

India Ratings Revises Outlook on Patel Engineering's NCDs and Bank Loan Facilities to Positive; Affirms 'IND A-'

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India Ratings and Research (Ind-Ra) has revised the Outlook on Patel Engineering Limited's (PEL) debt instruments to Positive from Stable, while affirming the long-term rating at 'IND A-' and upgrading the short-term rating to 'IND A1' from 'IND A2+'. The instrument-wise rating actions are as follows:

Details of Instruments

Instrument Type	Date of Issuance	Coupon Rate	Maturity Date	Size of Issue (million)	Rating Assigned with Outlook/Watch	Rating Action
Bank loan facilities	-	-	-	INR75,000 (reduced from INR75,000.10)	IND A-/Positive/IND A1	Outlook revised to Positive; long-term rating affirmed; short-term rating upgraded
Non-convertible debentures#	-	-	-	INR2,000	IND A-/Positive	Affirmed; Outlook revised to Positive

#Details in annexure

Analytical Approach

To arrive at the ratings, Ind-Ra continues to factor in the standalone financials of PEL while adjusting for the outstanding debt of its subsidiary, Patel SEW JV (60%), for which the company had provided a corporate guarantee as of March 2026. PEL has withdrawn the corporate guarantee issued to its wholly-owned subsidiary PBSR Developers Pvt. Ltd. following the repayment of the entire debt by the subsidiary.

Detailed Rationale of the Rating Action

The Positive Outlook reflects Ind-Ra's expectation of a steady improvement in PEL's operating performance and strengthening of the credit metrics over the medium term, supported by a healthy order book and cash flow generation.

The affirmation reflects an improvement in the company's credit metrics in FY26 led by a reduction in debt and an improvement in profitability. Furthermore, Ind-Ra expects PEL's liquidity profile to remain adequate over FY27-FY28, aided by an improvement in its working capital cycle with the release of its working capital lock-up.

The upgrade of the short-term rating reflects the company's healthy cash and cash equivalent position, robust cash flow generation, and adequate headroom available in its bank loan limits to comfortably meet the scheduled repayment obligations over FY27 and FY28.

Ind-Ra takes note of an National Company Law Tribunal (NCLT) petition filed by one of the lenders against the company in March 2026, pertaining to debt servicing delays by the developer of a real estate project, where-in the land ownership is with PEL. Ind-Ra will continue to monitor the developments around the petition and its impact on PEL's credit risk profile.

List of Key Rating Drivers

Strengths

- Long operational track record; established market position
- Steady operating performance
- Moderate credit metrics but on improving trajectory
- Adequate order book

Weaknesses

- Elongated working capital cycle

Detailed Description of Key Rating Drivers

Long Operational Track Record; Established Market Position: PEL is an infrastructure engineering, procurement and contracting company, primarily engaged in executing complex hydropower, tunnelling, irrigation, and transport projects since 1949. The company has seven decades of experience in executing domestic and international projects. PEL primarily undertakes complex projects such as dams, underground works, roads, and bridges, largely for government and public sector clients. As of end-March 2026, it had completed over 350 projects, which include works related to the construction of more than 15,000MW of hydro projects, 87 dams, 300kms of tunnels, over 1,200kms of roads, irrigation works of over 0.55 million acres of land and construction of more than 2,000 metres of shaft boring.

Steady Operating Performance: Ind-Ra expects PEL's revenue to rise 8%-10% yoy in FY27, due to the presence of an order book of INR151 billion at end-FY26 (2.98x of FY26 revenue), liquidity buffers to support operations, and a steady pace of order execution. However, the revenue visibility is lower than the highs of 5.0x-6.0x during FY22-FY23, due to a change in the underlying order mix as well as a decline in the order book at end-FY26 (FYE25: INR152 billion; FYE24: INR187 billion; FYE23: INR208 billion). During FY26, the company secured new orders totaling INR44.01 billion (FY25: INR1.11 billion). The timely execution of new orders is a key rating monitorable, and any delay in the offtake of these orders is likely to impact the company's revenue.

During FY26, PEL's revenue marginally grew to INR50.67 billion (FY25: INR 50.08 billion; FY24: INR44.1 billion; FY23: INR38.2 billion; FY22: INR30.3 billion), aided by the healthy pace of order execution. However, the EBITDA margins moderated to 13.0% in FY26 (FY25: 13.8%; FY24: 14.1%; FY23: 14.2%; FY22: 15.1%) due to a change in project mix and project execution stage. The EBITDA margins are likely to remain stable at around 12.5%-14% in FY27 and FY28, considering the underlying contracts, which will have a dominant revenue share in FY27 and FY28.

