Ananth Technologies Private Limited

January 08, 2025

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long-term bank facilities	50.00	CARE A-; Stable	Reaffirmed
Long-term / Short-term bank facilities	450.00	CARE A-; Stable / CARE A2	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

Reaffirmation of ratings to the bank facilities of Ananth Technologies Private Limited (ATPL) continues to factor in its promoters' extensive experience and its track record in the precision engineering industry, which caters to various segments, including space, aerospace, and defence. The company is expected to report healthy revenue growth in FY25, supported by a strong order book position of ~₹900 crore as of November 2024, and the growth momentum is expected to sustain in the medium term, supported by orders in the pipeline from renowned clients, including the Indian Navy, BrahMos Aerospace, Indian Space Research Organisation (ISRO) Satellite Centre, Vikram Sarabhai Space Centre, Bharat Dynamics Limited, Defence Research and Development Organization (DRDO), and Directorate of Aircraft Acquisition among others. Apart from repeated orders from its customers over the years, the company is developing new products and acquiring new clients, both of which are expected to augment the revenues, going forward.

Ratings also consider ATPL's healthy financial risk profile, with a comfortable capital structure and debt protection metrics. The revenue increased by 30%, and profitability margins remained high at 26.99% in FY24, as majority of its revenue comes through design, development, and fabrication of highly sophisticated systems and sub-systems with applications in the aerospace and defence industry (digital systems), which fetch better margins.

However, ratings are constrained by an extended operating cycle due to higher inventory and receivable periods, which are typical for this business. Additionally, there is a client concentration risk, with 64% of revenue coming from the top five clients in the defence sector, and the company operates on a moderate scale.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Improvement in scale of operation with total operating income (TOI) increasing to ₹400 crore or above while maintaining the profit before interest, lease rentals, depreciation, and taxation (PBILDT) margin at existing levels, on a sustained basis.
- Improvement in operating cycle to less than 200 days in the future on a sustained basis.

Negative factors

- Decline in scale of operations by over 30% or PBILDT margin falling below 20% in future years.
- Deterioration in overall gearing above 1x, in future.

Analytical approach: Standalone

Outlook: Stable

CARE Ratings Limited (CARE Ratings) believes that the entity will continue to benefit from the extensive experience of the promoters and management in the industry.

Detailed description of key rating drivers:

Key strengths

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

Long track record of operations under experienced management
Founded in 1992 by Dr. Subba Rao Pavuluri and P. Anantha Lakshmi, ATPL is now led by Dr. Pavuluri and his son, Anurup Pavuluri, supported by a skilled management team. They have nearly 30 years of experience in manufacturing critical aerospace systems and providing high-value geospatial services. The company serves various sectors, including utilities, telecom, government, energy, and logistics. ATPL operates from Hyderabad, Bangalore, and Thiruvananthapuram in India, and San Jose, California in the US. The manufacturing facilities are ISRO-certified facilities for aerospace production with cleanroom, automated production line and trained and certified manpower.

Stable revenue and healthy margins through lease rentals
ATPL developed Ananth Info Park in Hitec City, Phase II, Madhapur, Hyderabad, with three buildings. They have leased over 4.74 lakh sq. feet to companies such as Oracle India and Rimini Street India. In FY24, rental and maintenance income was ₹32.05 crore, up from ₹31.24 crore in FY23. Located in a prime area, the property provides stable cash flows. With no debt on these properties, ATPL uses the rental income, after maintenance expenses, for working capital and further capital expenditure.

Healthy order book position
ATPL's order book remained healthy at ₹900 crore as on November 4, 2024, majorly contributed by the orders from established defence and aerospace companies in the country to be executed over the next three years. The said order book provides revenue visibility for the medium term and translates to 3.33x of the total revenue for FY24.

Healthy profitability despite on moderate TOI
The company's TOI has shown robust y-o-y growth 30% from ₹215 crore in FY23 to ₹270 crore in FY24 on the back of healthy execution of the order book. The company earns majority of its revenue through design, development, and fabrication of highly sophisticated systems and sub-systems with applications in the aerospace and defence industry (digital systems).

