth (times)	3.2	3.3
Total debt/OPBDIT (times)	4.1	1.8
Interest coverage (times)	2.8	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; NM – Not meaningful

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

	Current ratings (FY2027)			Chronology of rating history for the past 3 years		
	Type	Amount rated (Rs. crore)	Date & rating in FY2027	Date & rating in FY2026	Date & rating in FY2025	Date & rating in FY2024
			May 06, 2026	-	March 31, 2025	-
1 Term Loans	Long term	95.66	[ICRA]A+ (Stable)	-	[ICRA]A (Stable)	-
2 Working Capital Facilities	Long term/ Short term	85.00	[ICRA]A+(Stable)/ [ICRA]A1	-	[ICRA]A(Stable)/ [ICRA]A2+	-
3 Unallocated	Long term	69.34	[ICRA]A+ (Stable)	-	-	-

Annexure I: Disclosure pursuant to the SEBI Circular SEBI/HO/DDHS/DDHS-PoD-2/I/4685/2026 dated February 10,2026

ICRA rated Instruments fall under regulatory purview of various Financial Sector Regulators (FSR) as under:

Sr. No.	Instrument	FSR
1	Listed/Proposed to be listed Bonds/Debentures/Preference Shares (all securities)	SEBI
2	Unlisted/Proposed to be unlisted Bonds/Debentures/ Preference share (all securities)	MCA
3	Listed PTCs / Securitisation Notes (originated by entities regulated by RBI) (*)	SEBI
4	Listed PTCs / Securitisation Notes (originated by entities not regulated by RBI) (*)	SEBI
5	Unlisted PTCs / Securitisation Notes (originated by entities regulated by RBI) (*)	RBI
6	Listed Commercial Paper and NCDs with original maturity less than 1 year	RBI
7	Unlisted Commercial Paper and NCDs with original maturity less than 1 year	RBI
8	Loan Facilities (Fund/Non-Fund Based) from Bank / NBFCs/ NHB/ FIs (\$)	RBI
9	External Commercial Borrowings/Loans from overseas branches of Indian Banks/other similar borrowings	RBI
10	Certificates of Deposit	RBI
11	Fixed Deposits raised by NBFCs, Banks, HFCs, FIs	RBI
12	Fixed Deposits raised by corporates other than NBFCs, Banks, HFCs, FIs	MCA
13	Inter Corporate Deposits/Loans extended by Corporates	MCA
14	Listed Security Receipts	SEBI
15	Unlisted Security Receipts	RBI
16	Unlisted PTCs / Securitisation Notes (originated by entities not regulated by RBI) (*)	Investor-side Regulator such as IRDAI, PFRDA (%)

(*) Includes securitisation transactions involving assignee payout, acquirer's payout.

(\$) Includes bank facilities such as liquidity facility, second loss facility that are part of securitisation transactions.

(%) These ratings were assigned prior to the introduction of SEBI CRA Circular dated Feb 10, 2026 and accordingly, investor side FSRs have been mentioned.

Other Activities offered by ICRA fall under regulatory purview of various Financial Sector Regulators (FSR) as under:

Sr. No.	Activity Name	FSR
1	Credit Ratings for Capital Protection Oriented Schemes (by Mutual Funds and AIFs)	SEBI
2	Credit quality ratings (CQRs) for Mutual Fund Schemes and Schemes of AIFs	SEBI
3	Independent Credit Evaluation (ICE)	RBI
4	Expected Loss Ratings (For Loan Facilities [Fund/Non-Fund based] from Banks/NBFCs/NHB/FIs)	RBI
5	Expected Loss Ratings (Listed / Proposed to be listed Bonds / Debentures / Preference Shares (all securities))	SEBI
6	Expected Loss Ratings (Unlisted / Proposed to be unlisted Bonds/ Debentures / Preference Shares (all securities))	MCA
7	Credit Rating of Borrowing programme	(@)
8	Issuer Ratings	(#)
9	Monitoring Agency	SEBI
10	Research activities, incidental to rating such as research for Economy & Industries (permitted by SEBI vide SEBI Master Circular for CRAs)	NA

(@) The rated instrument may involve issuance of different instruments such as debt securities (listed or otherwise), bank loans, commercial paper (listed or otherwise), etc. The regulator of the instrument can only be determined upon issuance. Accordingly, ICRA shall capture the rated quantum details along with names of respective FSR in the press release(s) after the issuance(s) of the instruments.

