

August 05, 2025

Preet Agro Industries Private Limited: Ratings reaffirmed

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Long Term – Fund Based – Cash Credit	35.00	25.00	[ICRA]A- (Stable); reaffirmed
Long Term – Fund Based – Term Loan	0.00	10.00	[ICRA]A- (Stable); reaffirmed
Short Term – Non-Fund Based	10.00	10.00	[ICRA]A2+; reaffirmed
Total	45.00	45.00	

*Instrument details are provided in Annexure I

Rationale

For arriving at the ratings, ICRA has consolidated the business and financial risk profiles of Preet Tractors Private Limited (PTPL) and Preet Agro Industries Private Limited (PAPL). Both operate in a similar business sector, with operational linkages, selling products under the single brand, Preet, while sharing a common management. Both the companies have also extended cross guarantees to each other. The companies are together referred to as the Preet Group/Group in this report.

The ratings factor in the extensive experience of the promoters in the tractor and harvester industry and the established track record of the Preet Group in the tractor and self-propelled combine harvester (SPCH/harvester) industries. The ratings also continue to factor in improvement in the Group's scale, backed by increasing realisations and higher harvester sales despite declining tractor volumes. The ratings are further supported by healthy improvement in volume offtake in the harvester segment in FY2025 and the consequent improvement in its top line. However, continued pressure on the Group's tractor volume is a key rating monitorable. Going forward, the Group is expected to benefit from its plans of expanding its network to states where it earlier had limited presence and the introduction of engines as its latest product offering.

In FY2025, the company witnessed a strong revenue growth of 20.1% at Rs. 559.5 crore, backed by significant improvement in the volume sales of harvesters. Its operating margins improved slightly to 9.5% in FY2025, up from 9.3% in FY2024 as the company strategically focused on enhancing profitability in the tractor segment by increasing prices, despite a decline in sales volumes. The Group's debt levels increased to Rs. 133.9 crore as on March 31, 2025 from Rs. 115.1 crore as of March 31, 2024. With increased debt levels and net worth, the capital structure of the Group remained steady, and the gearing stood at 0.8 times as on March 31, 2025. The Total debt/ OPBITDA for the Group improved to 2.5 times as on March 31, 2025 against 2.7 times as on March 31, 2024.

The ratings remain constrained by the decline in the Group's tractor segment market share, particularly in some of the key northern states. The segment's performance is expected to remain stagnant in the current fiscal and the recovery is expected to be only gradual. The ratings continue to factor in the demand cyclicity of the industry and linkages to vagaries of the monsoons and agricultural output. Moreover, the Group receives a large share of its tractor business from a few regions, exposing it to the geographical concentration risk, particularly in the domestic market. Nonetheless, a spike in harvester volumes in FY2025 has mitigated the said risk to some extent.

The Stable outlook reflects ICRA's opinion that the Group is likely to sustain its operating metrics, supported by its growing market position in the harvester space and strong promoter profile. Besides, improvement in engine sales will also contribute to the company's revenue and profitability, going forward.

Key rating drivers and their description

Credit strengths

Experienced promoters and established presence of the Group in the tractor and harvester segment – The promoters have more than three decades of experience in the harvester and the tractor manufacturing industry. This has helped the Group build a strong position in the agricultural implants and tractor industries in the domestic and export markets. While the market share of PTPL in the domestic tractor segment is nominal, PAPL continues to be one of the prominent market players in the domestic harvester industry. The Preet Group derives operational strengths from its integrated tractor and harvester manufacturing capabilities. The Group has in-house research and development (R&D) capabilities and operates its own engine manufacturing facility, which supports both internal manufacturing and external demand and enables the Group to adopt technological changes and the latest demand trends, albeit with a lag.

Encouraging demand for harvesters in domestic markets – While the tractor volumes witnessed a significant contraction, the Group's harvester sales provided some comfort. In FY2025, the harvester volumes grew significantly to 1,826 units from 751 units in FY2024, resulting in a 67.8% growth in the top line. Going forward, the demand for harvesters is expected to remain healthy due to shortage of farm labour and rising rural income, which aids affordability of farm equipment. In FY2026, the offtake has been healthy in the first few months and the same is expected to support continued robust performance in the fiscal.

