

July 29, 2025

Premier Explosives Limited: Ratings reaffirmed and removed from rating watch with developing implications; Stable outlook assigned

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Long term –Fund -based –Cash credit	45.00	55.00	[ICRA]BBB+(Stable); reaffirmed and removed from rating watch with developing implications; Stable outlook assigned
Short term –Fund based limits	35.00	-	-
Long term –Fund based –Term loans	25.10	23.65	[ICRA]BBB+(Stable); reaffirmed and removed from rating watch with developing implications; Stable outlook assigned
Long term –Interchangeable	(35.00)	(35.00)	[ICRA]BBB+(Stable); reaffirmed and removed from rating watch with developing implications; Stable outlook assigned
Short term -Non-fund based	283.10	-	-
Long term/ Short term - Non-fund based	-	248.01	[ICRA]BBB+(Stable)/ [ICRA]A2; reaffirmed and removed from rating watch with developing implications; Stable outlook assigned
Short term -Interchangeable	(385.00)	-	-
Long term/Short term – Unallocated limits	-	30.34	[ICRA]BBB+(Stable)/ [ICRA]A2; reaffirmed and removed from rating watch with developing implications; Stable outlook assigned
Total	388.20	357.00	

*Instrument details are provided in Annexure I

Rationale

ICRA has removed the ratings from watch with developing implications while reaffirming the ratings and has assigned a Stable rating outlook for the bank limits of Premier Explosives Limited (PEL) as there is greater clarity on the financial impact of the accident at the Katepally unit, Yadadri-Bhuvanagiri, Telangana.

ICRA had earlier placed the rating on watch with developing implications after PEL disclosed the receipt of a closure order from the Telangana Pollution Control Board (TPCB) in May 2025. TPCB had directed PEL to stop all industrial activities with immediate effect at the company's factory at Katepally, Yadadri -Bhuvanagiri, Telangana, where a fire and explosion occurred on April 29, 2025 at a propellant mixing building.

On June 2, 2025, TPCB revoked the closure order and provided consent to operate the Katepally unit for three months. Further, there is now greater clarity on the estimated financial impact, which would be a revenue loss of Rs. 25-30 crore in FY2026, as the company would not be able to manufacture the large-diameter rocket motors. ICRA understands that there will be no further adverse developments of the accident on the company's operations or any financial implications. However, ICRA will

continue to monitor the developments in these matters and their possible impact on the credit risk profile of the company, if any.

The ratings reaffirmation takes into account a healthy order book position of PEL as on March 31, 2025, providing near to medium-term revenue visibility. The company had an outstanding order book of ~Rs. 750 crore as on March 31, 2025. Further, majority of this order book (~81%) is from the margin-accretive defence segment. The robust order book and a favourable demand outlook for the defence segment is expected to result in a healthy growth in the company's scale of operations in the near to medium term. The Atmanirbhar Bharat Abhiyan of the Government of India (GoI), which is aimed at curtailing import dependence and increasing the sourcing of indigenous defence products, presents large growth opportunities for the company. ICRA also notes the favourable demand prospects, fuelled by the growth in the end-user industries. The company's marquee clientele, comprising Singareni Collieries Company Limited (SCCL), Bharat Dynamics Limited (BDL) and Indian Space Research Organisation (ISRO), and the repeat orders from many customers also provide comfort.

There has been a significant improvement in PEL's operating profit in the last two years, driven by increasing revenue contribution from the high-margin defence segment. The operating profit is expected to be healthy in the near to medium term, supported by the execution of margin-accretive defence orders. However, the levy of liquidated damages (LD) will impact the profitability. In FY2024, the company had received orders worth ~Rs. 533 crore (3 orders) towards the supply of chaffs and flares. The LD was levied on these orders in FY2025 as the supply for the orders was not completed within the timeline due to challenges in securing raw material and components because of various geopolitical challenges. The LD impact would also be felt in FY2026 with the completion of the balance orders.

The ratings are constrained by the working capital intensive nature of the business and lumpiness in the defence business, given the long approval cycles and tender-based awards. The ratings also consider the vulnerability of profitability to raw material prices and forex fluctuations. Further, the customer concentration remains high for PEL. ICRA also notes the highly regulated nature of the explosives manufacturing industry with the need for licensing for various products. Therefore, the company's operations remain vulnerable to any changes in the regulatory framework.

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

Key rating drivers and their description

Credit strengths

Reputed client profile in commercial explosives, defence and aerospace segments – The company has been present in the commercial explosives business for about four decades and is one of the well-known players in the space. PEL continues to have marquee clients in the mining and infrastructure industries, such as Singareni Collieries Company Limited. Further, PEL is one of the few private players supplying chemicals/explosives for the defence sector and benefits from its technological expertise in the segment. The company has also entered the Indian Space programme as an approved supplier of PSOM XL motors to ISRO for use in polar satellite launch vehicles (PSLV).

