January 02, 2025

Parveen Industries Private Limited: Ratings upgraded to [ICRA]BBB+(Stable)/[ICRA]A2; removed from Issuer Not-Cooperating category; rated amount enhanced

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long term - Cash credit - Fund based	33.00	25.00	[ICRA]BBB+ (Stable); upgraded from [ICRA]B+(Stable) ISSUER NOT COOPERATING; removed from Issuer Not-Cooperating category
Long term - Term loan – Fund-based	0.00	6.28	[ICRA]BBB+ (Stable); Assigned
Short term – Others – Non-fund based	9.00	18.75	[ICRA]A2; upgraded from [ICRA]A4 ISSUER NOT COOPERATING; rating removed from Issuer Not-Cooperating category and assigned for enhanced amount
Long term/Short term - Unallocated	8.00	24.97	[ICRA]BBB+ (Stable)/[ICRA]A2; upgraded from [ICRA]B+(Stable) ISSUER NOT COOPERATING/[ICRA]A4 ISSUER NOT COOPERATING; rating removed from Issuer Not-Cooperating category and assigned for enhanced amount
Total	**50.00**	**75.00**	

**Instrument details are provided in Annexure-I*

Rationale

ICRA has upgraded the ratings assigned to Parveen Industries Private Limited (PIPL) and removed *them* from the Issuer Not-Cooperating (INC) category.

The ratings upgrade factors in PIPL's cooperation in concluding the rating exercise, along with its improved financial risk profile with an increased scale and profitability in the last three years. The scale improved to Rs. 523.6 crore in FY2024 from Rs. 225.6 crore in FY2021 at a CAGR of 32.4% following a recovery in demand in the global oil and gas exploration and production industry, resulting in sizeable orders from the key customers. As a result, the company's net profitability and cash accruals improved substantially. The revenue growth and improved profitability are expected to sustain in FY2025.

The company's financial profile remains supported by a comfortable capital structure and healthy debt coverage metrics with a gearing of 0.1 times and interest coverage ratio of 33 times in FY2024. The ratings also factor in the extensive experience of PIPL's promoters, its established market position in the supply of equipment for oil and gas industry and its reputed customer base, which includes major global companies in the oilfield services industry.

The ratings, however, are constrained by PIPL's elevated working capital intensity due to the high inventory holding requirements and receivables and the vulnerability of the operating margins to fluctuations in raw material prices, primarily steel. The company's revenue growth remains exposed to the investment cycle of the oil exploration and production (E&P) industry, evident from the decline in operating income (OI) in the past. The ratings also take into account the vulnerability of the company's operations to foreign exchange fluctuations, given the high share of the exports. However, the risk is partly mitigated by the import of a part of the raw material requirements.

The Stable outlook on the long-term rating reflects ICRA's expectation that PIPL is likely to sustain its operating metrics. Further, the outlook underlines ICRA's expectation that the entity's incremental capex, which will help expand the product portfolio and capacity, will be funded in a manner that it is able to durably maintain its debt protection metrics commensurate with the existing rating.

Key rating drivers and their description

Credit strengths

Established track record and long experience of promoters in manufacturing oil and gas equipment - PIPL and its promoters have considerable experience in manufacturing oil and gas equipment used in the exploration and production (E&P) industry. The company has a proven track record and an established market position in the supply of these equipment, both in the domestic and international markets. Also, PIPL and its subsidiaries have experienced and technically qualified management personnel and also has its own R&D facilities supporting the development.

Improved financial risk profile with comfortable capital structure and debt protection metrics - The scale improved to Rs. 523.6 crore in FY2024 from Rs. 225.6 crore in FY2021 at a CAGR of 32.4% following the recovery in demand from the global oil and gas exploration and production industry, resulting in sizeable orders from the key customers. As a result, the company's net profitability and cash accruals substantially improved. The revenue growth and improved profitability are expected to sustain in FY2025. The company's financial profile remains supported by a comfortable capital structure and healthy debt coverage metrics with a gearing of 0.1 times as on March 31,2024 owing to a strong net worth base and interest coverage ratio of 33 times and TD/OPBIDTA of 0.3 times for FY2024.

