Pragati Automation Private Limited

December 31, 2025

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long-term bank facilities	100.00	CARE BBB+; Stable	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

Reaffirmation of the ratings to bank facilities of Pragati Automation Private Limited (PAPL) continues to derive comfort from established track record in manufacturing a diversified product range of machine tool accessories. The rating also benefits from synergies with DMG Mori, a diversified and reputable customer base, comfortable financial risk profile characterised by healthy profit margins, healthy capital structure, and stable debt protection metrics.

However, rating strengths continue to remain constrained by the improving-yet-moderate scale of operations, large working capital requirements, and risks associated with raw material price volatility and foreign exchange rates.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Improving scale of operations and operating margins (profit before interest, lease rentals, depreciation, and taxes [PBILDT] margin) of ~23% on a sustained basis, while maintaining comfortable capital structure.
- Maintaining total debt to gross cash accruals (TD/GCA) at less than 1.75x on a sustained basis.

Negative factors

- Significantly deteriorating total operating income (TOI) or PBILDT by more than 30% y-o-y.
- Un-envisaged debt programme, leading to deteriorating capital structure, particularly with overall gearing over 1.25x on a sustained basis.

Analytical approach: Consolidated

CARE Ratings Limited (CareEdge Ratings) has considered consolidated financials, including PAPL and its subsidiary, because of common promoters, similar line of business, and inter-company transactions. PAPL is engaged in machine tool accessory component manufacturing. Details of consolidated subsidiaries are given in Annexure-6.

Outlook: Stable

The Stable outlook indicates the company's stable business and financial risk profile. The company is expected to sustain its scale of operations, operating profitability in absence of large debt-funded capital expenditure (capex), and healthy cash and liquidity balances.

Detailed description of key rating drivers:

Key strengths

Long track record and rich experience of promoters

PAPL was promoted by the late A.V. Sathe and the late P.D. Kulkarni, both of whom have four decades of experience in the machine tools accessory industry. Since 2003, Atul Bhirangi and Deepak Joglekar have been associated with PAPL, bringing extensive experience in areas such as shop floor operations, design, planning, production, assembly, purchase, and application engineering. The company's stability and growth are significantly enhanced by the strong leadership and experienced top management, well-supported by a qualified and experienced second-tier management team.

Strategic support from DMG Mori & Co. Ltd

DMG Group Company, Glidemeister Beteiligungen GmBh hold a stake in PAPL. DMG had a plant in China, and PAPL set up a wholly owned subsidiary, Pragati Machinery (Zhejiang) Company Limited (PMZL), based out of China, to fulfil the demand for DMG China and to cater huge demand for turrets in the region.

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

Diversified product portfolio having wide application across industries
PAPL offers a wide range of products, including tool turrets, automatic tool changers, power chucking cylinders, tool discs, and tool holders, all essential for metal cutting machines. With its in-house R&D department, PAPL has established a strong market presence in India for specialised products such as turrets and automatic tool changers (ATC). The company excels in providing solutions for lathe and CNC machine manufacturers, serving diverse industries such as automobile, defence, aerospace, and engineering goods. This broad industry portfolio reduces reliance on any single sector, ensuring a stable revenue stream. Furthermore, PAPL's backward integration into programmable logic controller (PLC) manufacturing is set to enhance its market position both domestically and internationally.

Reputed and diversified customer base
With over four and a half decades in the market, PAPL has built strong relationships with reputable customers, resulting in repeat orders. The company also has a significant presence in export markets, including Germany and other European countries such as Italy, Austria, Switzerland, Polland, and Spain. This extensive market presence highlights PAPL's reliability and the trust it has garnered from its clients over the years.

Comfortable financial risk profile
In FY25, PAPL scale operation marked by total operating income remained stable at ₹399.50 crore, slightly higher than the ₹392.04 crore recorded in FY24 due to subdued demand in export markets. This stability was driven by a stronger focus on the domestic market, where sales realisations and volumes remained high. Profitability margins remained healthy, with slight improvement from the previous year due to increased operating expenses, resulting in PBILDT and profit after tax (PAT) margins of 21.69% and 10.56%, respectively, compared to 19.15% and 9.47% in the previous year on account of better products mix. The company reported standalone sales of ₹187.47 crore for 6MFY26.
The company's capital structure improved, with an overall gearing ratio of 0.35x as on March 31, 2025, down from 0.46x the previous year, due to a strong net worth base coupled with scheduled repayment of term loan. The debt profile includes unsecured loans from promoters, term loans, and working capital borrowings. Unsecured loans from which was taken for investment in subsidiary at China. Coverage indicators remained satisfactory, with a total debt to PBILDT ratio of 1.34x and a PBILDT interest coverage ratio of 4.98x. Adjusted for unsecured loans, the gearing ratio was even lower at 0.35x.