Moderate Credit Metrics but on Improving Trajectory: Ind-Ra expects PEL's credit metrics to improve further in FY27 with the interest coverage sustaining above 2.4x and the net adjusted leverage (net debt including corporate guarantee/EBITDA) remaining below 1.5x, due to a reduction in debt and an increase in the absolute EBITDA. At FYE26, PEL had a total outstanding debt of INR11.24 billion (FY25: INR14.91 billion; FY24: INR17.3 billion; FYE23: INR15.4 billion; FYE22: INR19.9 billion), of which working capital borrowings stood at INR8.8 billion (INR9.8 billion; INR10.3 billion; INR9.6 billion; INR11.1 billion). The outstanding corporate guarantee marginally reduced to INR0.19 billion at FYE26 (FYE25: INR0.35 billion; FYE24: INR0.4 billion; FYE23: INR4.4 billion; FYE22: INR4.9 billion).

The net adjusted leverage reduced to 1.25x in FY26 (FY25: 1.71x; FY24: 2.6x; FY23: 3.4x) and the interest coverage improved to 2.27x (2.17x; 1.7x; 1.4x), owing to the improvement in absolute EBITDA, coupled with debt repayments and reduced financing expenses. The total outside liabilities (TOL; borrowings, creditors and advances) as a multiple of EBITDA also improved to 7.5x in FY26 (FY25: 8.08x; FY24: 8.9x; FY23: 9.8x); nevertheless, PEL's balance sheet is levered much higher than that of other Ind-Ra-rated peers. This can be attributed to a heavy reliance on a combination of external debt, mobilisation advances and trade creditors. Any significant reliance on debt to maintain liquidity or any significant delays in the realisation of trade and work-in-progress receivables over FY27-FY28 could result in deterioration in the credit metrics.

Adequate Order Book: At FYE26, the order book was majorly concentrated across two segments - hydro/hydro-electric projects (63%) and irrigation (16%), while the remaining was spread across tunnel-related works (5%) and other construction works (16%). The top five projects constituted 45% of the total order book, while the top three projects accounted for 33% by value. At FYE26, 38% of the order book was less than 10% executed and 4% was executed between 10% and 30%, posing an inherent project risk. The company has secured orders of INR44.01 billion during FY26 and this shall improve its revenue visibility for FY27. Despite the projects running in active status, the projects would require high execution run-rates to meet the scheduled completion timelines or rely on extensions of timelines from project-awarding authorities. These projects were predominantly delayed owing to issues pertaining to design changes, land acquisitions, environmental clearances, COVID-19 disruptions and operational challenges arising out of geographical constraints. However, Ind-Ra draws comfort from the diversified geographical order book with the orders from the central/state governments forming 97%, where the counterparty credit risk is minimal; however, the risk of a delay in the certification and realisation of receivables persists. Ind-Ra further draws comfort from the presence of a bidding pipeline of more than INR200 billion at end-March 2026, which can materialise over the medium term and may result in an order inflow of INR80 billion-INR 100 billion in FY27.

Elongated Working Capital Cycle: Ind-Ra expects the company's working capital cycle to remain elongated at the levels of FY26 during FY27-FY28 due to the nature of underlying contracts, which are reflected through high unbilled revenue. Although the company has been able to recover dues from customers in ongoing projects with a collection efficiency of about 92% in FY26, the net working capital cycle elongated slightly to 282 days in FY26 (FY25: 251 days; FY24: 227 days; FY23: 214 days), due to a rise in the unbilled revenue. The unbilled revenue rose to INR37,897 million at FYE26 (FYE25: INR34,083 million; FY24: INR30,701 million). Out of the total unbilled revenue and trade receivables at end-March 2026, INR15,826 million was due to the presence of non-moving work-in-progress items under various arbitration levels. The gross working capital cycle as a percentage of revenue remained largely stable at 124% in FY26 (FY25: 120%; FY24: 118%; FY23: 125%). Excluding arbitration-related components, the gross working capital remained broadly stable and comfortable at 86% in FY26 (FY25: 83%; FY24: 74%; FY23: 85%). Ind-Ra believes the collection efficiency shall remain intact to ensure liquidity is maintained and shall remain a key monitorable.

