

Munitions India Limited

September 25, 2025

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long-term bank facilities	2,000.00	CARE AA+; Stable	Reaffirmed
Long-term / Short-term bank facilities	1,000.00	CARE AA+; Stable / CARE A1+	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

Ratings assigned to bank facilities of Munitions India Limited (MIL) derives strength from its strategic importance to the Government of India (GoI), established market position in defence sector and healthy order book with company adding new orders through tendering process. Ratings are also underpinned by large manufacturing capacities with adequate pool of trained manpower, high entry barrier within the industry limiting competition, comfortable capital structure marked by strong net worth, support extended by government through infusion of funds towards capex requirements, and minimal reliance on working capital borrowings as the company receives a portion of the order value as advances, with balance payable on delivery; extent of advances varies across contracts. CARE Ratings Limited (CareEdge Ratings) also notes the company's foray in exports of ammunitions to diversify its revenue streams, which contributed ~38% in FY25. As the company's current employees are on deemed deputation from Ministry of Defence, pension and gratuity are to be borne by government. However, deemed deputation is set to over by December 31, 2025, and new policy with respect to deemed deputation shall remain a key monitorable. These strengths are partially offset by high dependence on the defence sector, which contributes to the bulk of its revenues and its working capital intensive operations due to high inventory and receivables. Operating profit margins remain vulnerable to input cost fluctuations in its fixed price defence contracts though partially mitigated with the presence of price escalation clause and long-term contracts with suppliers. Ratings are also constrained, considering teething challenges faced by new defence public sector undertakings (DPSUs) in converting to a company and qualified audit report for FY25.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Significant growth in revenue consistently while maintaining profit before interest, lease, depreciation, and tax (PBILDT) margin above 15%.
- Strengthening internal control system to ensure an unqualified audit opinion.
- Gross current asset days sustaining under 200 days.

Negative factors

- Dilution of stake of GoI to below 51% in the company.
- Changing stance of GoI support to MIL reflecting in lower order inflows and revenues.
- Weakening operating performance, leading to significantly declining margin and constrained liquidity.
- Large debt-funded capex or sizeable working capital requirement, weakening the capital structure beyond 0.5x.

Analytical approach: Consolidated; factoring its 100% ownership by GoI, for whom it is a strategically important entity in the defence sector. Consolidated approach is taken due to operational and financial linkages between parent and subsidiary. Companies considered for consolidation are listed under Annexure-6.

Outlook: Stable

The stable outlook reflects the rated entity likely to maintain its established position in defence sector and will continue to remain strategically important to GoI.

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

Detailed description of key rating drivers:**Key strengths****Highly strategic importance to GoI as a DPSU and a dominant supplier to Indian defence forces**

MIL is wholly owned by GoI. Cabinet committee on security (CCS) in its meeting held on July 29, 2020, approved to convert Ordnance Factory Board (OFB), an attached office of Ministry of Defence (MoD), in over one 100% government-owned corporate entities registered under the Companies Act 2013. The cabinet meeting held on June 16, 2021, approved to convert 41 production units of OFB into seven DPSUs. MIL is one such seven DPSUs. Accordingly, 12 production units and three non-production units of erstwhile OFB, for production of ammunition and explosives were transferred to MIL on October 01, 2021. MIL took over ammunition and explosives from the erstwhile OFB.

Established client and product base

Being in the defence sector, MIL has established products in relation to defence and its customer primarily is the armed forces. MIL's product portfolio includes small, medium and large calibre ammunition, naval ammunition, mortar and aerial bombs, grenades, propellants, tank ammunition, multi barrel rocket, explosives, smoke, and pyrotechnics. The company sells its products to army, navy, Ministry of Home Affairs (MHA) and air force. The company also exports its products. These factories have been producing ammunitions and high explosives for over 150 years.

Accredited manufacturing units spread across India

MIL is engaged in producing, testing, research and development, and marketing comprehensive range of ammunition and explosives for army, navy, air force and paramilitary forces. It has 12 manufacturing units across India and a workforce of ~21000. MIL's units are certified with ISO-9001:2015 (for quality management system), ISO 14001:2015 (for environment management safety), ISO 145001:2018 (for occupational health and safety management system), ISO/IEC/17025 (for national accreditation board for testing and laboratories), and ISO 50001:2018 (for energy and management systems).

