July 31, 2026

Sudhir Transformers Limited: Ratings reaffirmed

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action	Financial sector regulator#
Short term - Non-fund based working capital facilities	24.00	24.00	[ICRA]A1+; reaffirmed	RBI
Long term - Interchangeable CC limits	(24.00)	(24.00)	[ICRA]AA (Stable); reaffirmed	RBI
Total	**24.00**	**24.00**		

**Instrument details are provided in Annexure I*

#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.

Rationale

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 a common management. Together, these are referred to as the Sudhir Group or the Group.

The ratings reflect 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 the DG sets manufactured by CIL. Cummins is 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 the sale 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 of the 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 24% in FY2025 over the previous fiscal. Between FY2022 and FY2024, the core DG set segment recorded a robust growth of 35-40% YoY, driven by strong demand from the end-user industries. Growth in the DG segment was supported by pre-buying of CPCB[1] II-compliant engines ahead of the transition to CPCB IV+ norms, which became mandatory from July 1, 2024. In FY2025, the operating income increased by 14% YoY, driven by healthy demand from data centres. However, the operating income witnessed a modest growth of 1% in FY2026 due to delay in the execution of a few data centre orders and demand normalisation for compliant gensets. The DG set business is expected to continue register growth over the near to medium term on the back of strong demand.

ICRA also takes note of the moderation in the company's operating profitability, with the OPBITDA margins declining to 12.9% in FY2025 and FY2026 from 15.7% in FY2024. The decline was primarily attributable to the implementation of CPCB-IV norms, which altered the industry dynamics during the emission-transition cycle. The company benefited from a technological lead over peers during the initial phase of the transition, enabling premium pricing and elevated profitability in FY2024 and FY2025.

[1] *Central Pollution Board Control*

However, as competitors progressively adapted to the new standards, the pricing advantages moderated and the profitability normalised towards long-term average levels.

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 in the UK and West Asia. The rental division demonstrated a strong growth momentum, with the revenues increasing to Rs. 1,410.1 crore in FY2026 from Rs. 684.6 crore in FY2024, translating into a CAGR of ~44% over the period. The division's sustained growth, aided by healthy demand and increased fleet deployment, has strengthened its contribution to the company's overall revenue profile. 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 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). Additionally, the demand for DG sets remains exposed to the gradual adoption of cleaner backup power solutions such as battery energy storage systems (BESS) and renewable energy-based systems. Nevertheless, given the significantly higher upfront cost of BESS and its suitability primarily for short-duration backup applications, the substitution risk for DG sets is expected to remain low over the near-to-medium term. Over the longer term, however, increasing penetration of BESS and other renewable energy solutions could moderate the growth prospects of the DG set industry.

The ratings also factor in the concentration risk as the Sudhir Group is reliant on a single vendor - CIL - for the key components used in DG sets. Nonetheless, ICRA notes that the Sudhir Group is one of the three OEM partners for CIL and caters to 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.

The Stable outlook reflects ICRA's expectation that the Sudhir Group will continue to benefit from its strong brand presence, its wide product/services portfolio and association with CIL, enabling the Group to sustain its healthy financial profile and liquidity position.

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 the equipment leasing business over 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 December 31, 2025, the Group has a sizeable fleet of over ~17,747 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 ~3,255 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, 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 24% YoY in FY2025, after growing by 35% YoY in FY2024. 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 estimated to have registered a revenue growth in FY2026 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. 9,00 crore as on March 31, 2026 (as per provisional results).

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 partner for CIL and caters to key geographical territories, which makes the relationship equally important for CIL. Further, the dependence has reduced to some extent recently with the 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. Implementation of the new CPCB-IV norms from July 2024 has led to substantial price hikes for the 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 prospects over the medium to longer term.

Liquidity position: Strong

The Sudhir Group's liquidity remains strong, supported by steady internal accrual generation, sizeable financial investments and cash balances of above Rs. ~900 crore as on March 31, 2026, 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 obligations in the overseas leasing business provides comfort.

Rating sensitivities

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

Negative factors – The ratings may be downgraded if there is any material decline in revenues 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 trigger a downgrade.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology
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 Cummins India Limited 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.

STL is a fully owned subsidiary of SPL. The entire business of STL was taken over by SPL in FY2018. As a result, while STL still exists as a company, it has no business operations. Its premises have been leased to a third party which pays rent to the Group.

Key financial indicators (audited)

Sudhir Power Limited/Sudhir Group (Consolidated; Audited)	FY2024	FY2025
Operating income	3,246.3	4,015.2
PAT	525.1	558.0
OPBDIT/OI	24.0%	26.5%
PAT/OI	16.2%	13.9%
Total outside liabilities/Tangible net worth (times)	0.4	0.6
Total debt/OPBDIT (times)	0.7	0.8
Interest coverage (times)	23.6	23.8

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 (FY2027)			Chronology of rating history for the past 3 years					
			FY2027		FY2026		FY2025		FY2024	
Instrument	Type	Amount rated (Rs. crore)	Jul 31, 2026	Rating	Date	Rating	Date	Rating	Date	Rating

Non-fund based working capital facilities	Short term	24.00	July 31, 2026	[ICRA]A1+	April 07, 2025	[ICRA]A1+	-	-	Mar 08, 2024	[ICRA]A1+
Interchangeable CC limits	Long term	(24.00)	July 31, 2026	[ICRA]AA (Stable)	April 07, 2025	[ICRA]AA (Stable)	-	-	Mar 08, 2024	[ICRA]AA- (Positive)

Complexity level of the rated instruments

Instrument	Complexity indicator
Short term - Non-fund based working capital facilities	Simple
Long term - Interchangeable CC limits	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	Financial sector regulator#
NA	**Short term - Non-fund based working capital facilities**	NA	NA	NA	24.00	[ICRA]A1+	RBI
NA	**Long term - Interchangeable CC limits**	NA	NA	NA	(24.00)	[ICRA]AA (Stable)	RBI

Source: Company

#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.

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 FY2025

ANALYST CONTACTS

Girishkumar Kadam
+91 22 6114 3406
girishkumar@icraindia.com

Prashant Vasisht
+91 124 4545 322
prashant.vasisht@icraindia.com

Anubha Rustagi
+91 22 6169 3345
anubha.rustagi2@icraindia.com

Saurabh Bharat Parikh
+91 22 6169 3356
saurabh.parikh@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