ICRA
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September 7, 2026

Premier Alloys & Chemicals Private Limited: Rating reaffirmed

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action	Financial sector regulator#
Long term - Cash credit - Fund based	34.00	34.00	[ICRA]BBB(Stable); reaffirmed	RBI
Total	**34.00**	**34.00**		

**Instrument details are provided in Annexure I*

#SEBI's grievance redressal/dispute resolution and SEBI investor protection mechanisms such as SCORES and ODR shall not be available for activities and instruments that fall under the regulatory purview of financial sector regulators other than SEBI.

Rationale

The reaffirmation of the rating favourably factors in a recovery in Premier Alloys & Chemicals Private Limited's (PACPL) operating performance in FY2026, driven by improved alloy prices, particularly in the ferro molybdenum (FeMo) segment, and its established relationships with domestic steel producers. The operating income increased by ~18% to Rs. 440 crore in FY2026, while the profitability improved materially, with the profit after tax (PAT) recovering to Rs. 10.6 crore after a weak performance in the preceding two years. The improvement was aided by higher alloy prices, improved realisations and stable operating volumes. PACPL's revenues are expected to grow by around 10% in FY2027, primarily supported by favourable product prices and a healthy demand in the domestic steel sector, while the volume growth is likely to remain muted. However, profitability is expected to moderate from FY2026 levels amid the expected normalisation in commodity spreads.

The rating continues to draw comfort from PACPL's established presence in the noble ferro-alloy industry and its longstanding relationships with reputed customers and suppliers. PACPL is among the larger domestic producers of ferro-vanadium (FeV) and ferro-molybdenum (FeMo). Its customer base comprises leading steel players such as Steel Authority of India Limited (SAIL), Tata Steel Limited, Jindal Steel & Power Limited (JSPL) and JSW Steel Limited. The company's financial risk profile remains comfortable, characterised by negligible debt levels, with the gearing remaining close to nil as on March 31, 2026.

The rating is, however, constrained by PACPL's exposure to the cyclicality inherent in the steel industry, which accounts for majority of its revenues. The rating also factors in the susceptibility of the company's profitability to fluctuations in foreign exchange rates and raw material prices, as well as supplier concentration in key raw materials. These risks are partially mitigated by PACPL's established supplier relationships and its ongoing efforts to diversify sourcing across newer geographies in Southeast Asia and Latin America.

ICRA notes that the low duty differential between imported raw materials and finished products, along with the free trade agreements (FTAs) with certain producing countries, results in pricing parity between imported and domestically manufactured ferro alloys. This exposes domestic producers to import substitution risk and limits their pricing flexibility, thereby exerting pressure on profitability. Nevertheless, PACPL's established customer relationships, its proven product quality and niche presence in the domestic ferro-alloy segment partially mitigate these risks.

The Stable outlook reflects ICRA's expectation that PACPL will continue to benefit from the healthy demand in the domestic steel sector and its comfortable financial risk profile. The outlook also factors in the company's negligible debt levels and limited capex requirements. While the earnings remain exposed to volatility in the prices of ferro alloys, PACPL is expected to maintain adequate profitability and comfortable debt protection metrics over the medium term.

Key rating drivers and their description

Credit strengths

Established presence in noble ferro alloys industry – PACPL has a long track record of over 40 years in the noble ferro alloys industry, resulting in established relationships with customers and suppliers. It is one of the largest manufacturers of FeV and FeMo in India with a sizeable market share.

Reputed customer base – PACPL is one of the largest producers of FeV and FeMo and its client base includes reputed players such as SAIL, Tata Steel, JSPL, JSW Steel, etc. Although the customer concentration remains high, the company has been associated with these clients for a long period, resulting in repeat orders and mitigating the client concentration risks to an extent. The established client profile mitigates the counterparty credit risks as well.

