Patels Airtemp (India) Limited

August 19, 2026

Facilities/Instruments	Name of the Regulator[1]	Amount (₹ crore)	Rating[2]	Rating Action
Long-term / Short-term bank facilities	RBI	85.00	CARE BBB+; Stable / CARE A2	Reaffirmed
Long-term bank facilities	RBI	-	-	Withdrawn
Long-term bank facilities	RBI	153.00	CARE BBB+; Stable	Reaffirmed
Short-term bank facilities	RBI	7.00	CARE A2	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

Ratings assigned to bank facilities of Patels Airtemp (India) Limited (PAIL) continue to derive strength from the vast experience of its promoters and established track record of the company in the process equipment industry, which is supported by its product certifications and reputed clientele. Ratings also factor its moderate scale of operations and adequate liquidity.

However, ratings continue to be constrained, considering its moderate profitability, which is susceptible to fluctuations in raw material prices, concentration of order book towards few products, and end-user industry, and large working capital requirement. Ratings are further constrained, considering its moderate capital structure and debt coverage indicators.

The rating assigned to term loans has been withdrawn based on the bank's no dues certificate shared by the company.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Significant growth in scale of operations and improvement in its profit before interest, lease rentals, depreciation, and taxation (PBILDT) margin to over 15% on a sustained basis.
- Improvement in operating cycle to less than 120 days on a sustained basis.
- Improvement in debt coverage indicators with total debt to gross cash accruals (TD/GCA) below 2x and PBILDT interest coverage above 6x while maintaining overall gearing below 0.50x on a sustained basis.

Negative factors

- Deterioration in overall gearing above 1.5x and total outside liabilities to tangible net worth (TOL/TNW) beyond 2x on a sustained basis.
- Decline in PBILDT margin below 9% and deterioration in its debt coverage indicators on a sustained basis.
- Elongation in its working capital cycle above 225 days impacting its liquidity on a sustained basis.

Analytical approach: Standalone

Outlook: Stable

Stable outlook reflects CARE Ratings Limited's (CareEdge Ratings') expectations that the company shall continue to benefit from its experienced promoters, long and established track record of operations, and reputed clientele.

Detailed description of key rating drivers

Key strengths

Vast experience of its promoters

PAIL's promoters have long-standing track-record of over four decades in design and fabrication of process equipment and engineering goods. Sanjiv Patel (son of late Narayanbhai Patel) became the Chairman and Managing Director, PAIL, from October 2023, post demise of Narayanbhai Patel. He has been looking after the company's overall operations since over one decade. Shivang Patel (son of late Prakash Patel), Director, has also been taking active part in operations.

[1]SEBI: Securities and Exchange Board of India; RBI: Reserve Bank of India; MCA: Ministry of Corporate Affairs; IRDAI: Insurance Regulatory and Development Authority of India; PFRDA: Pension Fund Regulatory and Development Authority.
[2]Complete definitions of ratings assigned are available at www.careratings.com and in other CARE Ratings Limited's publications.

Apurva V. Shah, Whole-time Director, holds a B.E. (mechanical engineering) and post-diploma in refrigeration and air-conditioning. He has over three decades of experience with expertise in strategic planning, research and development (R&D), and innovation.

Established track record of operation in process equipment industry and reputed clientele

PAIL has long-standing operational track-record of over four decades (including the period when it was constituted as a partnership firm) in design and fabrication of process equipment and engineering goods. PAIL's products cater to diverse industries including oil and gas, petroleum refineries, chemicals, pharmaceuticals, fertilisers, refrigeration, and air conditioning plants, among others. The company has long and established relationship with its reputed clientele, including major oil and gas players. PAIL mainly supplies to public sector undertakings (PSUs) in oil and gas segment and engineering, procurement, and construction (EPC) contractors having diverse industry presence. Majority of PAIL's clientele enjoys healthy financial risk profile, reducing counterparty risk. PAIL undertakes tender-based work, where top five customers contributed ~86% of net sales of PAIL in FY26 against 51% in FY25.

Product certification from all major third-party inspection agencies and consultants

PAIL offers customised solution of air cooled and shell type heat exchangers, pressure vessels, and special storage tanks for oil and chemical storage. PAIL's industrial products include shell/tube heat exchangers, air-cooled heat exchangers, pressure vessels surface conductors, and oil coolers, among others. PAIL also provides air conditioning solutions to industrial and domestic customers. With PAIL's expertise in air-cooled heat exchangers and shell/tube heat exchangers and, it contributed ~96% of the net sales in FY26 against 93% of the net sales in FY25. PAIL's products are critical components for oil refineries, nuclear reactors, and power generation facilities, where it helps in transfer of heat from one medium to another without mixing the two. PAIL also holds "U", "U2", and "S" stamp authorisation certifications issued by American Society of Mechanical Engineers (ASME) and is the member of Heat Transfer Research Inc. (HTRI), U.S.A., for updating heat transfer technology. PAIL's products are approved by major third-party inspection agencies and consultants, such as Bureau Veritas, TUV, Engineers India Limited, and SGS India Private Limited, among others.