Comfortable capital structure and minimal long-term repayments – The Group's debt levels increased to Rs. 133.9 crore as on March 31, 2025 from Rs. 115.1 crore as of March 31, 2024. With increased debt levels and net worth, the capital structure of the Group remained steady, and the gearing stood at 0.8 times as on March 31, 2025. In addition, there are limited long-term repayments and no major term debt raising plans, going forward. The Group is planning to upgrade its machinery under PAPL to increase capacity, in line with the increasing demand. The company is likely to undertake minimal capex of Rs. 10-15 crore in FY2026, which is expected to be funded by internal accruals.

Credit challenges

Decline in domestic tractor volumes during FY2023 to FY2025; volume expected to remain stagnant in the near term – The Group witnessed a YoY volume decline of around 36%, 31% and 19% in its domestic tractor volumes in FY2023, FY2024 and FY2025, respectively on account of the company continuously losing market share in the tractor segment. The domestic tractor volumes witnessed significant contraction during FY2023 to FY2025 owing to narrowing down of price differential in key markets and migration of customers to lower-than-50-HP tractors (both stemming from revision in higher-than-50-HP tractor emission norms, which came into effect in January 2023). The exports also saw a downturn in FY2025 due to lack of demand in one of the key geographies, Brazil. The overall tractors volumes declined to 2,905 in FY2025 from 3,608 in FY2024, resulting in a 19.5% fall in the top line. The volumes are likely to remain stagnant in the current fiscal and the recovery is expected to be gradual. In response to above, the company has enhanced its marketing efforts to tap into new markets where it currently has a limited presence. Going forward, the top line is expected to be supported by harvesters, which have reported strong performance in the current fiscal. Further, revenues are expected to be supported by increasing realisations in both tractors and harvester segments.

Limited market share in the intensely competitive tractor industry and higher concentration towards >50-HP tractor segment – The Preet Group is one of the modest players in the tractor manufacturing sector in the domestic market. It faces intense competition from larger established players such as Mahindra & Mahindra Limited (Mahindra and Swaraj), Tractor and Farm Equipment Ltd. (TAFE), International Tractors Limited (Sonalika), and Escorts Limited (Escorts). Its margins also remain susceptible to the rise in input costs, given the limited ability to pass on the same to the end users amid competition. However, the Group remains a strong player in the harvester industry by virtue of its sizeable market share and long presence. Also, the company's tractor sales are approximately 75% concentrated towards >50 HP tractors, where the industry's average concentration is low. Therefore, the adverse impact on demand of >50 HP tractors, post the revision in emission norms, was higher for the Preet Group compared to its peers.

Performance expected to remain cyclical due to strong linkages with agricultural production and monsoons – The tractor and harvester industry’s cyclical nature exposes the company to fluctuations in demand with sensitivity to monsoons and farmer sentiments. This could impact the Group’s earnings and cash accruals during periods of unfavourable monsoons. Though the Group is likely to remain exposed to vagaries in demand, the Government of India’s commitment towards rural development and agri-mechanisation, while focussing on improving the country’s infrastructure with enhanced budgetary allocations, is likely to aid in volume growth over the medium-to-long term.

Liquidity position: Adequate

The liquidity position of the Group is adequate with free cash of Rs. 30.2 crore as on March 31, 2025 and average unutilised buffer of Rs. 20.3 crore in its working capital limits for the period between April 2024 and April 2025. On a consolidated basis, the Group has repayments of Rs. 5.2 crore in FY2026 and Rs. 6.4 crore in FY2027, which are expected to be serviced comfortably through internal accruals. The Group is planning minimal capex in FY2026 and FY2027. While it has sufficient capacity in PTPL, expansion capex of around Rs. 10-15 crore is expected in PAPL in FY2026. The capex is expected to be funded by internal accruals.