Increasing share of margin-accretive defence business in order book supports profitability – The company had a healthy outstanding order book of ~Rs. 750 crore as on March 31, 2025. Majority of this order book (~81%) is from the margin-accretive defence segment. The robust order book and favourable demand outlook for the defence segment is expected to result in a healthy growth in the company's scale of operations in the near to medium term. ICRA notes a significant improvement in PEL's operating profit in FY2024 and FY2025, driven by increasing revenue contribution from the high-margin defence segment. The operating profit is expected to be healthy in the near to medium term, supported by the execution of margin-accretive defence orders. However, the levy of liquidated damages (LD) would impact the profitability. The LD was levied on these orders in FY2025 as the supply for the orders was not completed within the timeline due to challenges in securing raw material and components because of various geopolitical challenges and the LD impact would also be felt in FY2026 with the completion of the balance orders.

Comfortable capital structure and coverage metrics – PEL's capital structure continues to be comfortable with a gearing of 0.2 times as on March 31, 2025. The expected revenue growth and healthy profitability is likely to keep the company's gearing at similar levels. Further, a healthy operating profitability in FY2025 supported the improvement in coverage indicators as reflected in the total debt/OPBDITA of 0.7 times and interest coverage of 5.4 times in FY2025.

Favourable demand prospects with end-user industries demonstrating growth – The company caters to the demand of the end-user industries, such as mining, infrastructure, defence and aerospace. The demand prospects for the company's products are expected to increase with the Government's rising budgetary allocation towards defence. Also, the Government's announcement of a negative list of imports to encourage domestic procurement and the permission to export select products offer opportunity for the company in defence supplies. However, the tender-based bidding and the long-drawn approval process may bring in lumpiness in revenues from this segment.

Credit challenges

Lumpiness in defence business with long approval cycles and tender-based awards – The company's orders and revenues from the defence segment have been increasing in the last two years. However, the revenues may be lumpy as the orders in this segment are awarded under a tender-based bidding process.

Vulnerability of profits to raw material price and forex fluctuations – The price of ammonium nitrate - the key raw material used in manufacturing commercial explosives - can be volatile. The extent of the pass-through of input price hikes is limited as the company does have pass-through clauses in the contracts with its clients, exposing PEL's profitability to adverse raw material price movements. The defence segment also inks fixed-price contracts. Any adverse movement in raw material prices can also impact the profitability of the defence segment although the inputs used in this segment tend to be less volatile. Further, the company remains exposed to the volatility in foreign currency fluctuations. The natural hedge through exports mitigates the forex risk to an extent.

High customer concentration; intense price competition in commercial explosives – The customer concentration of the company is high; the top five customers contributed to ~97% of the revenues in FY2025. Further, the commercial explosives segment remains highly competitive because of the fragmented industry structure, the commoditised nature of the products in the trade segment and the tender-based order procurement with Government entities.

Exposure to regulatory risks – PEL operates in a highly regulated explosives manufacturing industry with high entry barriers. Its operations, therefore, remain vulnerable to any changes in the regulatory framework impacting the industry.

Environmental and social risks

Environmental risk - The industry is exposed to the risk of tightening regulatory norms for production, water management, waste and hazardous material management, given the safety and environment-related concerns associated with explosives. Additionally, some products can face restrictions/substitution over time because of their hazardous nature. Further, in the event of accidents, the litigation risks could be high. While the company has a demonstrated track record of running its operations safely, the nature of the risk weighs on its rating.

Social risk - Companies like PEL need to operate responsibly as it is an imperative and instances of non-compliance with environmental, health and safety norms could have an adverse impact on the local community which could manifest in the form of protests, constraining the ability to operate or expand the capacity.

Liquidity position: Adequate

PEL's liquidity position is expected to remain adequate amid expectations of healthy cash generation and moderate debt repayments. The cash generation is expected to be healthy with the higher execution of margin-accretive defence orders and advances from customers that will keep the liquidity position adequate. The average utilisation of the fund-based limits in the last 12 months ended May 2025 is ~31% against the sanctioned limit and ~38% against the drawing power.

Rating sensitivities

Positive factors – ICRA could upgrade PEL’s ratings if the company witnesses a sustained improvement in its scale, profitability, debt protection metrics and liquidity.

