

July 01, 2025

## PR Ecoenergy Limited: Ratings upgraded; rated amount enhanced

### Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long term- Fund based- Term loan	36.02	52.49	[ICRA]BBB (Stable); upgraded from [ICRA]BBB- (Stable)/ assigned for enhanced amount
Long term - Fund based- Cash credit	2.00	2.00	[ICRA]BBB (Stable); upgraded from [ICRA]BBB- (Stable)
Short term - Non fund - based limits	22.00	22.00	[ICRA]A3+; upgraded from [ICRA]A3
Long term / Short term - Unallocated Limits	8.64	-	-
<b>Total</b>	<b>68.66</b>	<b>76.49</b>	

\*Instrument details are provided in Annexure-I

### Rationale

The ratings upgrade reflects improved operational and financial performances of PR Ecoenergy Limited (PREL), which is likely to continue in the near-to-medium term, driven by operationalisation of the 90 metric-tonne-per-hour (MTPH) boiler and expansion of the pipeline network along with addition of new customers. Besides, the ratings consider the first-mover advantage at Gujarat Industrial Development Corporation (GIDC), Panoli, where PREL developed its own steam distribution system, along with extensive experience of the promoters in the niche market segment. PREL's revenues grew by 72.2% on a YoY basis in FY2025 to Rs.107.4 crore, supported by an increase in production volumes by 71.4% on a YoY basis, led by capacity additions made in FY2025 and onboarding of new customers. The company's economies of scale and improved production efficiencies to minimise the heat losses helped improve the operating profit margin (OPM) to 24.5% in FY2025 from 21.5% in FY2024. Softening of raw material prices also contributed towards improvement in profitability. Going forward, PREL's revenues are likely to grow at a moderate pace, with availability of added capacities from the beginning of FY2026 and expected further rise in production volumes amid customer additions with long-term steam supply contracts. The ratings also consider the comfortable financial risk profile, characterised by its healthy coverage indicators and working capital cycle.

The ratings, however, remain constrained by risks of contract termination and lower offtake. ICRA notes that the operation of boilers is regulated by Central and state laws and any changes in the regulations may impact the company's revenues and profitability. Further, the ratings factor in high geographical concentration as the company derives its entire revenues from GIDC, Panoli, Gujarat. Moreover, PREL's ability to consistently add new customers and increase production amid recently incurred large debt-funded capex will remain a key rating monitorable, going forward, while maintaining optimum raw material mix and enhanced efficiencies, eventually supporting the profitability.

The Stable outlook reflects ICRA's opinion that the company will continue to benefit from its established position as a supplier of steam at GIDC, Panoli, Gujarat, along with the long-term supply contracts with clients and favourable demand prospects, which are expected to keep the earnings healthy.

## Key rating drivers and their description

### Credit strengths

**Supply contracts with clients provide revenue visibility, further supported by new client addition** – PREL caters to customers belonging to various industries, including chemicals, pharmaceuticals, healthcare, agrochemicals etc. All the customer contracts range between 5 years and 8 years with a lock-in period of 3-5 years with minimum guaranteed offtake in the range of 70-80%. Some of these terms may vary from contract to contract. Further, the customer concentration risk has reduced, but still remains moderately high, with the top five customers contributing around 75% to the revenue in FY2025 vis a vis 97% in FY2024. At present, the company has long-term contracts with 32 customers, of which supplies to 15 customers have commenced or are expected to commence in FY2026. The customer concentration is likely to moderate further as the commissioning of new boilers and the extended pipeline are expected to serve a larger customer base.

**Financial risk profile aided by healthy profit margins and low debt** – PREL's revenues grew by 72.2% to Rs. 107.4 crore in FY2025 from Rs. 62.4 crore in FY2024, supported by operationalisation of the 90-MTPH boiler and expansion of the pipeline network along with addition of new customers. The operating margin improved to 24.5% in FY2025 from 21.5% in FY2024, backed by softening of input costs, improved production efficiencies to minimise the heat losses and significant ramp-up in sales volumes, resulting in operating leverage. Further, given the relatively low dependence on working capital limits and improved earnings, the coverage indicators and the working capital cycle remain comfortable. Its debt protection metrics remained healthy, characterised by total debt to operating profit ratio of 1.5 times and an interest coverage ratio of 7.4 times in FY2025, compared to 3.0 times and 4.2 times, respectively, in FY2024.

