

October 07, 2026

PR Ecoenergy Limited: Ratings reaffirmed

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action	Financial Sector Regulator#
Long term – Fund-based – Term loans	52.49	45.73	[ICRA]BBB (Stable); reaffirmed	RBI
Long term – Fund-based – Cash credit	2.00	2.00	[ICRA]BBB (Stable); reaffirmed	RBI
Short term – Non fund-based facilities	22.00	22.00	[ICRA]A3+; reaffirmed	RBI
Long term – Unallocated	0.00	6.76	[ICRA]BBB (Stable); reaffirmed	RBI
Total	76.49	76.49		

*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 which fall under the regulatory purview of Financial Sector Regulators other than SEBI.

Rationale

The ratings reaffirmation for the bank lines of PR Ecoenergy Limited (PREL) factors in the expected gradual improvement in its performance over the medium term, supported by a likely increase in capacity utilisation amid steady demand as well as the addition of 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 market segment. The company's revenues grew by 5.7% on a year-on-year (YoY) basis in FY2026 to Rs.113.5 crore, supported by increased demand and the onboarding of new customers. Its economies of scale, enhanced production efficiencies and minimised heat losses aided the improvement in the operating profit margin (OPM) to 28.2% in FY2026 from 24.5% in FY2025. PREL's revenues are likely to witness healthy growth in FY2027, with incremental sales from coal trading, while steam distribution volumes are likely to grow at a moderate pace, supported by the surplus availability from installed capacities and revival of steam supply to a few customers. The ratings further draw comfort from its robust leverage and coverage metrics, characterised by Total Debt/TNW of 0.7 times, interest coverage of 9.3 times and Total Debt/OPBDITA of 1.5 times, in FY2026. These metrics were supported by steady earnings, which are expected to remain healthy over the medium term.

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 the high geographical concentration as it derives its entire revenues from GIDC, Panoli, Gujarat. Moreover, PREL's ability to consistently add new customers and increase production while maintaining optimum raw material mix and enhanced efficiencies, eventually supporting the profitability. It is also exposed to competition from other players, although the company benefits from its first-mover advantage. The entry and potential expansion of competing suppliers could affect PREL's ability to onboard new customers, renew existing contracts on favourable terms and maintain its pricing position over the medium term, which would be key rating monitorable.

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 likely to keep the earnings healthy. The outlook also factors in ICRA's expectation that any incremental capital expenditure (capex) will be funded prudently, such that PREL is able to maintain its debt protection metrics at levels commensurate with the current ratings.

Key rating drivers and their description

Credit strengths

Long-term contracts with customers provide steady revenue visibility – PREL caters to customers belonging to various industries, including chemicals, pharmaceuticals, healthcare, agrochemicals, etc. All the customer contracts range from 5-8 years with a lock-in period of 3-5 years with minimum guaranteed offtake of 50-70%. Some of these terms may vary on a contractual basis. Further, the customer concentration risk has reduced, but still remains moderately high, with the top five customers contributing around 71% to the revenue in FY2026 compared to 75% in FY2025. Presently, the company has long-term contracts with 33 customers. 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% in FY2025 and 5.7% in FY2026, reaching Rs. 113.5 crore in FY2026, supported by operationalisation of the recently added boilers and expansion of the pipeline network along with addition of new customers. Besides, OPM improved to around 28% in FY2026 from 24.5% in FY2025 and 21.5% in FY2024, backed by softening of input costs, enhanced production efficiencies to minimise the heat losses and ramp-up in sales volumes, leading to better operating leverage. Further, given the relatively low dependence on working capital limits and increased earnings, the coverage indicators and the working capital cycle continue to be 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 9.3 times in FY2026.

Substantial capacity in place to cater to growing demand – PREL caters to various industries, including pharma, chemicals, textiles, healthcare, agrochemicals, etc., which require a continuous supply of steam. With the commencement of additional boilers in FY2025, the company currently has an installed capacity of 90 metric ton per annum (MTPH; three boilers with 30 MTPH capacity each). In FY2026, PREL produced and supplied around 36 MTPH (32 MTPH in FY2025) 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

Risk associated with contracts termination – PREL's 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, it has secured contracts for a capacity of 91.5 MTPH, which accounts for its entire operational capacity of 90 MTPH.

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 operations and earnings. Additionally, PREL has significant reliance on coal and biomass as 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.

High 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 continue to be important credit rating considerations.

Liquidity position: Adequate

PREL's liquidity is likely to remain Adequate, with expected healthy cash flow from operations, free cash and bank balances and liquid investments of around Rs. 32 crore as on March 31, 2026. The average utilisation of its fund-based limits of Rs. 2 crore has been minimal during the last 12 months ending in July 2026. The company is likely to generate cash accruals of Rs. 20-25 crore each in FY2027 and FY2028, against repayment obligations of Rs. 8-9 crore each in FY2027 and FY2028. Besides,

PREL has capex plans of Rs. 15-20 crore in FY2027 (including setting up a new unit at its subsidiary company), which will be funded through debt of 70-75% and the balance through internal accruals. Overall, ICRA expects the company 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 negatively impacted 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. TOL/TNW of more than 1.7 times on a sustained basis would also unfavourably affect ratings.