Rating sensitivities

Positive factors – The ratings could be upgraded if the Group demonstrates a sustained improvement in earnings, led by market share gains, improving the credit metrics, while maintaining a comfortable liquidity profile. Its TD/OPBIDTA of lower than 2.0 times, on a sustained basis, may also lead to ratings upgrade.

Negative factors – ICRA could downgrade the ratings if a decline in the Group’s earnings continues, resulting in a moderation in credit metrics and liquidity. An interest cover of less than 4.0 times, on a sustained basis, would also be a negative rating trigger.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Methodology on Tractors
Parent/Group support	Not Applicable
Consolidation/Standalone	For arriving at the ratings, ICRA has consolidated the business and financial risk profiles of Preet Tractors Private Limited (PTPL) and Preet Agro Industries Private Limited (PAPL).

About the company

The Preet Group has been manufacturing combine harvesters, tractors and farm equipment since 1980 under the brand name, Preet. Initially, it produced straw reapers, threshers and other agricultural implants. It has two Group companies, PAPL (manufactures various agricultural and farm equipment, including harvesters) and PTPL (manufactures tractors). The Group is one of the leading market players in the SPCH segment in the domestic market. Mr. Hari Singh and Mr. Gurcharan Singh look after the operations of the companies. The Group’s manufacturing plants are at Nabha in Patiala (Punjab). In FY2021, the Group increased its total tractor annual manufacturing capacity to 10,000 units from 5,000 units, which continue to remain the same till date. In the harvester segment, the Group has an annual production capacity of 2,500 units.

Key financial indicators (Audited)

Consolidated – Preet Group	FY2023	FY2024	FY2025*
Operating income	398.7	466.0	559.5
PAT	13.9	14.9	19.8
OPBDIT/OI	9.8%	9.3%	9.5%
PAT/OI	3.5%	3.2%	3.5%
Total outside liabilities/Tangible net worth (times)	2.1	1.7	1.8
Total debt/OPBDIT (times)	3.3	2.7	2.5
Interest coverage (times)	3.5	3.6	3.8

Source: Company, ICRA Research; * Provisional numbers; 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 ratings (FY2026)				Chronology of rating history for the past 3 years					
Instrument	Type	Amount Rated (Rs Crore)	August 05, 2025	FY2025		FY2024		FY2023	
				Date	Rating	Date	Rating	Date	Rating
Cash Credit	Long Term	25.00	[ICRA]A-(Stable)	12-Aug-24	[ICRA]A-(Stable)	31-Jul-23	[ICRA]A-(Stable)	04-Apr-22	[ICRA]A (Stable)
LC/BG*	Short Term	10.00	[ICRA]A2+	12-Aug-24	[ICRA]A2+	31-Jul-23	[ICRA]A2+	04-Apr-22	[ICRA]A1
Term Loan	Long Term	10.00	[ICRA]A-(Stable)	-	-	-	-	-	-

*Letter of Credit & Bank Guarantee

Complexity level of the rated instruments

Instrument	Complexity indicator
Cash Credit	Simple
Letter of Credit/ Bank Guarantee	Very Simple
Term Loan	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
NA	Cash Credit	NA	NA	NA	25.00	[ICRA]A- (Stable)
NA	Letter of Credit/ Bank Guarantee	NA	NA	NA	10.00	[ICRA]A2+
NA	Fund Based – Term Loan	FY2024	NA	FY2029	10.00	[ICRA]A- (Stable)

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Annexure II: List of entities considered for consolidated analysis

Company Name	Ownership	Consolidation Approach
Preet Tractors Private Limited	NA	Full Consolidation
Preet Agro Industries Private Limited	NA	Full Consolidation

ANALYST CONTACTS

Jitin Makkar

+91 124 4545368

jjitinm@icraindia.com

Kinjal Shah

+91 022 61143400

kinjal.shah@icraindia.com

Mythri Macheri

+91 22 6114 3435

mythri.macherla@icraindia.com

Piyush Kedar

+91 22 6114 3469

piyush.kedar@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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ICRA Limited



Registered Office

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

Tel: +91 11 23357940-45



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