Avantel Limited

April 07, 2025

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long-term bank facilities	12.00 (Reduced from 28.00)	CARE A-; Stable	Reaffirmed
Long-term / Short-term bank facilities	58.00 (Enhanced from 42.00)	CARE A-; Stable / CARE A2+	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

Reaffirmation in ratings assigned to bank facilities of Avantel Limited is driven by its established presence in the defence electronics segment for over three decades, qualified promoters and management team, growing scale of operations with healthy operating profit margin of over 37% for FY24. The company is expected to maintain comfortable capital structure marked by absence of term debt and healthy profitability margins backed by in-house developed proprietary products in satellite communication (SATCOM) segment. Ratings further draw comfort from its established clientele comprising Indian Navy, Bharat Electronics Limited, Lockheed Martin, Defence Research and Development Organisation (DRDO), NewSpace India Limited (NSIL), Indian Coast Guard and Indian railways among others. These clients are majorly central government organisations, which are of strategic importance in Aerospace and defence sectors.

However, rating strengths are partially offset by elongated operating cycle and long gestation period between product development and final delivery.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Significantly growing revenue from operations while maintaining profit before interest, lease rentals, depreciation and tax (PBILDT) margin above 30% on a sustained basis.
- Shortening operating cycle to less than 100 days, resulting in healthy operating cash flows and superior liquidity.

Negative factors

- Inability to improve revenue from operations or PBILDT margin falling below 25%.
- Sustained pressure on working capital cycle and significantly increasing fund-based or non-fund-based bank borrowings impacting company's gross leverage position.

Analytical approach: Standalone

Outlook: Stable

CARE Ratings Limited (CARE Ratings) believes that the entity will continue to benefit from its established presence in the defence electronics segment, while maintaining a healthy financial risk profile.

Detailed description of key rating drivers:

Key strengths

Improvement in scale of operations with healthy profitability margins

Revenue from operations grew by 45% in FY24 to ₹223.92 crore (PY: ₹154.62 crore), driven by successful execution of RTIS systems for Indian Railways, MSS Helicopter version units for Lockheed Martin, MSS M II terminals for ships and strategic vehicles, and supply of C-band Hub stations and MSS terminals to the Indian Coast Guard. In 9MFY25, the company has recognised revenue of ₹199.34 crore considering improved execution of the order book. The company maintains a robust operating profitability marked by PBILDT margin of 41.55% and 37.70% for 9MFY25 and FY24, respectively (PY: 32.23%). Sustained profitability is underpinned by the company's portfolio of indigenously designed, developed, and manufactured proprietary products in the SATCOM segment. Leveraging its low-cost structure and extensive experience in the defence sector, the company secures orders based on being the lowest bidder.

Comfortable financial risk profile

The company's financial risk profile remains comfortable, marked by the absence of term debt. Overall gearing improved to 0.10x as on March 31, 2024, from 0.27x as on March 31, 2023. Other coverage indicators also remained strong, with Total Debt to

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

gross cash accruals (TD/GCA) improving to 0.28x as on March 31, 2024 (PYE: 0.87x), and an interest coverage ratio of 18.53x for FY24.

Experienced promoters and qualified management team

Dr Abburi Vidyasagar, Chairman and Managing Director, established the company in 1990, leveraging his extensive experience in electronics and communication engineering. Holding a postgraduate degree from IIT, Kharagpur, Dr Vidyasagar has accumulated over four decades of expertise in the industry. Under his leadership, the company has accumulated over 30 years of experience in designing, developing, manufacturing, system engineering, deployment, and providing after-market support for a diverse range of defence electronics products. Dr Vidyasagar is supported by his son, Abburi Siddhartha Sagar, handling business development and strategy at Avantel. Siddhartha Sagar holds a master's degree in computer science from the Ira A. Fulton Schools of Engineering at Arizona State University, complemented by an MBA from the WP Carey School of Business at Arizona State University.

