

Pennar Industries Limited

August 11, 2025

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	712.46	CARE A; Stable	Reaffirmed
Short Term Bank Facilities	1,012.50	CARE A1	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

Ratings assigned to bank facilities of Pennar Industries Limited (Pennar) derive strength from steady growth in total operating income (TOI) with improving profitability margins and comfortable financial risk profile. Ratings also factor experienced promoter group and management team, long track record of operations, wide product range with presence across diversified business segments with growing geographic expansion and reputed and diversified client base with healthy order book. However, ratings are constrained by persistent debt-funded capex, moderated debt coverage indicators, risks associated with raw material price volatility, capital intensive nature of business, and competition from other players.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Improving profit before interest, lease rentals, depreciation and tax (PBILDT) margin to over 10% with steady growth in scale of operations on a sustained basis.
- Total debt to PBILDT below 2.5x on sustained basis.

Negative factors

- Increasing debt levels resulting in deteriorating capital structure marked by total debt/PBILDT going beyond 4x.
- Elongating operating cycle to 95 days and above.
- Significantly declining TOI or PBILDT margin falling below 6%.

Analytical approach: Consolidated

In its analysis, CARE Ratings Limited (CareEdge Ratings) has considered the consolidated business and financial risk profiles of Pennar and its subsidiaries, together referred to as Pennar group, as the entity is linked through a parent-subsidiary relationship and collectively have management, business, and financial linkages. List of consolidated entities is mentioned in Annexure-6.

Outlook: Stable

The stable outlook reflects the expectation that the company will maintain its established market position and continue to improve its operating performance at the back of a healthy product mix.

Detailed description of key rating drivers:

Key strengths

Experienced promoter group with strong management team

Promoters of the Pennar group have been in the engineered steel products business for over four decades. The group is headed by RVS Ramakrishna, Chairman, and its business operations have been benefited from his long-established track record in diversified businesses and the vast industry network developed over the years. He is ably supported by Aditya Rao, Vice Chairman and Managing Director of Pennar. Pennar is managed by a professional board, with directors having long-standing industry experience. They are supported by a team of experienced and capable professionals, having considerable experience in the segment, to look after day-to-day operations.

Diversified product portfolio

Pennar is a well-diversified engineering company with end-to-end capabilities. The company has a well-diversified product portfolio classified into engineered products, engineering solutions, and engineering services, catering to six sectors, namely, automotive, construction, general manufacturing, white goods, railways, and solar. The company has 13 manufacturing plants with nine in India and four outside India. Pennar manufactures cold-rolled steel strips, railway wagons and coaches, precision tubes, pre-

¹Complete definition of ratings assigned are available at www.careratings.com and other CARE Ratings Limited's publications.

engineered building systems (PEBS), solar module mounting structures and photovoltaic panels, sheet metal components, and body-in-white hydraulic cylinders.

Reputed and diversified client base

Pennar is an established player in the industry and the clientele comprises renowned names in the industrial and manufacturing industry, from which the company has been garnering repeat orders. As the products are technical in nature, clients share related designs, and the products are manufactured to exclusively cater to their requirements. Thus, the likelihood of switching to some other supplier is less. A brief snapshot of the different business verticals with the respective product offerings and key clients is as follows:

Vertical	Key Clients
Steel products and profiles	JSW Steel Limited, Ashok Leyland Limited, Adani Power Limited, Johnson Lifts Private Limited, Waaree Industries Limited, Lloyds Insulation Limited, Alstom Projects India Limited, Lanco Infratech Limited, FLSmidth Pfister India Limited, Thermax Limited.
Systems and projects	Railways: Integral Coach Factory (Perambur), Modern Coach Factory (Rae Bareli), Texmaco Rail & Engineering Limited (Kolkata), Hindustan Engineering India Limited – Kolkata, Cimmco Limited (Kolkata), BEML Limited (Bengaluru). Solar: L&T Construction, Tata Power Renewable Energy, Lanco Solar Energy Private Limited, ABB India Limited, Schneider Electric India, and Sterling and Wilson Private Limited.
Tubes	Mahindra & Mahindra Limited, Gabriel India, Yamaha, Bridgestone, MRF Limited, VE Commercial Vehicles Limited, TVS Motor Company Limited, Tata Motors Limited, Hyundai Motor India Limited and Ashok Leyland Limited.
Industrial components division	Tecumseh Products India Private Limited, Emerson Climate Technologies Private Limited, Endurance Technologies Limited, India Nippon Electricals Limited, IFB Automotive Private Limited, Fleetguard Filters Private Limited.
PEBS	Hindustan Unilever Limited, ITC Limited, Tata Power Limited, Mylan Laboratories Limited, Bosch Limited, Amazon Seller Services Private Limited, MRF Limited, Reliance Industries Limited, Audi India Private Limited, Larsen & Turbo, Volvo India Private Limited, ABB India Limited, Dr. Reddy's Laboratories Limited, Procter & Gamble, Schindler India Private Limited, Godrej Group, Hindustan Construction Company, UltraTech Cement, Ambuja Cement, My Home Group, and others.