**Substantial capacity in place to cater to growing demand** – PREL caters to various industries, including pharma, chemicals, textiles, healthcare, agrochemicals etc, which require continuous supply of steam. With commencement of additional boilers in FY2025, the company currently has an installed capacity of 90 MTPH (three boilers with 30 MTPH capacity each). In FY2025, PREL produced and supplied 36 MTPH of steam using two boilers, while the third boiler was kept as a backup for contingencies. Thus, the company has substantial capacity to cater to the incremental demand. The production volumes are anticipated to improve further over the near-to-medium term, amid recent addition of new customers with minimum guaranteed offtake.

### Credit challenges

**Exposure to contracts termination risk** – The cash flows are susceptible to contract termination by the existing clients. Notwithstanding this, historically, the company has not witnessed any contract termination from its key clients. At present, the company has secured contracts for a capacity of 89.2 MTPH, which accounts for about 99% of the operational capacity of 90 TPH.

**Exposure to regulatory risk** – The operation of boilers is governed by The Boilers Act, 1923, and the company operates in compliance with the guidelines established by the relevant authorities. However, any adverse change in the regulations could potentially have an impact on the company's operations and earnings. Additionally, the company has significant reliance on coal and biomass as its raw materials for steam generation and, hence, timely availability of raw materials is critical to ensure that the operations are sustained. However, the company is optimising its raw material mix, going forward, with lignite and biomass estimated to contribute a significant portion to the raw materials.

**Exposed to geographical concentration risk** – PREL supplies steam to various industrial customers in GIDC at Panoli, Gujarat. Thus, the entity remains exposed to significant geographical concentration risk as the entire operation of the company is confined to GIDC, Panoli, Gujarat. PREL's ability to diversify its geographical presence and secure new orders remain important credit rating considerations.

## Liquidity position: Adequate

PREL's liquidity is adequate with expected healthy cash flow from operations in FY2026, cash and bank balances and liquid investments of around Rs. 19 crore as on March 31, 2025. PREL has capex plans of Rs. 30-35 crore over the next two years, which will be funded through debt of Rs.12.8 crore and the balance through internal accruals. The entity is likely to generate cash accruals of Rs. 20-24 crore, against repayment obligations of Rs.7.3 crore in FY2026. Overall, ICRA expects PREL to be able to meet its near-term commitments comfortably through internal accruals.

## Rating sensitivities

**Positive factors** – The ratings could be upgraded in case of a significant increase in revenues and strengthening of net worth, while maintaining healthy profitability, which would lead to an improvement in key credit metrics and liquidity position.

**Negative factors** – The ratings could be downgraded if there is any significant decline in the scale or profitability, resulting in a deterioration in the company's financial risk profile. ICRA would also downgrade the ratings if there is any stretch in the working capital cycle or any large debt-funded capex, that may put pressure on the liquidity and key credit metrics. A specific trigger for downgrade includes TOL/TNW of more than 1.7 times on a sustained basis.

## Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	<a href="#">Corporate Credit Rating Methodology</a>
Parent/Group support	Not Applicable
Consolidation/Standalone	For arriving at the ratings, ICRA has considered the standalone financials of the company.

## About the company

PR Ecoenergy Limited (PREL) supplies steam to various industrial customers in GIDC at Panoli, Gujarat. The company operates boilers to generate steam, and the same is sold to customers through a pipeline network. In FY2019-2020, the company had set up its plant/central energy supply station (CESS) facility at GIDC with an installed capacity of 30 MTPH. In FY2025, the company expanded the capacity to 90 MTPH (3 boilers of 30 MTPH each) and also extended the pipeline network to around 23 kilometres.

