

## BrahMos Aerospace Thiruvananthapuram Limited

March 31, 2025

Facilities/Instruments	Amount (₹ crore)	Rating <sup>1</sup>	Rating Action
Long-term bank facilities	25.00	CARE AA; Stable	Assigned
Short-term bank facilities	25.00	CARE A1+	Assigned

Details of instruments/facilities in Annexure-1.

### Rationale and key rating drivers

Ratings assigned to bank facilities of BrahMos Aerospace Thiruvananthapuram Limited (BATL) derive strength from its strong parentage of BrahMos Aerospace Private Limited (BAPL; rated 'CARE AA+; Stable/ CARE A1+'), diversified product portfolio with reputed clientele, along with its high strategic importance to its key customers, including Defence Research & Development Organisation (DRDO) and Indian Space Research Organisation (ISRO). Ratings also derive strength from growing order book, sustained improvement in operating performance backed by higher execution of orders, and strong financial risk profile marked by nil debt.

However, above rating strengths are offset by elongated working capital cycle, customer concentration risk, susceptibility to regulatory changes in the defence and space sectors, and susceptibility of its profitability to volatile raw material prices.

### Rating sensitivities: Factors likely to lead to rating actions

#### Positive factors

- Substantial increase in scale of operations along with healthy profit before interest, lease rentals, depreciation and taxation (PBILDT) margins on a sustained basis.
- Ability to sustain healthy flow of orders, backed by customer advances and rationalisation of the working capital cycle on a sustained basis.

#### Negative factors

- Decline in the order book or delay in the execution of orders, resulting in a decline in total operating income (TOI) and PBILDT margin.
- Any sizable increase in the working capital borrowings or any large debt-funded capex, leading to an overall gearing above 1x.
- Weakening of linkages with the parent, BAPL, and/ or downgrade in rating of BAPL by 1 or more.

### Analytical approach: Standalone

Ratings also factor in strong operational, management, and financial linkages with the parent entity, BAPL.

### Outlook: Stable

CARE Ratings Limited (CARE Ratings) believes established relationship with clientele coupled with its strategic importance to its key customers and healthy order book will benefit company's business risk profile while financial risk profile is expected to remain strong with no major debt-led capex plans.

### Detailed description of key rating drivers:

#### Key strengths

##### Strong parentage

BATL is a wholly owned subsidiary of BAPL, whereby BAPL is a joint venture (JV) between DRDO and NPO Mashinostroyeniya (NPOM, Russia) in the ratio of 50.5%: 49.5%, respectively. DRDO is the R&D wing of Ministry of Defence (MoD), GoI, with a purpose to achieve self-reliance in critical defence technologies and systems, while equipping the Indian armed forces with state-of-the-art weapon systems and equipment in accordance with requirements laid down by the three services. NPOM is one of the leading aerospace enterprises in Russia and is held by 'Tactical Missile Corporation', which belongs 100% to the government of Russian Federation (Federal Agency for State Property Management) and is responsible for fulfilment of government orders, international contracts in military and technical cooperation and augmentation of civil and dual-purpose equipment production. BATL enjoys a strong business and management linkages with the parent. BATL supplies missile production related critical components to BAPL and remains strategically important for the parent. BATL's board has majority representation from BAPL. Of

<sup>1</sup>Complete definition of ratings assigned are available at [www.careedge.in](http://www.careedge.in) and other CARE Ratings Limited's publications.

the six directors on the board of BATL, three are from BAPL. Furthermore, BATL is expected to receive need-based funding support from BAPL.

### **Diversified product portfolio and reputed clientele; strategically important for key customers**

BATL manufactures a wide array of high-precision products that find application in diverse sectors, including aerospace, nuclear and defence. The company has built a strong product capability and technical expertise backed by R&D over the years, enabling production of high-quality critical components. The company provides critical components to a diversified customer base, including BAPL, DRDO, ISRO, Indira Gandhi Centre for Atomic Research (IGCAR), and Aeronautical Development Agency (ADA). Besides operating its own funded manufacturing facilities, the company also operates the manufacturing facilities which are fully funded by its key customers, including DRDO and ISRO for production of components required for their projects, which are of strategic importance to the nation. Revenue from BAPL, various units of DRDO and ISRO together contributed ~82% of the company's revenue in FY24. Business operations remain strategically important for the key customers for supplying high-quality critical products on a timely basis.

### **Growing order book provides healthy revenue visibility**

BATL's strong capabilities in manufacturing high-quality products, timely order execution, has resulted in an increasing flow of orders over the years. The company receives orders on a competitive/ nomination basis. The company had a healthy order book of ₹483 crore as on December 31, 2024 (March 31, 2024: ₹414 crore, March 31, 2023: ₹348 crore). These orders are to be executed generally over the period of 2-4 years and have a price escalation clause to protect the margins. The company's order book has witnessed a healthy growth supported by Make in India initiatives, indigenisation efforts of the government and import substitution. As indicated by the management, there is a strong pipeline of orders, which is expected to result in strong increase in the order book.