Reputed customer base with strong credit profile - The company's customer base includes some of the largest domestic and global oilfield services companies such as Oil and Natural Gas Corporation Limited (ONGC), Oil India (OIL), Reliance India Limited, Imax solutions, Forum US etc. While there are no long-term contracts with the customers, PIPL continues to receive repeat orders from them, given its established track record of supply.

Credit challenges

Working-capital intensive operations - The working capital requirement remains elevated because of an elongated receivable period and high inventory requirement, reflected in the net working capital intensity (NWC/OI) of 60% in FY2024 (PY 57%). Moreover, there are substantial debtors that remain due for more than six months.

Exposed to foreign exchange and input price fluctuation risks - The high share of exports in the revenue mix exposes the company to foreign currency fluctuation risk, though this is mitigated to an extent by the import of some raw materials. The major raw materials are procured through a mix of imports and local purchases. Thus, the operations remain vulnerable to availability and the adverse fluctuations in the prices of key raw materials. The raw materials used for manufacturing are steel items and the prices of steel keep varying over time. The contracts are fixed price in nature and there is no price escalation clause.

Vulnerability to cyclicality of oil and gas Exploration & Production (E&P) industry - PIPL's products are used in the E&P industry. Hence, the demand remains vulnerable to the cyclicality in the E&P capex, which depends on the prevailing and expected crude oil prices. Though the outlook for the segment remains stable at present, the demand for the products is vulnerable to the cyclicality in capex. While growing calls for decarbonisation will remain a long-term threat to the E&P capex cycle, the dependence on fossil fuels, particularly crude oil, is expected to remain significant in the near to medium term. As a result, PIPL is expected to benefit from its long and established track record in the industry.

Liquidity position: Adequate

PIPL's liquidity profile is adequate, characterised by moderate working capital utilisation, with an average utilisation of 60% for the past 12 months ended November 2024. Further, the free cash and investments were at Rs. 29.76 crore as on March 31, 2024, providing an additional liquidity cushion. The expected cash flow from operations is expected to remain adequate to service the repayment obligation of Rs. 0.84 crore in FY2025.

Rating sensitivities

Positive factors – ICRA could upgrade the ratings if the company demonstrates a sustained improvement in its working capital cycle (debtors and inventory), while maintaining healthy revenues, profitability margins and debt metrics.

Negative factors – ICRA may downgrade the ratings if any significant decline in the scale or profitability weakens the key credit metrics, or if a stretch in the working capital cycle or a larger-than-projected debt-funded capex adversely impacts the liquidity profile.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	[Corporate Credit Rating Methodology]()
Parent/Group support	Not applicable
Consolidation/Standalone	ICRA has consolidated the financials of PIPL. American Completion Tools, Gulf Well Solutions and Aquaeva Chemtech Private Limited are subsidiaries/associates as per Annexure II

About the company

PIPL, incorporated in 1960, used to manufacture steel pipes for buildings and power plants. In 1974, the company diversified its operations to manufacture oilfield equipment. The company has seven manufacturing facilities in India across Delhi, Haryana and Maharashtra. The key promoters of the company include the founder member Mr. Parveen Kumar Gupta, and Mr. Sanjeev Kumar, Mr. Prakash Kumar and Mr. Prabhat Kumar. The promoters have extensive experience in the oilfield equipment business through their association with PIPL and other entities in similar lines of business.

The company have two subsidiaries - American Completion Tools - in the USA and Aquaeva Chemtech Private Limited (ACPL) in India and an associate entity Gulf Well Solutions in the UAE. The foreign subsidiaries are involved in the same line of business whereas ACPL is engaged in the manufacturing of chemicals for water cleaning to cater to the export market majorly.