## Key financial indicators (audited)

	FY2024	FY2025*
Operating income	62.4	107.4
PAT	7.3	14.7
OPBDIT/OI (%)	21.5%	24.5%
PAT/OI (%)	11.6%	13.6%
Total outside liabilities/Tangible net worth (times)	1.6	1.4
Total debt/OPBDIT (times)	3.0	1.5
Interest coverage (times)	4.2	7.4

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

Instrument	Current ratings (FY2026)			Chronology of rating history for the past 3 years					
	Type	Amount rated (Rs. crore)	July 01, 2025	FY2025		FY2024		FY2023	
				Date	Rating	Date	Rating	Date	Rating
Fund based - Term loan	Long term	52.49	[ICRA]BBB (Stable)	Jul 18, 2024	[ICRA]BBB- (Stable)	-	-	-	-
Fund based - Cash credit	Long term	2.00	[ICRA]BBB (Stable)	Jul 18, 2024	[ICRA]BBB- (Stable)				
Non-fund based	Short term	22.00	[ICRA]A3+	Jul 18, 2024	[ICRA]A3				
Unallocated limits	Long term /Short term	-	-	Jul 18, 2024	[ICRA]BBB- (Stable)/A3				

## Complexity level of the rated instruments

Instrument	Complexity Indicator
Long term- Fund based- Term loan	Simple
Long term - Fund based- Cash credit	Simple
Short term - Non fund based limits	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	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Term loans	FY2019-FY2025	NA	FY2027 - FY2030	52.49	[ICRA]BBB(Stable)
NA	Fund based - Cash credit	NA	NA	NA	2.00	[ICRA]BBB(Stable)
NA	Non fund based	NA	NA	NA	22.00	[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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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.

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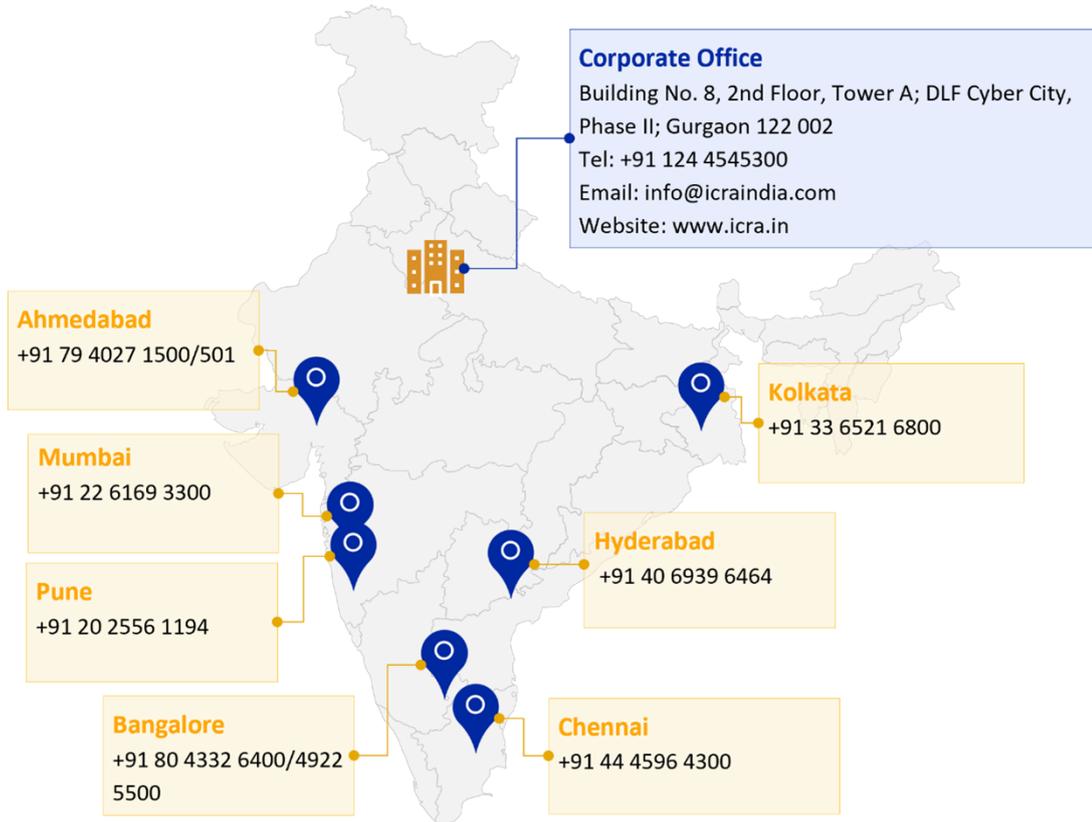


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