Moderate scale of operations and orderbook

PAIL's total operating income (TOI) declined to ₹253.06 crore in FY26 (₹387.82 crore in FY25), due to lower order inflows, reflecting inherent dependence of its business on the order flow and capex cycle of engineering, petroleum, and oil and gas industry. For Q1FY27, PAIL reported TOI of ₹15.52 crore (Q1FY26: ₹82.57 crore); a significant decline on a year-over-year (y-o-y) and quarter-over-quarter (q-o-q) level. The moderation was due to lower orders execution. FY26 witnessed a decline in PAIL's order book, while majority existing orders were executed in Q4FY26, execution and dispatch of newly secured orders remained relatively slower in Q1FY27. PAIL has unexecuted order book of ₹295 core as on August 01, 2026 (compared to ₹224 crore as on September 01, 2025), which along with moderate order bidding pipeline provides revenue visibility in near-to-medium term.

Key weaknesses

Moderate financial risk profile

Operating profitability remained range bound between 9% and 11% in the last five years ended FY26. PAIL reported PBILDT and profit after tax (PAT) of 9.26% and 4.06%, respectively, in FY26 (FY25: 9.18% and 4.26%, respectively). It reported GCA of ₹18.86 crore in FY26 (FY25: ₹22.54 crore). While TOI declined in Q1FY27, PBILDT margin remained at 11.79%, despite the net loss of ₹0.62 crore.

With the moderation in the debt level and accretion of profit to the net worth base, PAIL's capital structure improved, with overall gearing of 0.62x and TOL/TNW of 0.78x as on March 31, 2026, compared to 0.74x and 0.95x, respectively, as on March 31, 2025. Debt coverage indicators remined moderate marked by PBILDT interest coverage of 2.36x (PY: 3.14x) and TD/GCA of 7.43x (FY25: 5.18x) in FY26.

Concentration of order book towards few products and end-user industry

Of the total unexecuted order ₹295 as on August 01, 2026, 73% orders are for manufacturing heat exchangers and 27% for pressure vessels (PY: 93% and 5%, respectively), reflecting product concentration. Large part of the product offering of PAIL is towards oil refining and petrochemical industry. However, these are customised products based on customer requirement. Concentration of the order book to particular segment, makes PAIL's revenue stream vulnerable to significant downturn in capex cycle. PAIL is also facing competition from other industry players.

Large working capital requirement

PAIL operates in capital goods industry, where orders are large and takes 4-18 months for execution. Goods manufactured by PAIL are generally used in large-size refining/chemical projects, where customers ask PAIL to delay the delivery of the goods due to delay in their project execution, which translates into higher inventory period. PAIL's customers retain 5-10% of the order value after completion of the order and release it only after successful erection and satisfactory performance of the goods supplied by PAIL, resulting in high working capital intensity. PAIL's inventory level decreased to ₹82.67 crore as on March 31, 2026, against ₹115.14 crore as on March 31, 2024, mainly to lower order execution in FY26.The company purchases certain raw material backed by orders to hedge against raw material fluctuation risk and needs to maintain its inventory much before dispatch as products go through stringent checks from its customers. PAIL's operating cycle elongated to 279 days in FY26, against 197 days in FY25, mainly due to elongated collected period at 146 days (95 days in FY25). Gross current asset remained elongated at 303 days in FY26 (219 days in FY25).

Profitability susceptible to volatile raw material prices

Metal (mild steel and stainless-steel) sheets, plates, tubes, pipes, and other components are basic raw materials used by PAIL for fabrication of process equipment. Prices are driven primarily by existing demand and supply conditions with strong linkages to the global market. Inherent volatility in prices could impact the company's profitability. However, PAIL has back-to-back arrangement for booking of raw materials on receipt of orders, which mitigates fluctuation risk to some extent. PAIL also imports some portion of its raw material requirements, whereas exports were nominal at ~3% of total sales in FY26. Hence, PAIL is exposed to adverse fluctuation in foreign currency exchange rates in absence of an active hedging policy and natural hedge.