Negative factors – Pressure on PEL’s ratings could arise if the company witnesses weak revenue growth/profit margins. A significant debt-funded capex could also exert pressure on the ratings. A specific credit metric for downgrade would be an interest coverage of less than 3.5 times on a sustained basis. Any deterioration in the company’s liquidity position could also lead to a downgrade.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Chemicals
Parent/Group support	Not Applicable
Consolidation/Standalone	For arriving at the ratings, ICRA has considered the consolidated financials of Premier Explosives Limited

About the company

PEL, incorporated in 1980, is primarily involved in the manufacturing and sale of high-energy materials. The bulk explosives, packaged explosives and initiating systems manufactured by PEL find application in the mining, infrastructure and construction industries. The company also diversified into the manufacturing of propellants for missiles and rockets and strap-on motors for satellite launch vehicles. The company’s extended capabilities include products such as chaff, IR flares, explosive bolts, pyro devices, smoke markers, cable cutters, tear gas grenades and other products, including pyrogen igniters for defence and space applications. PEL is also involved in the operation and maintenance (O&M) services of solid propellant plants at the Sriharikota centre of the Indian Space Research Organisation (ISRO).

Key financial indicators (audited)

PEL Consolidated	FY2024	FY2025
Operating income	271.7	417.5
PAT	28.4	28.7
OPBDIT/OI	21.6%	14.0%
PAT/OI	10.5%	6.9%
Total outside liabilities/Tangible net worth (times)	1.0	1.1
Total debt/OPBDIT (times)	1.0	0.7
Interest coverage (times)	5.6	5.4

Source: Company, ICRA Research; All ratios as per ICRA’s calculations; Amount in Rs. Crore; PAT: Profit after tax; OPBDITA: 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

Instrument	Type	Current rating (FY2026)				Chronology of rating history for the past 3 years					
		Amount rated (Rs. crore)	July 29, 2025	Date	Rating	FY2025		FY2024		FY2023	
						Date	Rating	Date	Rating	Date	Rating
Fund-based – Cash credit	Long term	55.00	[ICRA]BBB+ (Stable)	May 09, 2025	[ICRA]BBB+ (Stable)	Jan 15, 2025	[ICRA]BBB+ (Stable)	Dec 22, 2023	[ICRA]BBB+ (Stable)	Apr 26, 2022	[ICRA]BBB+ (Stable)
				May 20, 2025	[ICRA]BBB+ ; Rating Watch with Developing Implications	Aug 6, 2024	[ICRA]BBB+ (Stable)	Jun 05, 2023	[ICRA]BBB+ (Stable)		
Fund-based limits	Short term	-	-	May 09, 2025	[ICRA]A2	Jan 15, 2025	[ICRA]A2	-	-	Apr 26, 2022	[ICRA]A2
				May 20, 2025	[ICRA]A2; Rating Watch with Developing Implications	Aug 6, 2024	[ICRA]A2	-	-		
Fund-based – Term loans	Long term	23.65	[ICRA]BBB+ (Stable)	May 09, 2025	[ICRA]BBB+ (Stable)	Jan 15, 2025	[ICRA]BBB+ (Stable)	Dec 22, 2023	[ICRA]BBB+ (Stable)	Apr 26, 2022	[ICRA]BBB+ (Stable)
				May 20, 2025	[ICRA]BBB+ ; Rating Watch with Developing Implications	Aug 6, 2024	[ICRA]BBB+ (Stable)	Jun 05, 2023	[ICRA]BBB+ (Stable)		
Interchangeable	Long term	(35.00)	[ICRA]BBB+ (Stable)	May 09, 2025	[ICRA]BBB+ (Stable)	Jan 15, 2025	[ICRA]BBB+ (Stable)	Dec 22, 2023	[ICRA]BBB+ (Stable)	Apr 26, 2022	[ICRA]BBB+ (Stable)
				May 20, 2025	[ICRA]BBB+ ; Rating Watch with Developing Implications	Aug 6, 2024	[ICRA]BBB+ (Stable)	Jun 05, 2023	[ICRA]BBB+ (Stable)		
Non-fund based	Short term	-	-	May 09, 2025	[ICRA]A2	Jan 15, 2025	[ICRA]A2	Dec 22, 2023	[ICRA]A2	Apr 26, 2022	[ICRA]A2