Comfortable capital structure – PACPL's capital structure remained comfortable, supported by negligible debt levels, with the gearing remaining close to nil as on March 31, 2026. ICRA expects the capital structure to remain low over the medium term, supported by reduced debt levels and no major capex plans.

Credit challenges

Susceptibility of revenues to cyclicality of end-user steel industry – PACPL's products find application in special steels, chemicals, super alloys/public aerospace and automobile batteries. The company's operating income has remained vulnerable to the cyclicality in the steel industry. In addition, the volatility in raw material cost had impacted the company's earnings in the past.

Import substitution risk – The company is heavily reliant on imports, given the non-availability of raw materials (ore reserves) in the country. A few end users prefer to import the finished goods directly as the price differential between the imported finished products and domestic goods is low. This increases the import substitution risk, especially from countries like South Korea with whom India has FTAs.

Exposed to foreign exchange fluctuation – The company is exposed to foreign currency fluctuations as a sizeable raw material requirement is imported from overseas suppliers, resulting in a long lead time for delivery. However, the company's long relationship with the customers helps it renegotiate the quoted prices, which partly compensates for any adverse movement in foreign currency fluctuations and a consequent rise in input costs.

Liquidity position: Adequate

PACPL's liquidity position is adequate, supported by healthy cash and bank balances, negligible debt levels and limited capex requirements. The company maintained cash, bank and liquid investments of around Rs. 12.6 crore as on March 31, 2026, along with unutilised working capital limits. The average utilisation of the cash credit facilities remained low at around 13% of the sanctioned limits during April 2025 to May 2026. Further, the absence of significant debt repayment obligations and modest capex requirements of Rs. 1.0-1.5 crore are expected to limit the cash outflows. ICRA expects the company's cash flow from operations and available liquidity buffers to remain sufficient to meet its working capital requirements and planned capital expenditure over the medium term.

Rating sensitivities

Positive factors – The rating could be upgraded if there is a significant growth in earnings, leading to an improvement in the debt protection metrics.

Negative factors – The rating could be downgraded if there is sustained pressure on the profitability and debt coverage indicators, or if there is any sizeable dividend payout which could impact the liquidity position. A specific credit metric for downgrade would be an interest coverage below 3.5 times on a sustained basis.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology
Parent/Group support	Not Applicable
Consolidation/Standalone	Standalone

About the company

PACPL, based in Hyderabad, was started as a proprietary concern in 1978 by Mr. G. S. Marda and was converted into a private limited company in 1988. It manufactures two noble ferro alloys, namely ferro vanadium (FeV) and ferro molybdenum (FeMo). In addition, the company sells the intermediate (chemical) products, that is, vanadium pentoxide (V_2O_5) and ammonium meta vanadate (NH_4VO_3).

Key financial indicators (audited)

PACPL (Standalone)	FY2025	FY2026
Operating income	372.5	440.2
PAT	1.3	10.6
OPBDITA/OI	0.7%	3.6%
PAT/OI	0.3%	2.4%
Total outside liabilities/Tangible net worth (times)	0.1	0.1
Total debt/OPBDIT (times)	0.8	0.0
Interest coverage (times)	1.7	12.5

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

	Current (FY2027)			Chronology of rating history for the past 3 years					
				FY2026		FY2025		FY2024	
Instrument	Type	Amount rated (Rs. crore)	Sep 7, 2026	Date	Rating	Date	Rating	Date	Rating
Long term - Cash credit – Fund based	Long term	34.00	[ICRA]BBB(Stable)	Aug 01, 2025	[ICRA]BBB(Stable)	Nov 05, 2024	[ICRA]BBB+ (Negative)	Aug 21, 2023	[ICRA]BBB+ (Stable)

Complexity level of the rated instruments

Instrument	Complexity indicator
Long term – Cash credit - Fund based	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	Financial sector regulator#
NA	**Long term - Cash credit - Fund based**	NA	NA	NA	34.00	[ICRA]BBB(Stable)	RBI

Source: Company

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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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ABOUT ICRA LIMITED

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

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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