Steady growth in operations with improving margins

The company's overall performance has shown consistent year-on-year improvement. Its TOI grew at a compounded annual growth rate (CAGR) of over 20% from ₹1,525 crore in FY21 to ₹3,230 crore in FY25. In FY25, revenue grew by ~3.1% over FY24. PBILDT margin improved by 94 bps to 9.73% in FY25, supported by an increased share of higher-margin products. CareEdge Ratings expects PBILDT margins to gradually improve to 10–11% going forward with rising contribution from the PEBS division.

Stable operating cycle

The company has witnessed an overall improvement in its operating cycle, supported by a comfortable liquidity position. This improvement is attributed to a better product, client, and geographic mix. The company's PEBS segment in the US, which has a low operating cycle with receivables realised in ~15 days, is contributing an increasing share to overall revenue. Operating cycle remained stable at 71 days in FY25, unchanged from FY24.

Gross cash accruals (GCA) increased by ~25% to ₹202 crore in FY25 from ₹162 crore in FY24. As on March 31, 2025, the company held cash and liquid investments (excluding margin money) amounting to ₹142.86 crore, compared to ₹127.86 crore in the previous year.

Key weaknesses

Stable financial risk profile though moderated

The company's financial risk profile, though marginally moderated, remained stable in FY25. Total debt (including acceptances) increased from ₹1,146 crore as on March 31, 2024, to ₹1,234 crore as on March 31, 2025, primarily due to higher term loans for incremental capex and acceptances due to increasing business needs, leading to a slight moderation in capital structure. With accretion of profits to net worth, overall gearing improved from 1.32x as on March 31, 2024, to 1.24x as on March 31, 2025. Other debt coverage metrics such as total debt to PBILDT and total debt to GCA have also improved to 3.93x and 6.09x in FY25 from 4.16x and 7.05x reported, respectively, in FY24.

Volatility associated with input prices

The raw material cost is the major cost component and accounted for 60-65% of total cost of sales in the last three years ended FY25. The major raw material, steel strips, accounts for ~55-60% of the total raw material consumption for the company, with the balance being other raw materials. The steel strips prices are volatile in nature, resulting in profitability susceptible to adverse movements of input prices.

High competition from major players

The engineering segment is a highly competitive and low-margin business, with competition from large integrated steel manufacturers. However, the industry growth prospects are stable, with growth anticipated in the automobile, the railways, renewable, and capital goods segments.

Liquidity: Adequate

The company's liquidity position remains adequate. In FY25, Pennar generated cash accruals of over ₹200 crore against repayment obligations of ~₹78 crore. Average working capital limits utilisation for last 12 months ended June 2025 stood at ~80%. As on March 31, 2025, cash and liquid investments stood at ~₹143 crore. With term debt repayment obligations of ~₹76 crore in FY26, and expected cash accruals of ₹225–240 crore, CareEdge Ratings believes the company will comfortably meet its debt obligations.

Assumptions/Covenants: Not applicable

Environment, social, and governance (ESG) risks:

Pennar is a diversified engineering company. Through its operations, the company has adopted practices that are environmentally friendly, reduce waste and enhance efficiency, aimed towards a greener environment. The company is TUV India certified for ISO 9001,14001,45001 in management systems. To ensure a healthy and safe workplace, the company has environment, occupational health, and safety management system (EOHS) in place. The company has implemented the occupational health and safety policy, ISO 45001:2018, and ISO 14001:2015. Pennar's practices encompass responsible agro forestry, which aids in nurturing the environment, thus fostering economic growth. Additionally, the company has been making efforts to conserve natural resources. For overall well-being of the society, Pennar is working towards fostering education, vocational skill enhancement, and livelihood projects, with a special focus on children, women, elderly, and differently abled. The company has an independent and professional Board, which brings in transparency, accountability, and equity across all facets of operations.

