

August 22, 2025

Premium Transmission Limited: Ratings reaffirmed and outlook revised to Stable from Positive

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Long term - Fund based - Term loan	0.00	19.40	[ICRA]AA- (Stable); reaffirmed and outlook revised to Stable from Positive
Long term/Short term - Fund based	124.50	103.00	[ICRA]AA- (Stable)/[ICRA]A1+; reaffirmed and outlook revised to Stable from Positive
Long term/Short term - Interchangeable	(22.90)	(22.90)	[ICRA]AA- (Stable)/[ICRA]A1+; reaffirmed and outlook revised to Stable from Positive
Long term/Short term – Non-fund based	22.90	25.00	[ICRA]AA- (Stable)/[ICRA]A1+; reaffirmed and outlook revised to Stable from Positive
Total	147.40	147.40	

*Instrument details are provided in Annexure I

Rationale

The revision in the outlook on the long-term rating considers Premium Transmission Limited's (PTL) weaker-than-anticipated performance in FY2025, coupled with ICRA's expectation of near-term headwinds due to subdued demand across the end-user industries and intensifying competition in PTL's core segment — industrial gearboxes. ICRA expects PTL's consolidated revenue growth to remain muted in the near term, following a flattish performance in FY2025, with the company reporting operating revenues of ~Rs. 708 crore vis-à-vis ~Rs. 705 crore in FY2024. The operating margins (OPM) also moderated with the consolidated OPM at ~19% in FY2025 against ~26% reported in FY2024. Despite the moderation in margins, the balance sheet continues to be strong, characterised by a conservative capital structure and healthy debt coverage indicators. Further, the liquidity also remained comfortable with cash and bank balances of Rs. 70 crore as on March 31, 2025 and adequate cushion available in the form of undrawn lines of credit in its working capital facilities.

The ratings continue to draw comfort from PTL's established position in the domestic industrial gearbox industry, its extensive dealership network in India and a diversified customer portfolio across various end-user industries. The ratings also consider the favourable medium-term demand outlook with increased demand from end users in the sugar, steel, cement and power sectors. Additionally, the company's strong parentage and financial flexibility as a part of the Karan Thapar Group are key factors supporting the ratings. The company's order book position for the industrial gearbox division remains comfortable at ~Rs. 214 crore as of June 2025 despite the moderation from ~Rs. 240 crore on March 31, 2024. ICRA also expects a sustained healthy pick-up in the actuator business (under wholly-owned subsidiary Premium Motion Private Limited) in the current fiscal.

ICRA also notes that the company's earlier plan to undertake a greenfield capex of ~Rs. 350 crore in Odisha has been deferred. Other brownfield capacity expansion plans have also been deferred owing to subdued demand in the near term. However, with demand expected to gradually recover over the medium to long term, PTL intends to pursue capacity expansion in a phased and calibrated manner. As the company does not envisage any major debt-funded capex in the near to medium term, its capital structure is expected to remain conservative and the debt coverage indicators are likely to stay strong.

The ratings continue to be constrained by the high working capital intensity, with NWC/OI at 26% as on March 31, 2025. This is primarily due to the high receivables and inventory levels required in the gearbox division, which

aligns with the industry requirements. Further, the ratings are impacted by the company's exposure to the cyclicity in the domestic capex cycle and potential economic slowdowns. However, the company's presence across various industries as well as in the replacement market, along with its steady export performance, provides some comfort. The ratings further note the company's vulnerability to fluctuations in raw material prices, primarily steel and steel components. Nevertheless, the company's ability to partially pass on these costs to customers provides comfort.

Key rating drivers and their description

Credit strengths

Healthy capital structure and debt protection metrics - PTPL's capital structure remains comfortable, reflected in nil gearing and a total outside liability to tangible net worth ratio of 0.4 times as on March 31, 2025 (PY: 0.4 times). Despite a moderation in profitability, a conservative capital structure led to strong debt coverage metrics, with interest coverage of 70 times in FY2025 (94.1 times in FY2024). ICRA notes that the company has deferred its greenfield Odisha capex, thereby reducing its long-term debt requirement, going forward. Consequently, PTPL's capital structure and debt coverage indicators are expected to remain strong.

Strong parentage as a Karan Thapar Group entity; leading player in domestic industrial gears market – PTPL is a part of the Karan Thapar Group, which has an established track record of managing diverse businesses such as Greaves Cotton Limited and EICL Limited {rated [ICRA] BBB+ (Stable)/[ICRA]A2}. The parentage provides access to management and business support as well as financial flexibility. PTPL has an extensive presence in the industrial gears segment and caters to a reputed clientele. The company manufactures standard products (35-40% of total sales) as per the predefined specifications and customised products (60-65% of total sales) for various industry segments. Additionally, the company has a well-diversified dealer network, with over 120 dealers spread across different geographies.