(#) Since no instrument is being rated, FSR is not applicable. The rating scale and definitions stipulated in SEBI Master Circular for CRAs are being followed.

Disclosure: SEBI's grievance redressal/dispute resolution and SEBI investor protection mechanisms such as SCORES and ODR shall not be available for activities and instruments which fall under the regulatory purview of Financial Sector Regulators other than SEBI.

Complexity level of the rated instruments

Instrument	Complexity indicator
Long term – Fund-based – Term loans	Simple
Long term/short term – fund based working capital facilities	Simple
Long term – Unallocated facilities	NA

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 II: Instrument details

ISIN	Instrument name	Date of issuance	Coupon rate	Maturity	Amount rated (Rs. crore)	Current rating and outlook
NA	Term loans	FY2024	NA	FY2029	95.66	[ICRA]A+(Stable)
NA	Working Capital Facilities	NA	NA	NA	85.00	[ICRA]A+(Stable)/[ICRA]A1
NA	Unallocated facilities	NA	NA	NA	69.34	[ICRA]A+(Stable)

Source: Company

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

Annexure III: List of entities considered for consolidated analysis – Not Applicable

ANALYST CONTACTS

Jitin Makkar

+91 124 4545 368

jitinm@icraindia.com

Sruthi Thomas

+91 80 4332 6430

sruthi.thomas2@icraindia.com

K. Srikumar

+91 44 4596 4318

ksrikumar@icraindia.com

Nilesh Kumar Jain

+91 44 4596 4312

nilesh.jain2@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

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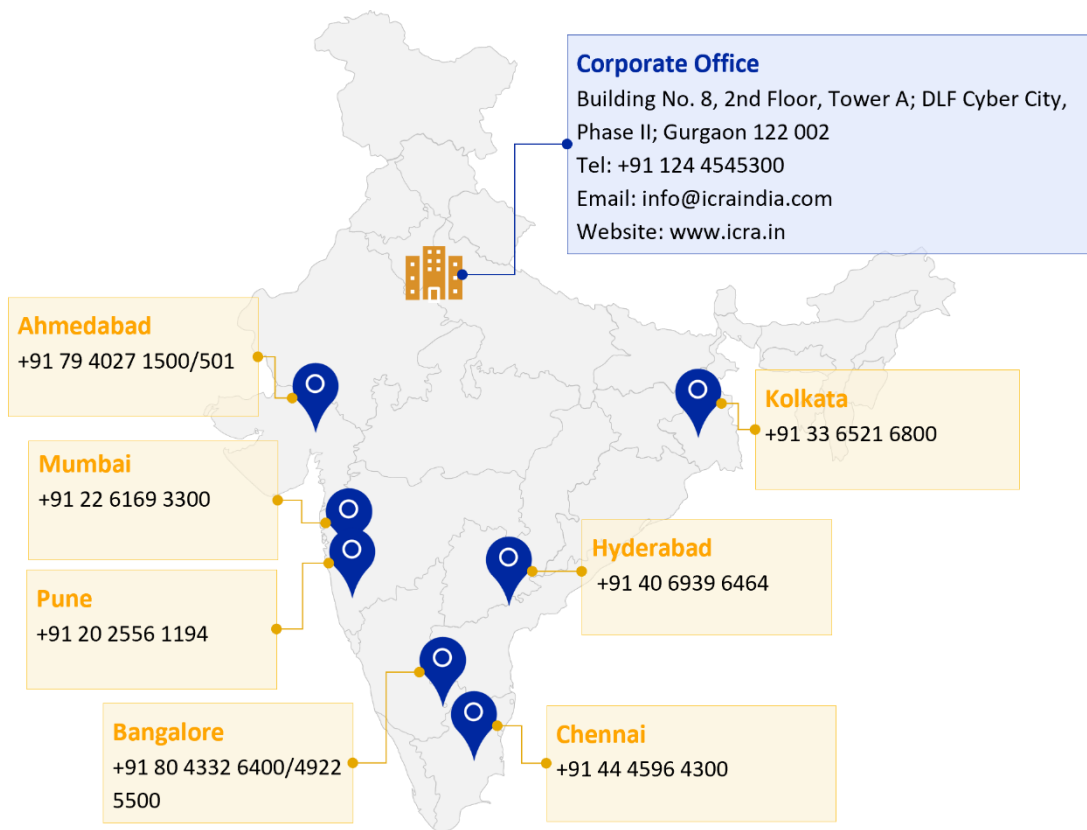
Registered Office

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

Tel: +91 11 23357940-45



Branches



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