Liquidity

Adequate: Ind-Ra expects PEL's liquidity position to be adequate over FY27-FY28 with a positive cash flow from operations of nearly INR2.5 billion in each year. The cash flow from operations improved to INR3.3 billion (FY25: INR2.2 billion; FY24: INR1.7 billion; FY23: INR2.2 billion) owing to favourable changes in working capital. The company had unencumbered cash and cash equivalents of around INR3.2 billion at FYE26 (FYE25: INR3.4 billion; FYE24: INR1.9 billion; FYE23: INR1.7 billion; FYE22: INR1.9 billion). During FY26, the company undertook a rights issue amounting to INR3,989 million, the proceeds from which were used for debt repayment and strengthening its working capital position. The company has scheduled repayment obligations of INR0.45 billion in FY27 and INR1.5 billion in FY28.

PEL also had undrawn fund-based limits of nearly INR4 billion at end-March 2026. The average use of the fund-based and non-fund-based working capital limits was around 69% and 70%, respectively, for the 12 months ended March 2026. The company has issued surety bonds of INR966.3 million and had trade receivables discounting system utilisation of INR38.1 million as of end-March 2026. Ind Ra expects the company to incur capex of INR1 billion-1.5 billion, which will be funded through a mix of mobilisation advances, debt and internal accruals.

During FY26, the company signed a memorandum of agreement (MOA) with the Government of Arunachal Pradesh in December 2025 for a 144MW Gongri hydropower project, which will be executed on a build, own, operate, and transfer (BOOT) basis. The financial closure for the project is currently under process and power purchase agreement is yet to be signed. Thus, the order does not form part of the unexecuted order book as of end-March 2026. The total project cost is estimated at around INR 17billion, with a capital structure of approximately 30% equity and 70% debt. The project debt is unlikely to have a corporate guarantee; however, it may be supported by a shortfall undertaking. Out of the total equity, around 10% is likely to be funded through subordinated debt with repayments linked to the project's cash flows, thereby reducing the upfront equity requirement. Consequently, management estimates equity infusion of around INR5 billion over FY27-FY30. The project has a planned construction period of four years with 40 years of operational period. The company does not have any other equity funded project as on date.

Ind-Ra had previously expected the monetisation of non-core assets to continue over FY26. The company monetised INR1.35 billion from the sale of non-core assets during FY26 and received arbitration proceeds of nearly INR 0.5 billion. PEL is likely to further recover INR 1 billion-1.5 billion from monetisation or arbitration awards during FY27 supporting the working capital requirement. The monetisation of land bank is still under pursuit and shall remain one of the focus areas of the company in its overall debt reduction plan over the medium term. Further, the company is planning to monetise its stake in ACP Tollways Pvt. Ltd. during the year for around INR0.5 billion.

Rating Sensitivities

Positive: Sustenance of the scale of operations, profitability and liquidity, along with a shorter working capital cycle, leading to the interest coverage exceeding 2.5x and TOL/EBITDA improving below 7.5x, on a sustained basis, will be positive for the ratings.

Negative: A decline in the scale of operations, profitability, or liquidity, and/or higher-than-expected outflows towards projects and loans to group companies, and/or an increase in working capital intensity, resulting in the interest coverage sustaining below 2.5x and/or TOL/EBITDA remaining above 7.5x, would lead to a revision in the Outlook back to Stable.

Any Other Information

Not applicable

ESG Issues

ESG Factors Minimally Relevant to Rating: Unless otherwise disclosed in this section, the ESG issues are credit neutral or have only a minimal credit impact on PEL, due to either their nature or the way in which they are being managed by PEL. For more information on Ind-Ra's ESG Relevance Disclosures, please click [here](#). For answers to frequently asked questions regarding ESG Relevance Disclosures and their impact on ratings, please click [here](#).

About the Company

Incorporated in 1949, PEL constructs dams, bridges, tunnels, roads, piling works, industrial structures and other kinds of heavy civil engineering works. Engineering and construction are the company's primary revenue segment, under which, it mainly executes projects in the areas of hydroelectric power, tunnel, irrigation & water supply, roads & highways, and urban infrastructure.

Key Financial Indicators

Particulars (INR million)	FY26	FY25
Revenue	50,666	50,076
EBITDA	6,594	6,913
EBITDA margin (%)	13.02	13.80
Interest coverage (x)	2.27	2.17
Cash & cash equivalent	3,177	3,410
Net leverage (x)	1.22	1.66
TOL/EBITDA (x)	7.54	8.08
Source: PEL, Ind Ra		

Status of Non-Cooperation with previous rating agency

Not applicable

Rating History

Instrument Type	Current Rating/Outlook			Historical Rating/Outlook				
	Rating Type	Rated Limits (million)	Current Rating	3 July 2025	28 April 2025	4 April 2025	4 July 2024	6 April 2023
Bank loan facilities	Long-term/Short-term	INR75,000	IND A-/Positive/IND A1	IND A-/Stable/IND A2+	IND A-/Stable/IND A2+	IND A-/Stable/IND A2+	IND BBB+/Positive/IND A2+	IND BBB/Positive/IND A2
Non-convertible debentures	Long-term	INR2,000	IND A-/Positive	IND A-/Stable	-	-	-	-

Bank wise Facilities Details

Complexity Level of the Instruments

Instrument Type	Complexity Indicator
Bank loan facilities	Low
Non-convertible debentures	Low

For details on the complexity level of the instruments, please visit <https://www.indiaratings.co.in/complexity-indicators>.