### **Sustained improvement in operating performance**

BATL's operating performance has witnessed a healthy growth backed by healthy order execution. Initial focus on R&D for an elongated period for product development had resulted in lower scale of operations earlier. However, with improved order execution and strong product development capabilities, scale of operations has witnessed a compounded annual growth rate (CAGR) of 24% FY20-FY24 albeit on a low base. Domestic sales contributed 87% to the total revenue in FY24. Under its business operations, DRDO and ISRO provides free materials, while the company accounts only for the conversion charges leading to limited scale of its operations. Backed by strong growth in the scale of operations and better absorption of fixed costs, PBILDT margins have witnessed a sustained growth from 5.69% in FY20 to 17.50% in FY24. In 9MFY25, the company reported an PBILDT margin of 13.48% on a revenue of ₹111 crore. Scale of operations is expected to witness a growth of 15-20% in FY25 and is expected to witness a sustained healthy growth over the medium term backed by healthy order book, while PBILDT margin is expected to remain range bound at ~15-16%.

### **Strong financial risk profile**

BATL has a strong financial risk profile marked by nil debt. PBILDT interest coverage stood healthy at 65.51x in FY24 (FY23: 131.20x) due to negligible finance cost, which are primarily charges for bank guarantee. The working capital requirements are met through interest-free advances that it receives from its customers and cash accruals. Capital structure and debt coverage indicators are expected to main comfortable in the medium term, even upon availing working capital borrowings going forward, largely supported by improving operating performance and no-major debt-funded capex plans.

### **Liquidity: Strong**

The company has no scheduled debt repayment obligations. The company currently does not have any fund-based limits and the working capital requirements are met primarily through advances from customers and cash accruals. The company has no major capex plans. Going forward, the company plans to scale up the operations for which the company plans to avail ₹25 crore of fund-based limit to meet the incremental working capital requirement. Current ratio of the company stood at 3.11x as on March 31, 2024. Existing debt-free status provides headroom to raise funds, which further supports the liquidity.

### **Key weaknesses**

#### **Elongated working capital cycle**

BATL's business operations are working capital intensive. The working capital cycle stood elongated at 262 days in FY24 (FY23: 255 days). The same is largely on account of high collection and high inventory holding period. Collection days are higher given that majority of the customers are government bodies. The inventory holding period remained high, given long execution period of the orders and thus the requirement to keep the inventory for long period of time while, creditor days remain low at less than

a month. Notwithstanding the high working capital cycle, there has been no reliance on the fund-based working capital limits by the company as the advances have been funding the working capital requirement.

#### Consumer concentration risk

BATL derives a significant portion of its revenue from select group of customers, primarily government-owned defence-related organisations. Higher customer concentration risk makes the company's revenue susceptible to any major changes in the sourcing strategies of these key customers or if they encounter their own operational difficulties. Additionally, any regulatory changes by the government concerning the defence, aerospace, and nuclear sectors could also have a substantial impact on BATL's business operations. Thus, the company's overall business performance is closely tied to procurement strategies and policy environment of these critical sectors.

#### Profitability susceptible to volatility in raw material prices

BATL's major raw materials include tungsten, steel, and other metal products. The company's profitability remains exposed to adverse movement in key raw materials. The risk is though mitigated to a large extent given that the company's substantial portion of the revenue is derived from processing the free issue of materials, which are supplied by customers including DRDO and ISRO.

#### Applicable criteria

[Policy on Default Recognition](#)

[Factoring Linkages Parent Sub JV Group](#)

[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	Aerospace & defense	Aerospace & defense

BATL was initially set up by the Government of Kerala under the name Kerala Hitech Industries Limited (KELTEC) in 1989, for manufacturing equipment for the space sector. Subsequently, the ownership was taken over by BAPL in January 2008. BATL manufactures critical components and systems, which find application in aerospace, nuclear, and defence sectors.

Brief Financials – Standalone (₹ crore)	FY23 (A)	FY24 (A)	9MFY25 (UA)
Total operating income	135.99	151.03	111.18
PBILDT	21.14	25.75	14.98
PAT	15.89	19.70	NA
Overall gearing (times)	0.00	0.00	NA
Interest coverage (times)	131.20	65.51	NA

A: Audited; UA: Unaudited; NA: Not Available

Note: these are latest available financial results; Financials are reclassified per CARE Ratings' standards

**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	Coupon Rate (%)	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	25.00	CARE AA; Stable
Non-fund-based - ST-Bank Guarantee		-	-	-	25.00	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 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	25.00	CARE AA; Stable				
2	Non-fund-based - ST-Bank Guarantee	ST	25.00	CARE A1+				

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	Non-fund-based - 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.

## Contact us

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### About us:

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