Press Release

Patel Engineering Limited

June 06, 2025

Ratings

Instrument / Facility	**Amount (Rs. crore)**	**Current Ratings**	**Previous Ratings**	**Rating Action**	**Complexity Indicator**
Optionally Convertibles Debentures (OCD)	274.95 (Reduced from Rs. 303.07 crore)	IVR A-/Stable (IVR Single A Minus with Stable Outlook)	IVR A-/Stable (IVR Single A Minus with Stable Outlook)	Rating Reaffirmed	Complex
Total OCDs	**274.95 (Rupees Two hundred seventy-four crore and ninety-five lakh only)**				
Long term Bank Facilities (incl. proposed)	1680.13 (Enhanced from Rs.1274.57 crore)	IVR A-/Stable (IVR Single A Minus with Stable Outlook)	IVR A-/Stable (IVR Single A Minus with Stable Outlook)	Rating Reaffirmed	Simple
Short Term Bank Facilities (incl. proposed)	4496.43 (Reduced from Rs.4873.87 crore)	IVR A2+ (IVR A Two Plus)	IVR A2+ (IVR A Two Plus)	Rating Reaffirmed	Simple
Total Bank Facilities	**6176.56 (Rupees six thousand one hundred seventy-six crore and fifty-six lakh only)**				

Details of Facilities/Instruments are in Annexure 1. Facility wise lender details are at Annexure 2. Detailed explanation of covenants is at Annexure 3.

Detailed Rationale

Infomerics Ratings has reaffirmed its rating of IVR A-/Stable/IVR A2+ for the long-term and short-term bank facilities and capital market instrument of Patel Engineering Limited (PEL). The reaffirmation continues to factor in the company's proven track record with established market position and experienced management team, strong order book position providing adequate revenue visibility, increase in scale of operations with stable operating margins, healthy capital structure and debt protection metrics. The rating strengths are however tempered by working capital intensive operations, volatile input prices and highly fragmented & competitive industry.

The Stable outlook reflects the adequate revenue visibility backed by strong order book and stable operating performance.

Key Rating Sensitivities:

Upward Factors:

- Significant growth in scale of operations along with improvement in profitability on a sustained basis.
- Improvement in working capital cycle leading to improvement in the liquidity position of the company on a sustained basis.

Downward Factors

- Decline in scale of operations and profitability impacting the liquidity position and debt protection metrics of the company.
- Sharp changes in leverage impacting the debt protection metrics.
- Stretch in working capital cycle impacting the liquidity of the company.
- Large debt funded project where PEL is the sponsor and developer.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Proven track record with established market position and experienced management team

PEL has seven decades of proven track record and has executed projects across all sectors of infrastructure including dams, tunnels, micro-tunnels, hydroelectric power, irrigation, highways, roads, bridges, railways, refineries, real estate, and townships, both in India and overseas. To date, PEL has completed over 300 projects, which include the construction of approximately 15,000 MW of hydroelectric capacity, 87 dams, 300 km of tunnels, over 1,200 km of roads, and irrigation works of over 0.55 million acres of land. The founder-promoter group has been associated with the company since its inception. Following the untimely demise of Mr. Rupen Patel, the company’s former Chairman and Managing Director, in July 2024, Ms. Janky Patel (wife of Mr. Rupen Patel) has been appointed as Chairperson. Despite this significant leadership transition, the company has maintained operational continuity, with day-to-day affairs managed by a team of well-qualified and experienced professionals.

Strong order book position providing adequate revenue visibility

As on March 31,2025, PEL had a robust order book of Rs.15,217.60 crore, equivalent to 3.04 times FY25 (refers to the period April 01 to March 31) revenue, offering strong revenue visibility over the near to medium term. The order book is well-diversified across infrastructure sectors, with approximately 66% from hydroelectric projects, 23% from irrigation, 8% from tunnels, and remaining 3% from roads and other segments. PEL's long-standing industry presence has enabled it to secure repeat orders from key government and public sector clients such as Northeastern Electric Power Corporation Limited (NEEPCO), National Thermal Power Corporation (NTPC), National Hydroelectric Power Corporation (NHPC), National Highways Authority of India (NHAI), Satluj Jal Vidyut Nigam Limited (SJVN), and Indian Railway Construction International Limited (IRCON). Of the total order book, central government and PSUs contribute around 63.48%, state government departments 32.36%, and international projects 4.16%. The top five projects comprise 50% of the total order book, with the top three alone accounting for 38%. The company has received orders worth Rs.2221.56 crore in current financial year, hence the order book aggregates to Rs.17,439.16 crore as on May 31,2025.

