

December 22, 2025

Pricol Engineering Industries Private Limited: Ratings downgraded; removed from 'Issuer Not Cooperating' category

Summary of rating action

| Instrument* | Previous rated amount (Rs. crore) | Current rated amount (Rs. crore) | Rating action |
|-------------------------------------------------------------|--------------------------------------|-------------------------------------|------------------------------------------------------------------------------------------------------------|
| Long-term – Fund-based – Cash credit | 4.50 | 4.50 | [ICRA]BBB- (Stable); downgraded from [ICRA]BBB (Stable) and removed from 'Issuer Not Cooperating' category |
| Long-term – Fund-based – Term loan | 0.50 | - | - |
| Short term – Fund based – Working capital demand loan | - | 0.50 | [ICRA]A3; downgraded from [ICRA]A3+ and removed from 'Issuer Not Cooperating' category |
| Short-term – Non-fund based – Bank guarantee | 7.00 | 7.00 | [ICRA]A3; downgraded from [ICRA]A3+ and removed from 'Issuer Not Cooperating' category |
| Total | 12.00 | 12.00 | |

*Instrument details are provided in Annexure I

Rationale

The ratings downgrade reflects the significant contraction in Pricol Engineering Industries Private Limited's (PEIPL) scale of operations following the discontinuation (via sale) of its entire automotive business in April 2025, which contributed about 75–80% to the revenues. Post the exit, the company will focus exclusively on products for the railways and defence sectors. Consequently, its product portfolio and customer diversification will moderate from the previous levels. The operating revenues are expected to decline to Rs. 35–40 crore over FY2026–FY2027, compared to ~Rs. 140 crore in FY2025. The ratings, hence, are constrained by PEIPL's small scale of operations and low net worth base (~Rs. 44 crore as on March 31, 2025), coupled with volatility in earnings due to raw material price fluctuations and competitive pressures. The company will be exposed to execution and funding risks towards the planned capex for setting-up a new manufacturing facility and R&D for new products for the defence sector. Given the tender-based nature of orders in the defence and railway sectors, scale up in operations with healthy profitability levels will be critical from the credit perspective going forward.

The ratings, however, favourably factor in the reduced reliance on external debt, adequate liquidity levels and sizeable market value of PEIPL's investment in Pricol Limited (~Rs. 103 crore as on December 12, 2025), which strengthen its financial flexibility. Also, the ratings reflect the promoters' extensive experience, along with the company's established track record in supplying components to the defence and railway sectors. Going forward, the entity is expected to maintain low debt levels, which will support its credit profile. However, any large incremental investment or debt-funded capex impacting the company's liquidity or debt protection metrics will remain a key monitorable.

The Stable outlook on the long-term rating of PEIPL's reflects ICRA's opinion that despite the moderation in scale, the company's capex and working capital requirements would be funded in a manner that is able to durably maintain its debt protection metrics and adequate liquidity.

Key rating drivers and their description

Credit strengths

Extensive experience of promoters and established track record – PEIPL has been manufacturing products for defence and railways since its inception in 1995. Given the long experience of the promoters in the industry and its established operational track record, PEIPL has been able to develop a wide network of suppliers and customers.

Healthy debt protection metrics and strong financial flexibility arising out of 1.4% stake in Pricol Limited – PEIPL's debt coverage metrics remain satisfactory. Utilising the proceeds from the sale of automotive business, the company prepaid most of its debt in FY2025. The debt coverage indicators as reflected by debt service coverage ratio (DSCR) improved to 4.2 times for FY2025 from 2.2 times in FY2024. It is projected to be in range of 3-5 times over FY2026-FY2027. Going forward, the debt protection metrics are expected to remain healthy, given the company's limited borrowing plans and expectation of steady accruals.

Credit challenges

Small scale of operations; moderation in product profile with discontinuation of automotive business – PEIPL, reported an operating income of ~Rs. 140 crore in FY2025, which is expected to moderate to Rs. 35-40 crore over FY2026-2027, given the discontinuation of the automotive business in April 2025. Its revenues will be concentrated going forward, with focus only on defence and railways segments and uncertainty arising out of the tender-based nature of the contracts. Further, its net worth remains low at Rs. 43.6 crore as on March 31, 2025.

Volatile margins, highly vulnerable to movement in raw material prices – PEIPL's operating margins remained moderate and range-bound within 8%-10% owing to fluctuations in raw material prices (only partly covered through price escalation clauses) and stiff competition, reflecting the company's limited pricing flexibility. Going forward, while better profit margins are expected in the defence segment, the company's ability to scale-up operations while sustaining the same remains to be seen.

Exposed to customer concentration risk though reputed clientele limits counterparty risks – PEIPL's client diversification has remained similar over the recent years, with the share of its top five customers at 50% in FY2025, which indicates moderately high customer concentration risk. Going forward, the company's client profile will be limited to the Indian Railways and defence entities. The sale of automotive division has increased concentration towards these sectors, even as the counterparty risk remains limited.

