



**Press Release**  
**PROMAC ENGINEERING INDUSTRIES LIMITED**  
**February 11, 2025**  
**Rating Assigned and Reaffirmed**

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	38.06	ACUITE BBB-   Stable   Assigned	-
Bank Loan Ratings	37.44	ACUITE BBB-   Stable   Reaffirmed	-
Bank Loan Ratings	21.94	-	ACUITE A3   Assigned
Bank Loan Ratings	52.56	-	ACUITE A3   Reaffirmed
Total Outstanding Quantum (Rs. Cr)	150.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

**Rating Rationale**

Acuite has reaffirmed its long-term rating at ‘**ACUITE BBB-**’ (read as **ACUITE triple B minusa**) and short-term rating at ‘**ACUITE A3**’ (read as **ACUITE A three**) on the Rs.90.00 Cr. bank facilities of Promac Engineering Industries Limited (PEIL). The outlook is ‘**Stable**’.

Additionally, Acuite has assigned its long term rating of ‘**ACUITE BBB-**’ (read as **ACUITE triple B minusa**) and short-term rating of ‘**ACUITE A3**’ (read as **ACUITE A three**) on the Rs.60.00 Cr. bank facilities of Promac Engineering Industries Limited (PEIL). The outlook is ‘**Stable**’.

**Rationale for reaffirmation**

The rating reaffirmation reflects the company’s experienced management, established track record of operations, and long-standing relationships with its customers. The rating takes into account PEIL's healthy order book position, which reflects healthy revenue visibility over the medium term. Additionally, the rating considers PEIL’s high net worth and low gearing ratios, as well as its adequate liquidity profile, supported by moderately utilized fund-based bank limits and moderate cash accruals. However, these strengths are partially offset by the working capital-intensive nature of its operations and its exposure to cyclicality in the industrial construction sector. Going forward, the ability of the company to improve its revenue without any further elongation in its working capital cycle will be a key rating sensitivity.

**About the Company**

Bengaluru - based Promac Engineering Industries Limited (“promac” or “PEIL”) was incorporated in 1972. The company is promoted and managed by Mr. J Surendra Reddy. The company is engaged in providing single point EPC services including basic engineering, civil construction, erection and commissioning of cement plants. The

company also specializes in providing mineral processing and bulk material handling solutions. The company has a unit located in Harholli for manufacturing heavy equipment, executing fabrication work and heat treatment. PEIL is an ISO 9001:2008 certified company.

### **Unsupported Rating**

Not Applicable

### **Analytical Approach**

Acuité has considered the standalone business and financial risk profiles of the Promac Engineering Industries Limited (PEIL) to arrive at this rating.

## Key Rating Drivers

### Strengths

#### Experienced management and long track record of operations

Incorporated in 1972, PEIL has a long track record of operations of more than four decades. Further, the Chairman and Managing Director Mr. J Surendra Reddy also has more than four decades of experience in the engineering industry. The company at the time of establishment focused on producing bulk material handling systems. In 1980, the company forayed into manufacture and supply of cement plants. The company has executed cement plant projects for J K Cement Works, Government of Republic of Congo, Asian Paints Limited, and power plant projects for NTPC, Bharat Heavy Electricals Limited. The company has presence in over 20 countries including Japan, USA, UK, Sudan, and Germany. PEIL collaborates technically with FAMAK S.A. in Poland and Tahiheiyō Engineering Corporation (TEC) in Japan.

Acuite believes PEIL will continue to benefit from its long presence in the industry and established customer relations over the medium term.

#### Improvement in scale of operations, albeit decline in operating profitability

In FY2024, the company recorded a significant growth in revenue to Rs. 153.67 Cr., compared to Rs. 124.00 Cr. in FY2023 and Rs. 120.84 Cr. in FY2022. This growth was primarily driven by increase in higher orders execution during the year. Further, in 8MFY2025, the company has reported revenue of ~Rs. 100.65 Cr. However, the operating margin for FY2024 declined to 12.13 %, in FY2024 from 16.63 % in FY2023. This decrease in operating margins is due to lower share of civil works in the total revenue. The turnover of the FY2023, majorly consisted of civil works (service work) (where margins are higher) than manufacturing of plants. However, PEIL's PAT margins slightly improved and stood at 5.26 % in FY2024 as against 5.04% in FY2023. Further, the company has an outstanding order book position of ~Rs. 537.81 Cr. as of 27th November 2024 reflecting healthy revenue visibility over near to medium term.