Increase in scale of operations with stable operating margins

PEL recorded a healthy revenue growth of approximately 14% in FY25, driven by strong order execution. The company's revenue increased to Rs.5,007.65 crore in FY25 from Rs.4,412.04 crore in FY24. The EBITDA margin has remained stable at 15.03% in FY25 and 14.97% in FY24. PAT margin moderated to 5.03% in FY25 from 6.32% in FY24, due to some exceptional expenses. Infomerics estimates, PEL's revenue to remain stable in FY26 supported by a strong order book, adequate liquidity, and a steady pace of execution of projects.

Healthy capital structure and debt protection metrics

PEL's adjusted tangible net worth has increased from Rs.2,851.81 crore as of March 31, 2024, to Rs.3,300.80 crore as of March 31, 2025, supported by a Rs.400 crore equity infusion through qualified institutional placement (QIP) in April 2024 and accretion of profits. The total debt of the company (including interest bearing contract advances) has declined to Rs.2158.07 crore as on March 31,2025 from Rs.2497.82 crore as on March 31,2024. Interest bearing contract advances stood at Rs.667.47 crore as on March 31, 2025 (PY: Rs.765.66 crore). Accordingly, adjusted overall gearing and TOL/ATNW improved to 0.65x and 1.69x respectively as on March 31, 2025 from 0.88x and 1.94x respectively as on March 31, 2024.

The leverage ratios remain at similar level after loading the corporate guarantee of ~Rs.35.00 crore also.

Debt protection metrics like interest coverage ratio improved to 2.36x in FY25 from 1.85x in FY24. Total debt to EBITDA improved to 2.87x for FY25 from 3.78x for FY24. The capital structure of the company is expected to improve in FY26.

Key Rating Weaknesses

Working capital intensive operations

PEL's operations continue to be working capital intensive marked by operating cycle of 232 days for FY25 and 235 days for FY24. The inventory days continue to be high at 336 days for FY25 and 335 days for FY24 due to work in progress which includes unbilled revenue and arbitration claims pending awards relating to legacy projects and stock of land. However, in majority cases, concessioning authorities now generally ensure over 90% land acquisition and clearances before awarding projects, resultantly delays attributable to such instances, going forward are likely to reduce significantly. The receivable days continue to be at similar level at 66 days in FY25 and 62 days in FY24. Receivables also include awards in favour of the company however, stuck in arbitration. The working capital requirements are funded through a mix of external debt, mobilisation advances and trade creditors. The working capital intensity is also reflected in moderate average utilization of fund-based bank limits at ~61 percent for the 12 months ended March 2025; whereas non-fund-based bank limits remain utilized at ~76 percent over the same period.

Volatile input prices

Major raw materials used in construction activities are steel and cement which are usually sourced from large players at proximate distances. Historically, the cost of these raw materials and steel products have been volatile in nature and hence, profitability margins of the company are susceptible to fluctuation in raw material prices. However, the company has been able to shake off the effect of volatility to a certain extent with the help of inherent cost escalation clause embedded in the contracts. EBITDA margin stood stable at 15.03% in FY25 and 14.97% in FY24.

Highly fragmented & competitive industry

The construction sector is highly fragmented with presence of many mid to large sized players. The company being an EPC contractor faces significant pricing competition. However, PEL is one of the established players in the sector and has requisite pre-qualifications for bidding tenders. Further, PEL is also exposed to regulatory risks, which can affect its ability to complete projects in a timely manner and to secure new projects from time to time. PEL had in the past experienced delays in commencement as well as execution of projects on account of delays in regulatory and environmental approvals. This may, in turn, result in significant cost escalations leading to lower-than-expected operating profitability.

Analytical Approach: Standalone

Applicable Criteria:

Criteria of assigning Rating Outlook

Rating Methodology for Infrastructure Companies.