Key weaknesses

Working capital intensive operations
The company's operations are working capital intensive, with an operating cycle of 206 days in FY25. Manufacturing machine tool accessories takes 30-45 days, requiring high inventory levels of 140-150 days for timely order execution. The collection period though improved remain high at 139 days due to longer credit period offered to domestic clients, while supplier generally give credit of 60-65 days. However, the majority of payment to the suppliers are done within 45 days. The company maintains raw material inventory as buffer stock; however, execution timeline of assembly work is higher as reflected by higher work in progress inventory. This results in a high working capital cycle, primarily financed through bank borrowings.

Vulnerable to cyclical demand in end-user industry
The company is vulnerable to cyclicity and volatility in industry performance, which depends significantly on capex cycles in underlying consumer sectors. PAPL's products find application mainly in OEMs of Lathe machines or CNC, VMC, and HMC machines, that in turn, supply to industries such as automobile, aerospace, and defence industry among others. However, the company has diversified customer base from industry, hence, decline in these industries will not have material impact on the company's operations.

Profitability sensitive to adverse fluctuation in key raw material prices
Raw material consumption forms significant cost factor for the company. Primary raw material for manufacturing these products is steel rods, prices of which remained volatile in the last few years. Hence, adverse movement in raw material price without corresponding movement in finished good price might affect the company's profitability. Finished goods prices generally move in tandem with that of raw materials. However, being an order-based business, there exists a time lag. There are no price escalation clauses. This exposes the company's profitability to the risk arising from raw material price volatility.

Liquidity: Adequate

The company has adequate liquidity supported by sufficient cushion between GCA and term loan obligations and moderate working capital utilisation. The GCA remained at ₹60.00 crore in FY25 and is expected to report a GCA of Rs.55 crore to Rs.60 crore in the near to medium term with planned capex of Rs.13.5 crore in FY26, and Rs.10 crore each in FY27 and FY28. Against this the company has a total term loan outstanding of Rs.15.59 crore as on March 31, 2025 to be repaid by FY27. The company is able to manage its working capital requirements through credit from suppliers and internal accruals and accordingly relies moderately on cash credit. Average utilisation of (average of last 12 months' maximum utilisation through September 2025 was 56%). This apart the company maintains a strong cash and liquid investment of over ~Rs.80 crores to support the day-to-day operations.

Assumptions/Covenants: Not Applicable

Environment, social, and governance (ESG) risks: Not applicable

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

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Industrials	Capital Goods	Industrial Manufacturing	Industrial Products

PAPL is headquartered in Bangalore, Karnataka, and manufactures diverse product range of machine tool accessory such as tool turrets, automatic tool changers, power chucking cylinders, tool discs, and tool holders at its five manufacturing plants including one in China. Atul Bhirangi and Deepak Joglekar with their rich experience in the business, lead the operations of PAPL.

Brief Financials (₹ crore)-Consolidated	March 31, 2024 (A)	March 31, 2025 (A)
Total operating income	392.04	399.50
PBILDT	75.07	86.64
PAT	37.12	42.20
Overall gearing (times)	0.46	0.35
Interest coverage (times)	4.11	4.98

A: Audited UA: Unaudited; Note: 'the above results are latest financial results available'

Brief Financials (₹ crore) Standalone	March 31, 2024 (A)	March 31, 2025 (A)
Total operating income	383.77	390.13
PBILDT*	77.14	89.20
Profit after tax (PAT)	41.15	45.62
Overall gearing (x)	0.41	0.31
Interest coverage (x)	4.60	5.13

A: Audited UA: Unaudited; Note: these are latest available financial results
*PBILDT: Profit before interest, lease rentals, depreciation and tax

Status of non-cooperation with previous CRA: CRISIL has placed the rating for PAPL's bank facilities under 'CRISIL BB+; INC, CRISIL A4+; INC' vide its PR dated December 11, 2024, due to the absence of requisite information from the company.

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	Coupon Rate (%)	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	100.00	CARE BBB+; Stable

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	100.00	CARE BBB+; Stable	-	1)CARE BBB+; Stable (25-Feb-25) 2)CARE BBB+; Stable (29-Apr-24)	-	-

LT: Long 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

Annexure-5: Lender details

To view 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	Pragati Machinery (Zhejiang) Company Limited	Full	Wholly Owned Subsidiary

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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About us:
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