Comfortable capital structure
The capital structure of the company has remained comfortable. The debt profile of the company comprises primarily interest free mobilisation advances and working capital bank borrowings, lease deposit, unsecured loans from promoters and related parties with no long-term debt obligations. ATPL's overall gearing level remained at same level of 0.25x as on March 31, 2024 (0.24x as on March 31, 2023) plough back of profits to reserves and absence of additional debt availed. The total debt to gross cash accruals (GCA) of the company also improved slightly to 2.72x in FY24 from 3.27x in FY23.

Key weaknesses
Working capital intensive nature of operations
ATPL operates in a working capital intensive industry. Production orders are typically completed within three months, while more complex projects take about six months. The company usually receives 30% of the order value as an interest free advance, backed by performance bank guarantees, which helps meet working capital needs.
Clients release payments on a prorated basis after testing and delivery. Due to the critical nature of its products, ATPL maintains an inventory of 80 to 130 days, leading to an elongated operating cycle of 254 days in FY24 (up from 214 days in FY23). Despite the extended cycle, the risk of bad debts is low due to the company's reputable client base.

Moderate scale of operations
The company's TOI has improved from ₹215 crore in FY23 to ₹270 crore in FY24 registering marginal y-o-y increase of ~25%. The company's ability to improve its scale and derive benefits from the facilities of assembling unit in Bangalore, remains important from the rating perspective.

Client concentration risk despite reputed client base
With nearly three decades in the defence and aerospace industry, ATPL has established strong relationships with clients like BrahMos Aerospace, Bharat Dynamics, ISRO Satellite Centre, BHEL, and Hindustan Aeronautics. In FY24, 64% of the company's revenue came from its top five defence sector clients. Although ATPL has consistently maintained strong client relationships and secured repeat business, its revenue still depends on new tenders from these government agencies.

Liquidity: Strong
ATPL has adequate liquidity, with sufficient accruals and no repayment obligations due to the absence of term debt. Despite a stretched working capital cycle from elongated collection and inventory periods, the company's current and quick ratios were comfortable at 2.12x and 1.43x, respectively, as on March 31, 2024. Additionally, ATPL had an unencumbered cash and bank balance of ₹11.98 crore on March 31, 2024.

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]
[Short Term Instruments]

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Information technology	Information technology	IT - Hardware	Computers hardware & equipments

Incorporated in 1992, ATPL was promoted by Dr Subba Rao Pavuluri, after working for a decade with the Indian Space Research Program. The company is mainly engaged in the design, development, and fabrication of highly sophisticated systems and sub-systems with applications in the aerospace and defence industry. The company is an approved vendor to the Indian space and defence research organisations such as ISRO, Defence Research and Development Laboratory (DRDL), and Bharat Dynamics Limited (BDL), among others. The company also generates revenue from IT services and lease rentals from its owned properties (buildings) in Hyderabad. The manufacturing facilities are ISRO-certified facilities for aerospace production with cleanroom, automated production line, and trained and certified manpower.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	H1FY25 (UA)
Total operating income	215.50	270.39	114.48
PBILDT	61.91	72.98	-
PAT	32.61	43.35	-
Overall gearing (times)	0.25	0.25	-
Interest coverage (times)	6.42	10.47	-

A: Audited UA: Unaudited; 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		-	-	-	50.00	CARE A-; Stable
Non-fund-based - LT/ ST-Bank guarantee		-	-	-	450.00	CARE A-; Stable / CARE A2

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 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Fund-based - LT-Cash credit	LT	50.00	CARE A-; Stable	-	1)CARE A-; Stable (22-Dec-23) 2)CARE A-; Stable (24-May-23)	1)CARE A-; Stable (06-Mar-23)	1)CARE A-; Stable (18-Feb-22)
2	Non-fund-based - LT/ ST-Bank guarantee	LT/ST	450.00	CARE A-; Stable / CARE A2	-	1)CARE A-; Stable / CARE A2 (22-Dec-23) 2)CARE A-; Stable / CARE A2 (24-May-23)	1)CARE A-; Stable / CARE A2 (06-Mar-23)	1)CARE A-; Stable / CARE A2 (18-Feb-22)

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: Complexity level of instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Cash credit	Simple
2	Non-fund-based - LT/ ST-Bank guarantee	Simple

Annexure-5: Lender details

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

Note on complexity levels of rated instruments: CARE 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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