Financial Ratios & Interpretation (Non-Financial Sector)

Policy on Default Recognition

Complexity Level of Rated Instruments/Facilities

Liquidity –Adequate

PEL's liquidity remains adequate, backed by adequate cash accruals in the projected period FY26-28 as against debt repayment obligations of Rs.173.49 crore in FY26, Rs.147.08 crore in FY27, and Rs.120.45 crore in FY28. The company raised Rs.400 crore through QIP in April 2024 which supported growth of business operations. The company also prepaid OCD originally due on August 08, 2024, amounting to Rs.70.93 crore. During FY25, the company also monetized Rs.135 crore from sale of non-core assets and received arbitration proceeds of Rs.353.60 crore under Vivad-se-Vishwas Scheme, further supporting working capital needs. The fund based working capital limit utilization stood at ~61% during the 12 months ended March 2025. The current ratio stood at 1.63x as on March 31, 2025. The company had cash and cash equivalents of Rs.392.83 crore as on March 31, 2025.

Further, the company has extended Rs.50 crore support to a real estate entity during FY25 by way of security deposit. However, the management has articulated that no further support is expected to be extended, and the amount is expected to be recovered as project sales progress.

About the Company

Incorporated in 1949, Patel Engineering Ltd is engaged in the civil engineering and construction segment majorly for government entities. Over the years, it has executed various types of projects from dams, tunnels, micro-tunnels, hydroelectric projects, irrigation projects, highways, roads, bridges, railways, refineries to real estates and townships.

Financials (Standalone): **(Rs. Crore)**

For the year ended/ As on*	31-03-2024	31-03-2025
	(Audited)	(Audited)
Total Operating Income	4412.04	5007.65
EBITDA	660.49	752.80
PAT	285.60	262.21
Total Debt	1732.16	1490.60
Tangible Net Worth	3059.82	3746.00
EBITDA Margin (%)	14.97	15.03
PAT Margin (%)	6.32	5.03
Overall Gearing Ratio (x)	0.82	0.58
Interest Coverage (x)	1.85	2.36

** Classification as per Infomerics' standards.*

Status of non-cooperation with previous CRA: Nil

Any other information: Nil

Rating History for last three years:

Sr. No.	Name of Security/ Facilities	Current Ratings (Year 2025-26)			Rating History for the past 3 years			
		Type (Long Term/ Short Term)	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2024-25	Date(s) & Rating(s) assigned in 2023-24	Date(s) & Rating(s) assigned in in 2022-23	
					June 07,2024	June 09,2023	Sep 07, 2022	Aug 26, 2022
1.	Optionally Convertibles Debentures	Long Term	274.95	IVR A-/Stable	IVR A-/Stable	IVR BBB+/Stable	IVR BBB/ Stable	IVR BBB-/ INC
2.	Cash Credit	Long Term	1270.5	IVR A-/Stable	IVR A-/Stable	IVR BBB+/Stable	IVR BBB/ Stable	IVR BBB-/ INC
3.	Proposed Cash Credit	Long Term	219.94	IVR A-/Stable	IVR A-/Stable	IVR BBB+/Stable	IVR BBB/ Stable	IVR BBB-/ INC

Sr. No.	Name of Security/ Facilities	Current Ratings (Year 2025-26)			Rating History for the past 3 years			
		Type (Long Term/ Short Term)	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2024-25	Date(s) & Rating(s) assigned in 2023-24	Date(s) & Rating(s) assigned in in 2022-23	
					June 07,2024	June 09,2023	Sep 07, 2022	Aug 26, 2022
4.	Lease Financing	Long Term	1.43	IVR A-/Stable	IVR A-/Stable	IVR BBB+/Stable	IVR BBB/ Stable	IVR BBB-/ INC
5.	Project Specific Term Loan	Long Term	188.25	IVR A-/Stable	IVR A2+	IVR A2	IVR A3+	IVR A3/INC
6.	LC/BG	Short Term	4420.23	IVR A2+	IVR A2+	IVR A2	IVR A3+	IVR A3/INC
7.	Proposed LC/BG	Short Term	76.20	IVR A2+	IVR A2+	-	-	-

INC: Issuer Not Cooperating

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About Infomerics:

Infomerics Valuation and Rating Ltd (Infomerics) [Formerly Infomerics Valuation and Rating Pvt. Ltd] was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).

Adhering to best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates wide range of debt instruments which helps corporates access to financial markets and provides investors credit ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks.