Robust order book providing adequate revenue visibility

The company's unexecuted order book as of August 2025, stood at ~₹30,000 crore, which includes export orders worth ₹6000 crore and orders secured through the tendering process ~₹13000 crore apart from deemed contract. The order book stands at ~3.60x of the FY25 operating income, which provides adequate revenue visibility. To run these DPSUs, indents placed up to September 30, 2021 on erstwhile OFB have been converted into deemed contracts, and every year, 60% amount of these contracts for supply of respective products pertaining to that year's target is being paid by the Ministry of Defence Services to DPSUs as advance per terms and conditions stipulated in the deemed contract and these are interest free. The company also receives advances from export orders and new orders secured through tenders. The government's focus on rolling out reforms to increase India's defence product manufacturing capability and gradually reduce imports will support the order inflow in the medium-to-long term. CareEdge Ratings anticipates that in the coming years, these new DPSUs would explore and establish newer markets in the country and abroad and become self-sustainable.

Significant support from Government of India

MIL being a DPSU and owned entirely by GoI has significant support and involvement from the government. The company has robust order book of ~₹24,000 crore from MoD to be executed by FY31 with certain orders extending beyond that period. Funding for capex is being provided by the government. In FY25, the government infused ~₹745 crore for capex. In the next two years, the company plans to incur capex to the tune of ~₹2000 crore, which will be partly funded (75%) by GoI. On corporatisation of erstwhile OFB, employees of OFB have been transferred to the company on deemed deputation for an initial period of two years, which has been extended till December 2025. Till the deemed deputation period employees continue to be GoI employees and their pension liability continue to be the obligation of the Central Government. CareEdge Ratings will closely monitor developments following conclusion of the deemed deputation period to assess the impact on the company's operational structure, governance framework, and overall credit profile.

Rising exports mitigating customer concentration risk

MIL bids for defence projects floated by the army, navy and air force. In FY25, Indian army remained as major customer, accounting for ~40% of the turnover. While army contributed the bulk of MIL's revenue, however considering increased exports, dependency on this has significantly come down from the previous year, where the contribution from the army stood at ~51%. In FY25, ₹3082 crore (~38%) of the revenue is contributed by the export market, which is a considerable improvement from earlier ~5% in FY23 and ~24% in FY24. The company continues to derive ~54% of its total revenue from MoD (army, navy, air force) and MHA. Due to the high concentration of government sector orders, revenue booking, and cash flows are vulnerable to

delays in project execution or final payment clearance in some cases. It has significant exposure to MoD under GoI, which relies on budgetary means to clear its dues.

Improving overall performance

The company's performance in FY25 improved in terms of revenue and operating margins. Revenue has grown by ~14% to ₹8264 crore from ₹7256 crore reported in FY24. With revenue, PBILDT margins also improved by 642 basis points to 13.27% from 6.85% reported in FY24. In FY25, the contribution from export of arms and ammunition has increased to 38% (PY:24%) of the total revenue, which contributed to improved revenue and profitability. CareEdge Ratings expects the company's performance to remain strong, underpinned by a healthy inflow of new orders and consistent execution capabilities. Sustained momentum in order acquisition and timely delivery will be critical to maintaining its robust operational and financial profile.

Comfortable financial risk profile

The company's capital structure is strong with no debt outstanding though there are letters of credit (LCs) open worth ₹358 crore. The company has fund-based facilities of ₹2000 crore, which saw minimal utilisation. The company does not plan to avail term debt for its capex, as this will be funded by GoI and through internal accruals. CareEdge Ratings expects MIL's financial risk profile to remain comfortable, supported by its stable earnings and limited reliance on external borrowings.

Key weaknesses**Working capital intensive business**

The company operates in a working capital intensive industry. The company manufactures over 1500 types of products of different calibres. To manufacture these, wide variety of products company needs to, on an average, maintain raw material inventory of ~₹3000 crore. In FY25, finished and semi-finished goods amounted to ~₹1200 crore. Thus, ~₹4200 crore was invested in inventory. Before supply, finished goods are subject to successful inspection, which if delayed, increases inventory holding period for MIL. As on March 31, 2025, the company had receivables of ~₹1400 crore. MIL receives 60% advance from army, navy and air force against its supplies for the deemed contract, and the balance is received within 2-3 months from army and within one month from navy and air force, for the supplies made to MHA it receives 40% advance, whereas for export orders 15% money is received in advance. The balance 85% for export orders is received before the goods are dispatched.