Going ahead, the ability of the company to improve its revenue while improving its profitability will remain key monitorable.

#### Healthy Financial Risk Profile

The financial risk profile of the company is healthy, marked by high networth, low gearing ratios and moderate debt protection metrics. The net worth of the company stood at Rs.131.01 Cr. as on March 31, 2024, as against Rs. 127.01 Cr. as on March 31, 2023. The total debt of the company stood at Rs. 29.59 Cr. as on March 31, 2024, as against Rs. 33.98 Cr. as on March 31, 2023. Promac has planned a Capex of approximately Rs. 50.00 Cr, of which Rs. 25.43 Cr. is expected to be completed by FY2026. The company intends to raise Rs. 18.89 Cr. through debt, with the remaining amount to be funded by internal accruals. Through this CAPEX, the company plans to acquire laser cutting machinery, gearbox machinery, and tunnel and boring machines, among other equipment's. The gearing of the company stood low at 0.23 times as on March 31, 2024, as compared to 0.27 times as on March 31, 2023. The TOL/TNW (Total outside liabilities/Total net worth) stood at 0.91 times as on 31 March 2024 as against 0.94 times the previous year. The Debt- EBITDA of the company has improved and stood at 1.47 times as on March 31, 2024, as against 1.64 times as on March 31, 2023. The company has moderate debt protection metrics with Interest coverage ratio (ICR) and debt service coverage ratio (DSCR) of 2.98 times and 1.83 times respectively in FY2024 as against 2.26 times and 1.50 times respectively in the previous year.

Acuite believes that PEIL's financial risk profile will continue to remain healthy on account of steady accruals.

### Weaknesses

#### Improved albeit Intensive nature of working capital operations

The working capital management of the company improved yet remain intensive in nature marked by improving Gross Current Assets (GCA) of 423 days as on March 31, 2024, compared to 522 days as on March 31, 2023, owing to high debtor days. The debtor days are high and stood at 310 days as on March 31, 2024, as against 382 days as on 31st March 2023. Debtors include retention money of Rs. 35.40 Cr. in FY2024. The inventory days improved and stood at 58 days as on March 31, 2024, as against 76 days as of March 2023. The creditors days improved yet remain stretched and stood at 175 days as on March 31, 2024, as against 206 days as on March 31, 2023. However, the average utilization for fund-based limits remained moderate, averaging around 74.96% over the last twelve months ending Oct 2024.

Acuite believes that working capital operations of the PEIL will remain at similar levels over the medium term due to company operating in the working capital-intensive industry.

## Rating Sensitivities

- Timely execution of the order book leading to substantial improvement in scale of operations while maintaining profitability margins.
- Any further stretch in working capital cycle, leading to an increase in working capital borrowings and weakening of financial risk profile and liquidity.

## Liquidity Position Adequate

The company's liquidity is adequate marked by generation of sufficient net cash accruals in FY2024 against its maturing debt obligations. It has generated cash accruals of Rs. 10.72 Cr. during the year ending March 31, 2024, as against its long-term debt obligations of Rs.2.81 Cr. for the same period. Further, it is expected to generate sufficient cash accruals against its maturing repayment obligations over the medium term. PEIL's cash and bank balances stood at Rs.0.66 Cr. as on March 31, 2024. The current ratio stood at 1.79 times as on March 31, 2024. However, the working capital management of the company is intensive in nature marked by Gross Current Assets (GCA) of 423 days as on 31st March 2024, however, the reliance on working capital limits remained moderate with average utilisation of fund-based limits at ~74.96% over the past twelve months ending Oct 2024.

Acuité believes that going forward the company will maintain adequate liquidity position owing to steady accruals.