Liquidity position: Adequate

PEIPL's liquidity is expected to be adequate with steady cash flows from operations and free cash balances of Rs. 1.6 crore as on November 30, 2025, against nil debt repayment obligations. The fund-based working capital limits were reduced, following the sale/discontinuation of the automotive business and utilisation stood at 72% for 7M FY2026 (Vs. 90% for 12-month period that ended on October 31, 2025). The company has a planned capex of ~Rs. 10 crore towards new plant construction – primarily in FY2027, which could be partially debt-funded. PEIPL derives significant financial flexibility emanating from the market value of this investment in Pricol Limited (~Rs. 103 crore as on December 12, 2025).

Rating sensitivities

Positive factors – A rating upgrade could be considered in case of a significant increase in the scale of operations, along with an improvement in the net worth, while maintaining satisfactory debt protection metrics on a sustained basis.

Negative factors – A rating downgrade could be triggered by sustained pressure on earnings or an increase in working capital intensity, resulting in weakened liquidity and debt coverage metrics.

Analytical approach

| Analytical approach | Comments |
|---------------------------------|-----------------------------------------------------|
| Applicable rating methodologies | Corporate Credit Rating Methodology |
| Parent/Group support | Not Applicable |
| Consolidation/Standalone | Standalone financial statements of the issuer |

About the company

Incorporated in 1995, Pricol Engineering Industries Private Limited (erstwhile Pricol Engineering Industries Limited) manufactures driver control panels, hull electrical equipment for tanks and armoured vehicles, gauges, etc and caters to the Indian defence and railway sectors. Most manufacturing operations are carried out of its plant at Coimbatore, Tamil Nadu, while plant at Rudrapur, Uttarakhand is not currently utilised. The company had an automotive component division manufacturing alternators and oil-pressure switches, which was completely sold-off between January 2025 and April 2025.

The company is a part of the well-known Coimbatore-based Pricol Group, with its presence spanning over a decade. PEIPL is held by Pricol Holdings Limited, which is primarily held by Mr. Vikram Mohan, who heads the Pricol Group.

Key financial indicators (audited)

| PEIPL | FY2024 | FY2025 |
|------------------------------------------------------|--------|--------|
| Operating income (Rs. crore) | 147.4 | 139.9 |
| PAT (Rs. crore) | 4.2 | 14.1 |
| OPBDIT/OI (%) | 8.0% | 6.7% |
| PAT/OI (%) | 2.8% | 10.1% |
| Total outside liabilities/Tangible net worth (times) | 1.6 | 0.8 |
| Total debt/OPBDIT (times) | 2.6 | 1.2 |
| Interest coverage (times) | 2.8 | 2.1 |

Source: Company, ICRA Research; All ratios as per ICRA's calculations; 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 (FY2026) | | | Chronology of rating history for the past 3 years | | | | | | | | |
|-----------------------------------------------|----------------------|--------------------------|---------------------------------------------------|--------------|-------------------------------------------|--------------|------------------------------|--------------|------------------------------|--------|--------|
| | | | FY2026 | | | FY2025 | | FY2024 | | FY2023 | |
| Instrument | Type | Amount rated (Rs. crore) | Dec 22, 2025 | Date | Rating | Date | Rating | Date | Rating | Date | Rating |
| Fund-based – Cash credit | Long-term | 4.50 | [ICRA]BBB-(Stable) | Nov 25, 2025 | [ICRA]BBB (Stable) ISSUER NOT COOPERATING | Aug 02, 2024 | [ICRA]BBB (Stable) | May 11, 2023 | [ICRA]BBB (Stable) | - | - |
| Fund-based – Term loan | Long-term | - | - | Nov 25, 2025 | [ICRA]BBB (Stable) ISSUER NOT COOPERATING | Aug 02, 2024 | [ICRA]BBB (Stable) | May 11, 2023 | [ICRA]BBB (Stable) | - | - |
| Fund-based-Working capital demand loan | Short term | 0.50 | [ICRA]A3 | - | - | - | - | - | - | - | - |
| Non-fund based – Bank guarantee | Short-term | 7.00 | [ICRA]A3 | Nov 25, 2025 | [ICRA]A3+ ISSUER NOT COOPERATING | Aug 02, 2024 | [ICRA]A3+ | May 11, 2023 | [ICRA]A3+ | - | - |
| Unallocated | Long-term/Short-term | - | - | - | - | Aug 02, 2024 | [ICRA]BBB (Stable)/[ICRA]A3+ | May 11, 2023 | [ICRA]BBB (Stable)/[ICRA]A3+ | - | - |

Complexity level of the rated instruments

| Instrument | Complexity indicator |
|-------------------------------------------------------|----------------------|
| Long-term – Fund-based – Cash credit | Simple |
| Short-term – Fund-based – Working capital demand loan | Simple |
| Short-term – Non-fund based – Bank guarantee | 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 | Fund-based – Cash credit | NA | NA | NA | 4.50 | [ICRA]BBB-(Stable) |
| NA | Fund-based- Working capital demand loan | NA | NA | NA | 0.50 | [ICRA]A3 |
| NA | Non-fund based – Bank guarantee | NA | NA | NA | 7.00 | [ICRA]A3 |

Source: Company

[Please click here to view details of lender-wise facilities rated by ICRA](#)

Annexure II: List of entities considered for consolidated analysis – Not Applicable

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