Key financial indicators

	FY2023	FY2024
Operating income	402.1	523.6
PAT	39.2	68.5
OPBDIT/OI (%)	12.5%	19.8%
PAT/OI (%)	9.7%	13.1%
Total outside liabilities/Tangible net worth (times)	0.4	0.4
Total debt/OPBDIT (times)	0.4	0.3
Interest coverage (times)	15.5	33.0

PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation; Amount in Rs. crore

Status of non-cooperation with previous CRA: Not Available

Any other information: None

Rating history for past three years

	Current (FY2025)			Chronology of rating history for the past 3 years							
				FY2024				FY2023		FY2022	
Instrument	Type	Amount rated (Rs. crore)	January 02, 2025	Date	Rating	Date	Rating	Date	Rating	Date	Rating
Long term - Cash credit - Fund based	Long term	25.00	[ICRA]BB B+ (Stable)	27-JUN-2024	[ICRA]B+ (Stable) ISSUER NOT COOPERATING	26-APR-2023	[ICRA]B+ (Stable) ISSUER NOT COOPERATING	-	-	21-FEB-2022	[ICRA] B+ (Stable) ISSUER NOT COOPERATING
Long term - Term loan - Fund based	Long term	6.28	[ICRA]BB B+ (Stable)	-	-	-	-	-	-	-	-
Short term – Others – Non-fund based	Short term	18.75	[ICRA]A2	27-JUN-2024	[ICRA]A4 ISSUER NOT COOPERATING	26-APR-2023	[ICRA]A4 ISSUER NOT COOPERATING	-	-	21-FEB-2022	[ICRA] A4 ISSUER NOT COOPERATING
Long term/Short term - Unallocated-Unallocated	Long term/Short term	24.97	[ICRA]BB B+ (Stable)/[ICRA]A2	27-JUN-2024	[ICRA]B+ (Stable)/[ICRA]A4 ISSUER NOT COOPERATING	26-APR-2023	[ICRA]B+ (Stable)/[ICRA]A4 ISSUER NOT COOPERATING	-	-	21-FEB-2022	[ICRA] B+ (Stable)/[ICRA]A4 ISSUER NOT COOPERATING

Complexity level of the rated instrument

Instrument	Complexity Indicator
Long term - Cash credit - Fund based	Simple
Long term - Term loan – Fund based	Simple
Short term - Others - Non-fund based	Very Simple
Long term/Short term - Unallocated - Unallocated	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 I: Instrument details

ISIN	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	**Long term - Cash credit - Fund based**	NA	NA	NA	25.00	[ICRA]BBB+ (Stable)
NA	**Long term - Fund based - Term loan - 1**	Mar 2024	9.50%	Mar 2029	5.53	[ICRA]BBB+ (Stable)
NA	**Long term - Fund based- Term loan - 2**	Apr 2022	9.40%	Apr 2029	0.75	[ICRA]BBB+ (Stable)
NA	**Short term – Others - Non-fund based**	NA	NA	NA	18.75	[ICRA]A2
NA	**Long term/Short term – Unallocated - Unallocated**	NA	NA	NA	24.97	[ICRA]BBB+ (Stable)/[ICRA]A2

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
American Completion Tools, USA	99.99%	Full Consolidation
Gulf Well Solutions, UAE	25%	Equity Method
Aquaeva Chemtech Private Limited, India*	93.85%	Full Consolidation

******Ownership as on December 27, 2024 and expected to be operational from FY2026*

ANALYST CONTACTS

Girishkumar Kadam
+91 22 6114 3441
girishkumar@icraindia.com

Prashant Vasisht
+91 12 4454 5322
prashant.vasisht@icraindia.com

B Kushal Kumar
+91 40 6939 6408
kushal.kumar@icraindia.com

Pooja Tripathi
+91 40 6939 6412
pooja.tripathi@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