Instrument	Type	Current rating (FY2026)				Chronology of rating history for the past 3 years					
		Amount rated (Rs. crore)	July 29, 2025	Date	Rating	FY2025		FY2024		FY2023	
						Date	Rating	Date	Rating	Date	Rating
				May 20, 2025	[ICRA]A2; Rating Watch with Developing Implications	Aug 6, 2024	[ICRA]A2	Jun 05, 2023	[ICRA]A2		
Interchangeable	Short term	-	-	May 09, 2025	[ICRA]A2	Jan 15, 2025	[ICRA]A2	Dec 22, 2023	[ICRA]A2	Apr 26, 2022	[ICRA]A2
				May 20, 2025	[ICRA]A2; Rating Watch with Developing Implications	Aug 6, 2024	[ICRA]A2	Jun 05, 2023	[ICRA]A2		
Unallocated limits	Long term						-	Dec 22, 2023	[ICRA]BBB+ (Stable)	Apr 26, 2022	[ICRA]BBB+ (Stable)
Fund-based	Long term/Short term						-	-	-	Apr 26, 2022	[ICRA]BBB+ (Stable)/ [ICRA]A2
Unallocated limits	Long term/Short term	30.34	[ICRA]BBB+ (Stable)/ [ICRA]A2				-	-	-	Apr 26, 2022	[ICRA]BBB+ (Stable)/ [ICRA]A2
Non-fund based	Long term/Short term	248.01	[ICRA]BBB+ (Stable)/ [ICRA]A2								

Complexity level of the rated instruments

Instrument	Complexity indicator
Long term – Fund-based – Cash credit	Simple
Long term – Fund-based – Term loans	Simple
Long term – Interchangeable	Simple
Long term/Short term - Non-fund based	Very Simple
Long term/ 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	Cash credit	NA	NA	NA	55.0	[ICRA]BBB+(Stable)
NA	Term loans – I	June 2025	NA	June 2029	12.40	[ICRA]BBB+(Stable)
NA	Term loans – II	Sep 2023	NA	FY2028	11.25	[ICRA]BBB+(Stable)
NA	Non-fund based limits	NA	NA	NA	248.01	[ICRA]BBB+ (Stable)/ [ICRA]A2
NA	Unallocated limits	NA	NA	NA	30.34	[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
Premier Wires Products Limited	80.00%	Full consolidation
PELNEXT Defence Systems Private Limited	100.00%	Full consolidation

Source: PEL annual report FY2023

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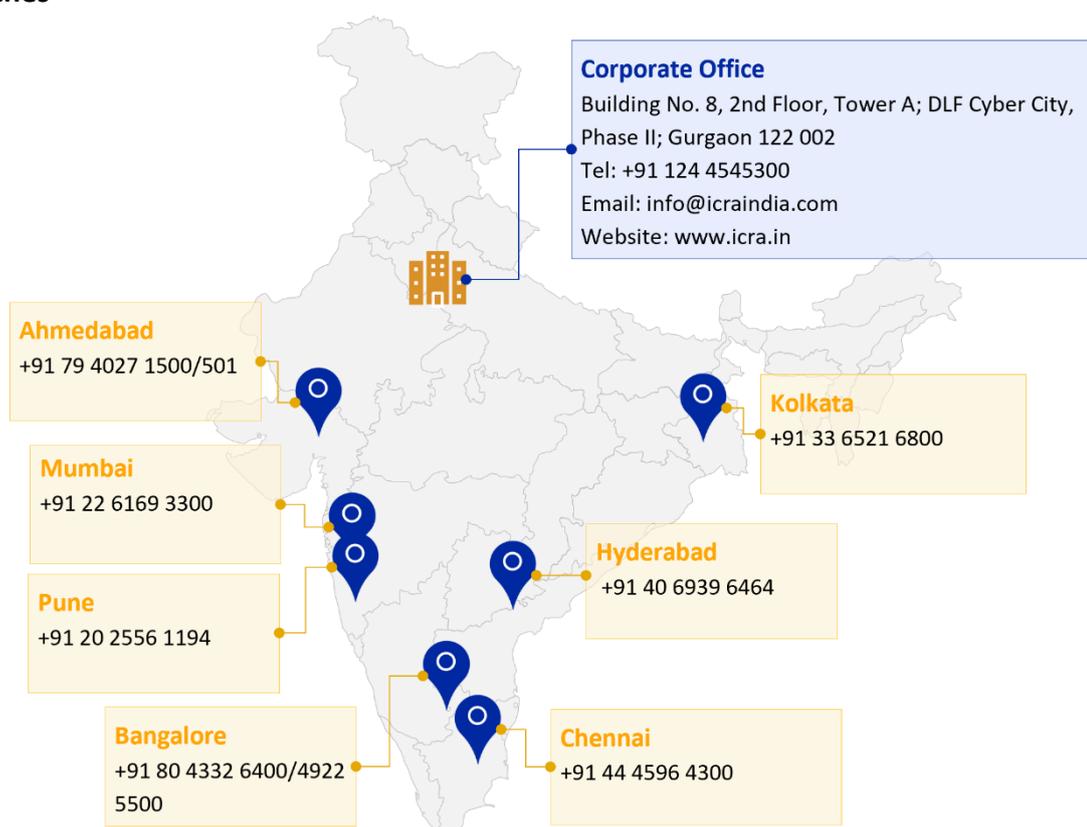
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