Comfortable order book provides revenue visibility – The company's order book position for the industrial gearbox division remains comfortable at ~Rs. 214 crore as of June 2025 against ~Rs. 240 crore as on March 31, 2024. Further, the expectation of a pick-up in order inflow in H2 FY2026 provides revenue visibility for the near term. ICRA also expects a sustained healthy pick-up in the actuator business (under Premium Motion Private Limited) in the current fiscal. ICRA expects the company to report a revenue of ~Rs. 750 crore and operating margin of ~18%, enabling it to sustain healthy debt coverage metrics and liquidity position.

Credit challenges

Revenues exposed to cyclicity in end-user industries; moderation in revenue and profitability in FY2025 – PTPL's revenues are exposed to the cyclicity in the economic environment, and consequently, industrial capacity additions. Its performance is particularly dependent on the capex plans of key industries such as power, steel, cement, sugar and others. In FY2025, the company faced unanticipated headwinds which resulted in lower-than-expected performance. While Q1 remained muted due to the General Elections, a lower-than-anticipated pick-up in investment activity in H2 FY2025 kept the performance subdued in FY2025, with the company closing the fiscal with a 5% YoY decline in its industrial gearbox business. The operating margins also moderated with the consolidated OPM at 19% in FY2025 against 26% in FY2024.

High working capital intensity – The company's working capital intensity was high at 27% as on March 31, 2024, primarily on account of the high receivables and inventory levels required in the transmission division, which is consistent with the industry requirements. However, the company has a stringent policy to take advances from select customers to better support its working capital requirements and minimise order cancellations.

Operations remain vulnerable to weak demand conditions and intense competition – An economic slowdown could adversely impact the company's revenues, given the considerable revenue share from the primary market.

However, PTPL's presence across multiple segments mitigates the risk to an extent. Further, the company faces competition from peers, such as Elecon Engineering Limited {rated [ICRA]AA (Stable)/A1+} and Shanthi Gears Limited {rated [ICRA]AA (Stable)/A1+} among other foreign players, limiting its pricing power to an extent. Nonetheless, its established position in the domestic industrial gearbox industry, its extensive dealership network in India and a diversified customer portfolio across various end-user industries mitigate the risk to an extent.

Liquidity position: Adequate

The company's liquidity profile is expected to remain comfortable, given the cash and bank balances of Rs. 70 crore as on March 31, 2025 and the adequate cushion available in the form of undrawn lines of credit in its working capital facilities. The average monthly working capital utilisation remained almost nil vis-a-vis the sanctioned working capital limits in the previous six months ended March 2025. Further, ICRA notes that the margin requirements for the company's planned capex in the next two years can be comfortably met from internal accruals and surplus cash.

Rating sensitivities

Positive factors – ICRA could upgrade the ratings if the company demonstrates a significant growth in its scale of operations while improving its profit margins and sustaining healthy debt coverage metrics and liquidity position.

Negative factors – Pressure on the ratings could arise if there is sustained pressure on the company's earnings, or if there is a large debt-funded capex, or if the working capital requirements are stretched, resulting in a deterioration of the entity's credit metrics. A specific credit metric for downgrade includes a total debt/OPBITDA of more than 1.5 times on a sustained basis.

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 considered the consolidated financials of PTL. Refer to the Annexure II for the list of entities considered for consolidation

About the company

Premium Transmission Limited (PTL; erstwhile Premium Transmission Private Limited), a part of the Karan Thapar Group, is a leading manufacturer of industrial gears in India, operating four manufacturing facilities across the country. In FY2022, PTL established a new subsidiary, Premium Motion Private Limited (PMPL), which manufactures and exports actuators used in the tracking devices of solar panels. In January 2023, PTPL decided to liquidate its German subsidiary, Premium Stephan B.V. Further, in FY2025, PTPL also demerged its maintenance business into a newly incorporated subsidiary, Premium Care Private Limited.

Key financial indicators (audited)

Consolidated	FY2024	FY2025
Operating income	705.1	707.9
PAT	131.2	77.7
OPBDITA/OI (%)	25.8%	19.3%
PAT/OI (%)	18.6%	11.0%
Total outside liabilities/Tangible net worth (times)	0.4	0.4
Total debt/OPBDITA (times)	0.1	0.1
Interest coverage (times)	94.1	70.1

Source: Company, ICRA Research; All ratios are 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