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Annexure 1: Instrument/Facility Details

Name of Facility/ /Security	ISIN	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Optionally Convertible Debentures	INE244B07151	November 24,2017	0.01%	August 08,2027	63.31	IVR A-/ Stable
Optionally Convertible Debentures	INE244B07169	November 24,2017	0.01%	August 08,2027	140.18	IVR A-/ Stable
Optionally Convertible Debentures	INE244B07219	December 31,2018	0.01%	August 08,2027	4.17	IVR A-/ Stable
Optionally Convertible Debentures	INE244B07227	December 31,2018	0.01%	August 08,2027	67.29	IVR A-/ Stable
Long Term Fund Based Bank Facilities- Project Specific Term Loan	-	-	-	June 2029	70.00	IVR A-/ Stable
Long Term Fund Based Bank Facilities- Project Specific Term Loan	-	-	-	August 2026	118.25	IVR A-/ Stable
Long Term Fund Based Bank Facilities-Cash credit	-	-	-	-	1270.51	IVR A-/ Stable

Name of Facility/ /Security	ISIN	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Long Term Fund Based Bank Facilities-Proposed Cash credit	-	-	-	-	219.94	IVR A-/ Stable
Long Term Fund Based Bank Facilities- Lease Financing	-	-	-	-	1.43	IVR A-/ Stable
Short Term Non-Fund Based Bank Facilities- LC/BG	-	-	-	-	4420.23	IVR A2+
Short Term Non-Fund Based Bank Facilities- Proposed LC/BG	-	-	-	-	76.20	IVR A2+

Annexure 2: Facility wise lender details:
https://www.infomerics.com/admin/prfiles/Len-Patel-Engineering-6june25.pdf

Annexure 3: Detailed explanation of covenants of the rated Security:

Name of the Instrument		**Detailed Explanation**
Optionally Convertible Debentures		Secured, rated, redeemable optionally convertible debentures of the face value of Rs. 1000 each, issued by the company in 10 tranches (each in the form of separately transferable redeemable principal parts) upon conversion of the debt.
	Financial Covenant	
	-	-
	Non-financial Covenant	
i	Tenure	The tenor of the debentures shall be 10 years from the cut-off date (August 08,2017).
ii	Pledge	Pledge of 49% holding of the company in Hitodi Infrastructure Pvt. Ltd. (associate company of PEL)
iii	Mandatory redemption	a) Any cash inflow in excess of 125% of the projected EBITDA in any financial Year shall be utilized by the company to prepay the secured obligations (without payment of any early redemption costs/prepayment penalty). b) Any cash received towards principal amount of the financial bank guarantee issued under the Award BG facilities can be utilized towards the early redemption of the debentures of such debenture holder which has issued the said financial bank guarantee in capacity of the working capital facility lender to the Part A Debt.
iv	Interest payment	Interest shall apply and accrue on the debentures at the rate of 0.01% per annum starting from the cut-off date.

Name of the Instrument		Detailed Explanation
		On each redemption date, the company shall pay the debenture holders the unpaid interest on the debentures, accrued up to such redemption date. Interest and all other charges shall accrue from day to day and shall be computed on the basis of a 365 days where the year is a leap year, 366 days.
v	Conversion into NCDs	If the debentures are not converted into the conversion shares (in accordance with the terms of deed) during the conversion period, then the company shall ensure that, if so instructed by the debenture trustee, the outstanding portion of the secured obligations is converted into debt availed / to be availed in the form of non-convertible debentures no later than 7 days prior to the expiry of the conversion period.
Vi	Asset cover	The company shall also, at all times during the tenor of the debentures, maintain a minimum of 100% asset cover in respect of the outstanding debentures as required under the act.
vii	Escrow Account	The company shall deposit in the escrow account all the proceeds received from any of the projects being undertaken by the company.
viii	Information undertakings	The company shall supply to the debenture trustee certified true copies of the audited balance sheet and the profit and loss statement of the company for every financial year by no later than 90 days from the end of such financial year, certified true copies of the unaudited quarterly/half yearly financial results of the company, by no later than 60 days from the end of such quarterly / half yearly period, if required under the applicable law; all documents filed with any governmental authority in connection with the debenture documents, any change in management or composition of the board of directors of the company.

Annexure 4: List of companies considered for consolidated analysis: Not Applicable

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at [www.infomerics.com.](http://www.infomerics.com)