Annexure

Instrument Type	ISIN	Date of Issuance	Coupon Rate (%)	Maturity Date	Rating/Outlook	Outstanding/Rated Amount (million)
Non-convertible debentures	INE244B07243	26 August 2025	10.25	25 August 2028	IND A-/Positive	INR500
Non-convertible debentures (Unutilised)	-	-	-	-	IND A-/Positive	INR1,500
Total						INR2,000
Source: PEL, NSDL						

List of instruments and names of regulators of the instruments

As required by SEBI CRA Circular dated Feb 10, 2026, a list of activities or instruments falling under the purview of various FSRs, along with the names of respective FSRs, is being disclosed below:

A. Rating Activity

Sr. No.	Instrument / activity Name	Regulator of the instrument
1	Listed/Proposed to be listed Bonds/Debentures/Preference Shares (all securities)	SEBI
2	Unlisted/Proposed to be unlisted Bonds/Debentures/ Preference share (all securities)	MCA
3	Listed PTCs / Securitisation Notes (originated by entities regulated by RBI)*	SEBI
4	Listed PTCs / Securitisation Notes (originated by entities not regulated by RBI)*	SEBI
5	Unlisted PTCs / Securitisation Notes (originated by entities regulated by RBI)*	RBI
6	Listed Commercial Paper and NCDs with original maturity less than 1 year	RBI
7	Unlisted Commercial Paper and NCDs with original maturity less than 1 year	RBI
8	Loan Facilities (Fund/Non-Fund Based) from Bank / NBFCs/ NHB/ FIs ^	RBI
9	External Commercial Borrowings and other similar borrowings	RBI
10	Certificates of Deposit	RBI
11	Fixed Deposits raised by NBFCs, Banks, HFCs, FIs	RBI
12	Fixed Deposits raised by corporates other than NBFCs, Banks, HFCs, FIs	MCA
13	Inter Corporate Deposits/Loans extended by Corporates	MCA
14	Borrowing programme ~	-
15	Issuer Ratings #	-
16	Credit Ratings for Capital Protection Oriented Schemes (by Mutual Funds and AIFs)	SEBI
17	Credit quality ratings (CQRs) for Mutual Fund Schemes and Schemes of AIFs	SEBI
18	Listed Security Receipts	SEBI
19	Unlisted Security Receipts	RBI
20	Independent Credit Evaluation (ICE)	RBI
21	Expected Loss Ratings (For Loan Facilities [Fund/Non-Fund based] from Banks/NBFCs/NHB/FIs)	RBI
22	Expected Loss Ratings (Listed / Proposed to be listed Bonds / Debentures / Preference Shares (all securities))	SEBI
23	Expected Loss Ratings (Unlisted / Proposed to be unlisted Bonds/ Debentures / Preference Shares (all securities))	MCA

* Includes securitisation transactions involving assignee payout, acquirer's payout.

~ The rated instrument may involve issuance of different instruments such as debt securities (listed or otherwise), bank loans, commercial paper (listed or otherwise), etc. The regulator of the instrument may accordingly be SEBI, RBI or MCA and can only be determined upon issuance. In Press Release(s) subsequent to issuance(s), India Ratings shall separately capture the rated quantum details along with names of respective regulators.

There is no instrument being rated and hence, Regulator of the Instrument is not applicable. The rating scale and definitions are being followed as stipulated in SEBI Master Circular for CRAs.

^ Includes bank facilities such as liquidity facility, second loss facility that are part of securitisation transactions.

B. Other activities:

Sr. No.	Activity Name	Regulator of the activity
1	Monitoring Agency	SEBI
2	Research activities, incidental to rating, such as research for Economy, Industries and Companies @	NA

@ permitted by SEBI vide SEBI Master Circular for CRAs.

Note: For instruments or activities falling under the purview of regulators other than SEBI, the grievance/dispute redressal mechanisms and investor protection mechanisms provided by SEBI shall not be available.

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APPLICABLE CRITERIA AND POLICIES

Evaluating Corporate Governance

Corporate Rating Methodology

Short-Term Ratings Criteria for Non-Financial Corporates

The Rating Process

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