Applicable criteria

[Consolidation](#)

[Definition of Default](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Rating Watch](#)

[Manufacturing Companies](#)

[Financial Ratios – Non financial Sector](#)

[Short Term Instruments](#)

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Industrials	Capital goods	Industrial products	Other industrial products

Incorporated in 1975, Pennar is promoted by Nrupender Rao. With an annual production capacity of over 350,000 metric tonne (MT), Pennar is a multi-location, multi-product company, manufacturing precision engineering products, such as cold-rolled steel strips, railway wagons and coaches, precision tubes, PEBS, solar module mounting structures and photovoltaic panels, sheet metal components, and hydraulic cylinders. The company has a well-diversified product portfolio classified into engineered products, engineering solutions, and engineering services, catering to six sectors, namely, automotive, construction, general manufacturing, white goods, railways, and solar.

Brief Financials (₹ crore) - Consolidated	March 31, 2024 (A)	March 31, 2025 (A)
Total operating income	3,132.76	3,229.99
PBILDT	275.22	314.22

PAT	98.35	119.46
Overall gearing (times)	1.32	1.24
Interest coverage (times)	2.39	2.63

A: Audited; Note: these are latest available financial results

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT-Cash Credit	-	-	-	-	475.00	CARE A; Stable
Fund-based - LT-Term Loan	-	-	-	18/12/2029	237.46	CARE A; Stable
Fund-based - ST-Vendor financing	-	-	-	-	155.00	CARE A1
Non-fund-based - ST-BG/LC	-	-	-	-	778.00	CARE A1
Non-fund-based - ST-Forward Contract	-	-	-	-	0.50	CARE A1
Non-fund-based - ST-Letter of credit	-	-	-	-	79.00	CARE A1

Annexure-2: Rating history for last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2025-2026	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023
1	Fund-based - LT-Cash Credit	LT	475.00	CARE A; Stable	-	1)CARE A; Stable (07-Oct-24)	1)CARE A; Stable (07-Dec-23) 2)CARE A-; Positive (12-Sep-23)	1)CARE A-; Positive (13-Dec-22)
2	Fund-based - LT-Term Loan	LT	237.46	CARE A; Stable	-	1)CARE A; Stable (07-Oct-24)	1)CARE A; Stable (07-Dec-23) 2)CARE A-; Positive (12-Sep-23)	1)CARE A-; Positive (13-Dec-22)
3	Non-fund-based - ST-Letter of credit	ST	79.00	CARE A1	-	1)CARE A1 (07-Oct-24)	1)CARE A1 (07-Dec-23) 2)CARE A2+ (12-Sep-23)	1)CARE A2+ (13-Dec-22)
4	Non-fund-based - ST-BG/LC	ST	778.00	CARE A1	-	1)CARE A1 (07-Oct-24)	1)CARE A1 (07-Dec-23) 2)CARE A2+ (12-Sep-23)	1)CARE A2+ (13-Dec-22)
5	Non-fund-based - ST-Forward Contract	ST	0.50	CARE A1	-	1)CARE A1 (07-Oct-24)	1)CARE A1 (07-Dec-23) 2)CARE A2+ (12-Sep-23)	1)CARE A2+ (13-Dec-22)
6	Fund-based - ST-Vendor financing	ST	155.00	CARE A1	-	1)CARE A1	-	-

						(07-Oct-24)		
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LT: Long term; ST: Short term

Annexure-3: Detailed explanation of covenants of rated instruments/facilities: Not applicable

Annexure-4: Complexity level of instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Cash Credit	Simple
2	Fund-based - LT-Term Loan	Simple
3	Fund-based - ST-Vendor financing	Simple
4	Non-fund-based - ST-BG/LC	Simple
5	Non-fund-based - ST-Forward Contract	Simple
6	Non-fund-based - ST-Letter of credit	Simple

Annexure-5: Lender details

To view the lender wise details of bank facilities please [click here](#)

Annexure-6: List of entities consolidated

Sr No	Name of the entity	Extent of consolidation	Rationale for consolidation
1	Enertech Pennar Defense and Engineering Systems Private Limited	Full	Subsidiary
2	Pennar Metals Private Limited	Full	Subsidiary
3	Pennar GmbH	Full	Subsidiary
4	Pennar Global Inc.	Full	Subsidiary
5	Pennar FZCO	Full	Subsidiary
6	Pennar Global Metals LLC	Full	Subsidiary
7	Ascent Buildings LLC	Full	Subsidiary
8	Pennar Americas Engineering LLC	Full	Subsidiary
9	Cadnum SARL, France	Full	Subsidiary
10	Pennar Global Investments LLC	Full	Subsidiary
11	ZAP91 Solar India Private Limited	Proportionate	Joint Venture

Note on complexity levels of rated instruments: CareEdge Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for clarifications.

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