## Outlook: Stable

## Other Factors affecting Rating

None

## Key Financials

Particulars	Unit	FY 24 (Actual)	FY 23 (Actual)
Operating Income	Rs. Cr.	153.67	124.00
PAT	Rs. Cr.	8.08	6.25
PAT Margin	(%)	5.26	5.04
Total Debt/Tangible Net Worth	Times	0.23	0.27
PBDIT/Interest	Times	2.98	2.26

**Status of non-cooperation with previous CRA (if applicable)**

Not Applicable

## Any other information

None

## Applicable Criteria

- Default Recognition :- <https://www.acuite.in/view-rating-criteria-52.htm>
- Manufacturing Entities: <https://www.acuite.in/view-rating-criteria-59.htm>
- Infrastructure Sector: <https://www.acuite.in/view-rating-criteria-51.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>

## Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuité has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuité's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on [www.acuite.in](http://www.acuite.in).

## Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
22 Dec 2023	Bank Guarantee/Letter of Guarantee	Short Term	21.00	ACUITE A3 (Reaffirmed)
	Bank Guarantee (BLR)	Short Term	7.00	ACUITE A3 (Reaffirmed)
	Bank Guarantee (BLR)	Short Term	20.00	ACUITE A3 (Reaffirmed)
	Term Loan	Long Term	8.24	ACUITE BBB-   Stable (Reaffirmed)
	Secured Overdraft	Long Term	8.00	ACUITE BBB-   Stable (Reaffirmed)
	Cash Credit	Long Term	7.00	ACUITE BBB-   Stable (Reaffirmed)
	Proposed Long Term Loan	Long Term	8.76	ACUITE BBB-   Stable (Reaffirmed)
	Cash Credit	Long Term	10.00	ACUITE BBB-   Stable (Reaffirmed)
19 Oct 2022	Bank Guarantee (BLR)	Short Term	7.00	ACUITE A3 (Assigned)
	Bank Guarantee (BLR)	Short Term	20.00	ACUITE A3 (Assigned)
	Letter of Credit	Short Term	5.00	ACUITE A3 (Assigned)
	Bank Guarantee/Letter of Guarantee	Short Term	21.00	ACUITE A3 (Assigned)
	Cash Credit	Long Term	7.00	ACUITE BBB-   Stable (Assigned)
	Proposed Long Term Loan	Long Term	12.00	ACUITE BBB-   Stable (Assigned)
	Cash Credit	Long Term	10.00	ACUITE BBB-   Stable (Assigned)
	Secured Overdraft	Long Term	8.00	ACUITE BBB-   Stable (Assigned)

## Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Complexity Level	Rating
HDFC Bank Ltd	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	7.00	Simple	ACUITE A3   Reaffirmed
State Bank of India	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	20.00	Simple	ACUITE A3   Reaffirmed
Canara Bank	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	4.56	Simple	ACUITE A3   Reaffirmed
Canara Bank	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	5.44	Simple	ACUITE A3   Assigned
Canara Bank	Not avl. / Not appl.	Bank Guarantee/Letter of Guarantee	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	21.00	Simple	ACUITE A3   Reaffirmed
Canara Bank	Not avl. / Not appl.	Bank Guarantee/Letter of Guarantee	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	10.00	Simple	ACUITE A3   Assigned
State Bank of India	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	10.00	Simple	ACUITE BBB-   Stable   Reaffirmed
HDFC Bank Ltd	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	7.00	Simple	ACUITE BBB-   Stable   Reaffirmed
Canara Bank	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	8.00	Simple	ACUITE BBB-   Stable   Reaffirmed
HDFC Bank Ltd	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	4.00	Simple	ACUITE BBB-   Stable   Assigned
HDFC Bank Ltd	Not avl. / Not appl.	Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	6.50	Simple	ACUITE A3   Assigned
Not Applicable	Not avl. / Not appl.	Proposed Long Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	4.20	Simple	ACUITE BBB-   Stable   Reaffirmed
HDFC Bank Ltd	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	31 Mar 2028	8.24	Simple	ACUITE BBB-   Stable   Reaffirmed
HDFC Bank Ltd	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	31 Mar 2028	34.06	Simple	ACUITE BBB-   Stable   Assigned

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### About Acuité Ratings & Research

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