Analytical approach

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

About the company

PR Ecoenergy Limited (PREL) supplies steam to various industrial customers at GIDC in Panoli, Gujarat. The company operates boilers to generate steam, which is sold to customers through a pipeline network. In FY2019-FY2020, it set up a 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)

PREL	FY2025	FY2026*
Operating income (OI)	107.4	113.5
PAT	14.6	20.7
OPBDIT/OI	24.5%	28.2%
PAT/OI	13.6%	18.2%
Total outside liabilities/Tangible net worth (times)	1.4	1.1
Total debt/OPBDIT (times)	1.5	1.5
Interest coverage (times)	7.4	9.3

Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amount in Rs. crore; PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation; * Provisional

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Current rating (FY2027)			Chronology of rating history for the past 3 years					
	Type	Amount rated (Rs. crore)	Oct 07, 2026	FY2026		FY2025		FY2024	
				Date	Rating	Date	Rating	Date	Rating
Term loan	Long term	45.73	[ICRA]BBB (Stable)	Jul 01, 2025	[ICRA]BBB (Stable)	Jul 18, 2024	[ICRA]BBB- (Stable)	-	-
Cash credit	Long term	2.00	[ICRA]BBB (Stable)	Jul 01, 2025	[ICRA]BBB (Stable)	Jul 18, 2024	[ICRA]BBB- (Stable)	-	-
Non-fund based facilities	Short term	22.00	[ICRA]A3+	Jul 01, 2025	[ICRA]A3+	Jul 18, 2024	[ICRA]A3	-	-
Unallocated	Long term	6.76	[ICRA]BBB (Stable)	-	-	-	-	-	-
Unallocated	Long term/ Short term	-	-	-	-	Jul 18, 2024	[ICRA]BBB- (Stable)/ [ICRA]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 facilities	Simple
Long term – Unallocated	Not Applicable

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 in Rs. crore	Current rating and outlook	Financial Sector Regulator#
NA	Term loan	FY2019-FY2026	NA	FY2027 - FY2032	45.73	[ICRA]BBB (Stable)	RBI
NA	Cash credit	NA	NA	NA	2.00	[ICRA]BBB (Stable)	RBI
NA	Non-fund based facilities	NA	NA	NA	22.00	[ICRA]A3+	RBI
NA	Unallocated	NA	NA	NA	6.76	[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

ANALYST CONTACTS

Jitin Makkar

+91 124 4545 368

jitinm@icraindia.com

Uday Kumar

+91 124 4545867

uday.kumar@icraindia.com

Vilasagaram Nandakishore

+91 40 6939 6407

vilasagaram.nandakishore@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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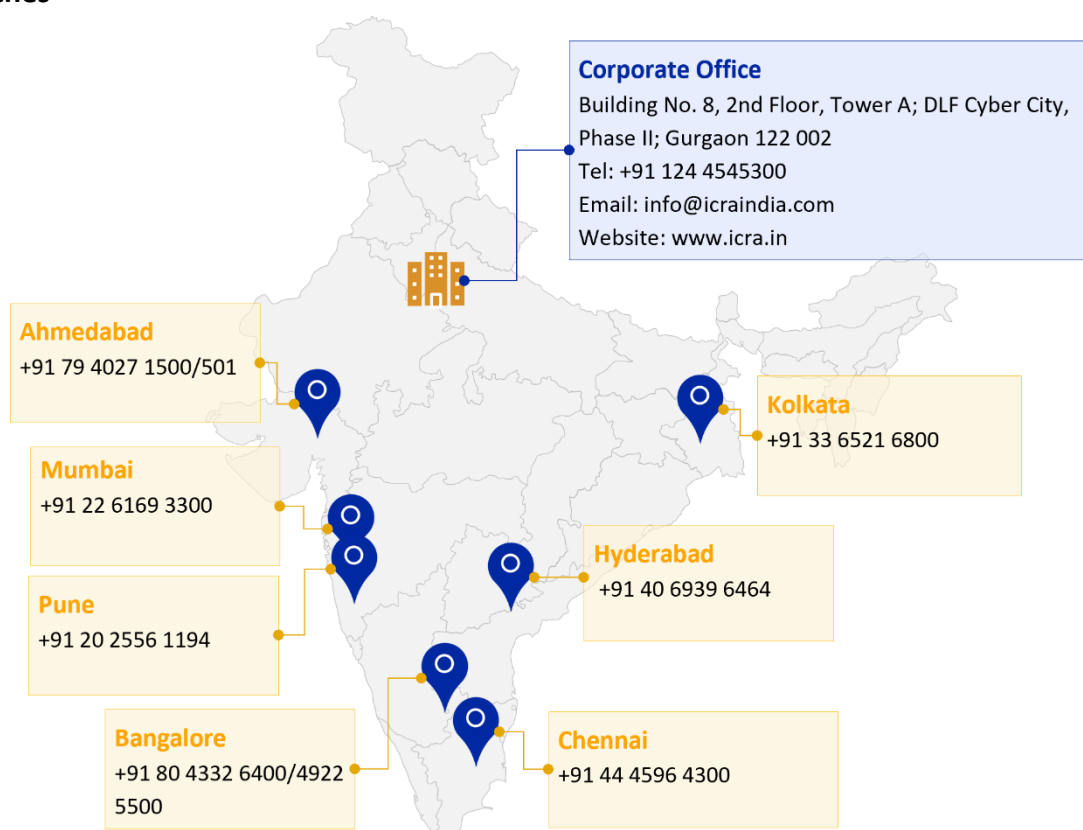
Registered Office

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

Tel: +91 11 23357940-45



Branches



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