Challenges faced by new DPSUs

Although the corporatisation is expected to improve efficiencies, transition is a critical and complex process, having many inherent challenges. MIL also faced initial challenges with respect to implementation of business strategies, change of tax regime, financial accounting, quality management systems, store procurement procedures and enhanced delegation of financial powers and to reduce bureaucratic administrative procedures.

Foreign exchange fluctuation risk

MIL remains exposed to forex risk, as the company is involved in import of raw material and export of finished goods. Through import and export, it has a natural hedge to some extent. Around 40% of its forex risk is hedged through natural hedge; however, the balance ~60% forex exposure as of now remains unhedged. However, as expressed by the management, the company is in the process of implementing the hedging policy.

Qualified audit report

The company's statutory auditor has given qualified opinion for FY25. The qualified opinion for FY25 relates to issues regarding prior period adjustments, non-reconciliation of trade receivables, trade payables and balances with other DPSUs. This apart, few other matters were emphasised by the auditor. On discussion with the company's management, CareEdge Ratings notes that many of the observation points made by statutory auditor in FY25 related to assets, liabilities, receivable and payables are due to legacy issues. Since records and assets of erstwhile ordnance factory board were created/accumulated over decades of operations, correcting such errors is taking time and when the discrepancy comes to notice, it is being rectified. The company has already addressed many issues. Per the management, given the company's new incorporation, its size, volume and geographical spread of units, systems and controls required by the statutory auditor is taking some time to get fully incorporated in the current system. The company's books are subject to Comptroller and Auditor General of India (CAG) audit, which in the past have not pointed observations. For FY25, CAG audit is under process and CareEdge Ratings will continue to monitor this and adverse opinion by CAG shall remain key rating monitorable.

Liquidity: Strong

The company's liquidity profile is healthy supported by cash and liquid investments of ~₹6100 crore as on March 31, 2025, against nil term debt repayments. The company plans to undertake capex of ~₹2000 crore in the next two years, part of which 75% will be funded partly by GoI and partly through internal accruals. The company also receives advance for the order it executes. Average working capital utilisation for 12-month ending in July 2025, remained at ~58% for non-fund-based facility and less than 10% for the fund-based facility, which further provides cushion to the company's liquidity.

Assumptions/Covenants: Not applicable

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

Applicable criteria

[Definition of Default](#)

[Factoring Linkages Government Support](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Rating Watch](#)

[Manufacturing Companies](#)

[Financial Ratios – Non financial Sector](#)

[Short Term Instruments](#)

[Consolidation](#)

About company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Industrials	Capital goods	Aerospace & defense	Aerospace & defense

Incorporated in August 2021, MIL is a central public sector enterprise (CPSE) under MoD, Government of India. It is engaged in production, testing, research and development and marketing of comprehensive range of ammunition and explosives for army, navy, air force and paramilitary forces. The company is based in Pune and has 12 manufacturing units across the country.

Brief Consolidated Financials (₹ crore)	March 31, 2024 (A)	March 31, 2025 (A)
Total operating income	7,256.33	8,264.21
PBILDT	496.15	1,096.52
PAT	558.81	839.87
Overall gearing (times)	0.00	0.00
Interest coverage (times)	229.70	270.75

A: Audited; 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	-	-	-	-	2000.00	CARE AA+; Stable
Non-fund-based - LT/ ST-BG/LC	-	-	-	-	1000.00	CARE AA+; Stable / 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 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	2000.00	CARE AA+; Stable	-	1)CARE AA+; Stable (10-Sep-24)	1)CARE AA+; Stable (01-Aug-23)	-
2	Non-fund-based - LT/ ST-BG/LC	LT/ST	1000.00	CARE AA+; Stable / CARE A1+	-	1)CARE AA+; Stable / CARE A1+ (10-Sep-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](#)

Annexure-6: List of entities consolidated

Sr No	Name of the entity	Extent of consolidation	Rationale for consolidation
1	Munitions India Sports Promotional Council	Full	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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