Healthy track record and strong relationships with important defence organisations

Avantel has been operating in the defence sector for over three decades. Over the years, the company established itself as one of the key defence manufacturers in India with proven ability to timely deliver projects. Specialising in wireless and satellite communication products, the company serves clients of strategic importance in aerospace and defence sectors. Key clientele includes Indian Navy (Material organisation, Indian Coast Guard etc), Cochin Shipyard Limited, Goa Shipyard Limited (GSL), Garden Reach Shipbuilders & Engineers Ltd (GRSE), Bharat Electronics Limited, Lockheed Martin, Satish Dhawan Space Centre (SDSC) SHAR, Indian railways (through L&T), and The Boeing Company, among others.

Strong technical know-how and in-house R&D facilities

Avantel's in-house R&D facility is backed by a team with expertise in electronic hardware, software, product design, after-sales support, and obsolescence management. The company develops key technologies for mechanical and electronic components in-house, which enhances cost efficiency, product differentiation, and profitability prospects.

Key weaknesses

Long gestation period between product development and final delivery

Being a defence product manufacturer, Avantel's products undergo rigorous testing before a final order is awarded. The entire process to win an order and begin commercial production takes ~2-3 years, in addition to product development (between RFI and RFP), which itself can take ~2-3 years. Initial phase of product development also demands a substantial time, averaging ~2 years to establish proof of concept. This necessitates regular capital allocation for product development/upgradations and financial resilience to see through the development stage, with the risk of orders not getting materialised. CARE Ratings observes that it is important for the company to continuously invest in new products and have healthy project pipeline in RFI/RFP stages. However, proven products have a shorter gestation period, enabling quicker order fulfilment.

Elongated working capital cycle

The working capital cycle slightly deteriorated to 188 days in FY24 (PY: 179 days), primarily due to an increase in trade receivables considering higher sales towards year-end and inventory maintained for orders scheduled for delivery in the upcoming quarters. The company's order deliveries typically range from 1-1.5 years, with a collection period of ~2.5-3 months. However, counterparty risk remains low as the company primarily deals with central government entities.

Liquidity: Adequate

The company is able to generate adequate cash flows, marked by a GCA of ₹61.84 crore. Reliance on bank borrowings remains moderate, with an average utilisation of 73% for 12 months ending December 31, 2024. Liquidity is further supported by the absence of term debt obligations, quick ratio of 2.89x and free cash and cash equivalents of ₹2.95 crore as on March 31, 2024.

Assumptions/Covenants - Not applicable

Environment, social, and governance (ESG) risks

Environmental	The company has a risk management committee overseeing environmental and sustainability related matters.
Social	The company regularly spends towards healthcare as part of its CSR activity and as recommended by the company's CSR Committee.
Governance	The company has an audit committee, a nomination and remuneration committee, risk management committee and stakeholders' relationship committee in compliance with SEBI LODR regulations, ensuring adherence to corporate governance standards.

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
Industrials	Capital goods	Aerospace & defense	Aerospace & defense

Founded in 1990 by Dr Abburi Vidyasagar (Chairman and Managing director), Avantel has been a prominent player in the defense electronics segment for over three decades. Incorporated as a private limited company, it transitioned to a public limited company in 1994, and subsequently listed on the Bombay Stock Exchange (BSE) in 2000 and on National Stock Exchange of India (NSE) in July 2024. Avantel specialises in the design, development, manufacturing, system engineering, deployment, and after-market support of a diverse range of defence electronics products. The company's core competencies include wireless and satellite systems, RF system design, embedded systems and signal processing, network management and software development, and engineering and IT services.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	9MFY25 (UA)
Total operating income	154.62	223.92	199.34
PBILDT	49.83	84.41	82.82
PAT	30.04	55.45	52.56
Overall gearing (times)	0.27	0.10	NA
Interest coverage (times)	10.25	20.22	34.80

A: Audited, UA: Unaudited, NA: Not available. 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		-	-	-	12.00	CARE A-; Stable
Non-fund-based - LT/ ST-BG/LC		-	-	-	58.00	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	12.00	CARE A-; Stable	1)CARE A-; Stable (23-May-24)	-	-	-
2	Non-fund-based - LT/ ST-BG/LC	LT/ST	58.00	CARE A-; Stable / CARE A2+	1)CARE A-; Stable / CARE A2+ (23-May-24)	-	-	-

LT: Long 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-BG/LC	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:
Established in 1993, CARE Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the RBI. With an equitable position in the Indian capital market, CARE Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CARE Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CARE Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit.

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