			Current rating (FY2026)		Chronology of rating history for the past 3 years					
			FY2026		FY2025		FY2024		FY2023	
Instrument	Type	Amount rated (Rs crore)	Date	Rating	Date	Rating	Date	Rating	Date	Rating
Fund based	Long term/ Short term	103.00	Aug 22, 2025	[ICRA]AA-(Stable)/[ICRA]A1+	Sep 03, 2024	[ICRA]AA-(Positive)/[ICRA]A1+	Aug 25, 2023	[ICRA]AA-(Stable)/[ICRA]A1+	Jul 29, 2022	[ICRA]A+(Stable)/[ICRA]A1
Interchangeable	Long term/ Short term	(22.90)	Aug 22, 2025	[ICRA]AA-(Stable)/[ICRA]A1+	Sep 03, 2024	[ICRA]AA-(Positive)/[ICRA]A1+	Aug 25, 2023	[ICRA]AA-(Stable)/[ICRA]A1+	Jul 29, 2022	[ICRA]A+(Stable)/[ICRA]A1
Non-fund based	Long term/ Short term	25.00	Aug 22, 2025	[ICRA]AA-(Stable)/[ICRA]A1+	Sep 03, 2024	[ICRA]AA-(Positive)/[ICRA]A1+	Aug 25, 2023	[ICRA]AA-(Stable)/[ICRA]A1+	Jul 29, 2022	[ICRA]A+(Stable)/[ICRA]A1
Term loan	Long term	19.40	Aug 22, 2025	[ICRA]AA-(Stable)	Sep 03, 2024	-	Aug 25, 2023	[ICRA]AA-(Stable)	Jul 29, 2022	[ICRA]A+(Stable)
Unallocated limits	Long term/ Short term	-	-	-	-	-	Aug 25, 2023	[ICRA]AA-(Stable)/[ICRA]A1+	Jul 29, 2022	[ICRA]A+(Stable)/[ICRA]A1

Complexity level of the rated instruments

Instrument	Complexity indicator
Long term - Fund based - Term loan	Simple
Long term/Short term - Fund based	Simple
Long term/Short term - Interchangeable	Very Simple
Long term/Short term – Non-fund based	Very 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/sanction	Coupon rate	Maturity date	Amount rated (Rs. crore)	Current rating and outlook
NA	Long term - Fund based - Term loan*	NA	NA	NA	19.40	[ICRA]AA- (Stable)
NA	Long term/Short term - Fund based	-	-	-	103.00	[ICRA]AA- (Stable)/ [ICRA]A1+
NA	Long term/Short term - Interchangeable	-	-	-	(22.90)	[ICRA]AA- (Stable)/ [ICRA]A1+
NA	Long term/Short term – Non-fund based	-	-	-	25.00	[ICRA]AA- (Stable)/ [ICRA]A1+

Source: Company; * Proposed.

[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
Premium Stephan B.V.	100.00%	Full consolidation
Premium Motion Private Limited	100.00%	Full consolidation
Premium Care Private Limited	100.00%	Full consolidation

Source: Company

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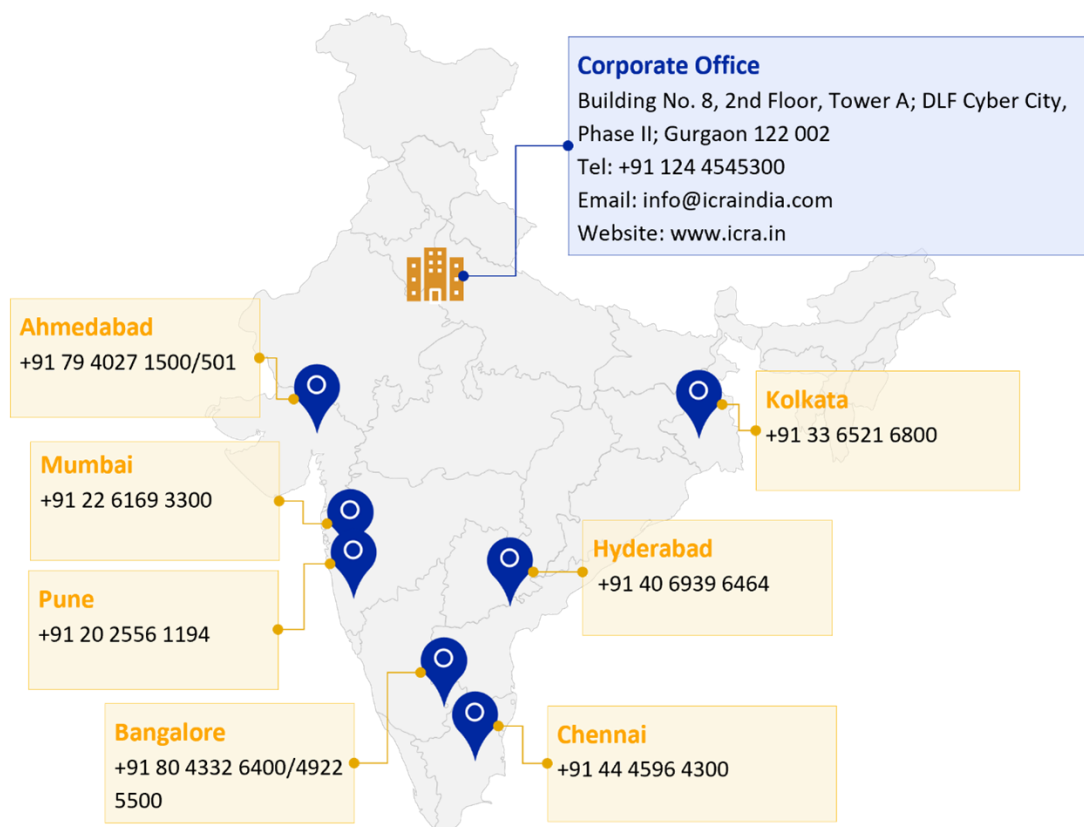
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