Liquidity: Adequate

PAIL's liquidity remains adequate marked by low term debt repayment obligation against gross cash accruals and moderate working capital limit utilisation. PAIL is expected to generate GCA of ₹13-14 crore in FY27, against debt repayments of ₹0.73 crore. PAPL had fully repaid its term debt with no outstanding obligations as of June 30, 2026. Liquidity is further supported by free cash and bank balance and liquid investment of ₹34.68 crore (excluding margin money of ₹16 crore) as on March 31, 2026. Average fund-based and non-fund-based working capital utilisation remained moderate at ~52% and ~77%, respectively, for 12-months ended July 2026. PAIL receives customer advances to the tune of ~20% post receipt of the order, which also provides cushion for managing its working capital requirement. PAIL's non-fund-based limits mainly include bank guarantee limits that it utilises to provide performance guarantees (to private and public sector clients), bid-bond guarantees (mainly to government clients), and financial bank guarantees (BG) against customer advances.

Assumptions/Covenants: Not applicable

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

Applicable criteria

Definition of Default
Liquidity Analysis of Non-financial sector entities
Rating Outlook and Rating Watch
Manufacturing Companies
Financial Ratios – Non financial Sector
Withdrawal Policy
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 1973 as Patels Airtemp by Narayanbhai Patel, PAIL (CINL29190GJ1992PLC01780) is engaged in design and fabrication of process equipment and engineering goods. In June 1993, it was converted into a limited company, and the name was changed to its present one. PAIL is engaged in manufacturing capital goods equipment, such as heat exchangers, pressure vessels, air conditioning, and refrigeration equipment, and execution of turnkey heating, ventilation, and air conditioning (HVAC) projects. It has two manufacturing facilities in Gujarat.

Brief Financials (₹ crore)	March 31, 2025 (A)	March 31, 2026 (A)	Q1FY27 (UA)
Total operating income	387.82	253.06	15.52
PBILDT*	35.59	23.44	1.83
Profit after tax (PAT)	16.51	10.27	(0.62)
Overall gearing (x)	0.74	0.62	NA
Interest coverage (x)	3.14	2.36	0.92

A: Audited; UA: Unaudited; NA: Not available; Note: These are latest available financial results.
*PBILDT: Profit before interest, lease rentals, depreciation, and tax.

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

For complexity level of instruments rated refer to Annexure-1.

Lender details: Annexure-4

Disclosure on facilities/instruments and name of regulators:
A list of facilities / instruments falling under the purview of financial sector regulators (FSRs) along with the names of respective FSRs has been duly disclosed by CareEdge Ratings on its website. A link to the same has been provided below for ready reference:

https://www.careratings.com/activities_and_regulators

Note: For facilities or instruments falling under the purview of FSRs other than Securities and Exchange Board of India (SEBI), the grievance / dispute redressal mechanisms and investor protection mechanisms provided by SEBI shall not be available.

Annexure-1: Details of instruments/facilities

Name of the Instrument	Name of the Regulator	Complexity Level	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-Term Loan	RBI	Simple	-	-	-	30-06-2026@	0.00	Withdrawn
Fund-based - LT/ ST-Cash Credit	RBI	Simple	-	-	-	-	85.00	CARE BBB+; Stable / CARE A2
Non-fund-based - LT-Bank Guarantee	RBI	Simple	-	-	-	-	153.00	CARE BBB+; Stable
Non-fund-based - ST-Letter of credit	RBI	Simple	-	-	-	-	7.00	CARE A2

@Fully paid

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 2026-2027	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
1	Fund-based - LT/ ST-Cash Credit	LT/ST	85.00	CARE BBB+; Stable / CARE A2	-	1)CARE BBB+; Stable / CARE A2 (01-Oct-25)	1)CARE BBB+; Stable / CARE A2 (21-Nov-24)	1)CARE BBB+; Stable / CARE A2 (06-Dec-23)
2	Non-fund-based - LT-Bank Guarantee	LT	153.00	CARE BBB+; Stable	-	1)CARE BBB+; Stable (01-Oct-25)	1)CARE BBB+; Stable (21-Nov-24)	1)CARE BBB+; Stable (06-Dec-23)
3	Non-fund-based - ST-Letter of credit	ST	7.00	CARE A2	-	1)CARE A2 (01-Oct-25)	1)CARE A2 (21-Nov-24)	1)CARE A2 (06-Dec-23)
4	Fund-based - LT-Term Loan	LT	-	-	-	1)CARE BBB+; Stable (01-Oct-25)	1)CARE BBB+; Stable (21-Nov-24)	1)CARE BBB+; Stable (06-Dec-23)

LT: Long term; ST: Short term; LT/ST: Long term/Short term

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

Annexure-4: Lender details

To view lender-wise details of bank facilities please click here

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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