Avantel Limited

October 10, 2025

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long-term bank facilities	37.00 (Enhanced from 12.00)	CARE A-; Stable	Reaffirmed
Long-term / Short-term bank facilities	83.00 (Enhanced from 58.00)	CARE A-; Stable / CARE A2+	Reaffirmed
Short-term bank facilities	15.00	CARE A2+	Assigned

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 38% for FY25 (Audited) [FY refers to April 01 to March 31]. 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. Despite additional working capital borrowings, financial risk profile of the company is expected to be comfortable for the projected period. Ratings further draw comfort from its established clientele comprising Indian Navy, Bharat Electronics Limited, Lockheed Martin, Defence Research and Development Organisation (DRDO), New Space 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 moderation in profitability margins in Q1FY26, 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 (CareEdge 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 in FY25

Revenue from operations shows y-o-y growth of 10.97% to ₹248.48 crore (PY: ₹223.92 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 backed by improved order book position and timely execution. The company maintains a robust operating profitability marked by PBILDT and profit after taxation (PAT) margins of 38.28% and 24.11%, respectively. 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.

In Q1FY26, Avantel reported a total operating income (TOI) of ₹51.84 crore, with PBILDT and PAT margins of 21.91% and 8.91%, respectively. The moderation in profitability was primarily due to higher consumption and carrying costs arising from delays in

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

order clearances, increased research and development (R&D) expenses, and higher depreciation following the capitalisation of the new plant. However, the company's overall profitability is expected to remain healthy at ~38% in the coming years, supported by a robust order book.

Comfortable financial risk profile

The company's financial risk profile remains comfortable, marked by the absence of term debt. Overall gearing stood comfortable at 0.11x as on March 31, 2025 (against 0.10x as on March 31, 2024). Company's total debt comprises working capital borrowings, unsecured loans from promoters and lease liabilities. In March 2025, infusion of unsecured loans by promoters was used to meet working capital requirements. In line with its expanding operations and the commercialisation of a new plant, Avantel availed additional working capital limits of ₹65 crore. Despite increased in debt levels, financial risk profile expected to remain comfortable, supported by its strong net worth position.

Other coverage indicators also remained strong, with total debt to gross cash accruals (TD/GCA) marginally deteriorated but remained comfortable at to 0.37x as on March 31, 2025 (PYE: 0.28x), and an interest coverage ratio of 31.42x for FY25 (PY: 27.37x).

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 and others), Cochin Shipyard Limited, Goa Shipyard Limited (GSL), Garden Reach Shipbuilders and 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 inhouse, 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. CareEdge 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 213 days in FY25 (PY: 188 days), primarily due to increase in trade receivables considering higher sales towards year-end and inventory maintained for orders scheduled for delivery in the upcoming quarters and delay in clearance of certain orders. 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

Liquidity is adequate marked by GCA of ₹70.89 crore against nil term debt obligation and free cash balance available of ~₹7.66 crore as on March 31, 2025. The working capital limits of the company have been on a lower side, ₹12 crore. Average utilisation of working capital limits stood at 82% for last 12 months ended July 2025. With increase in scale of operations, the company had decided to enhance the working capital limits to have some cushion in case of additional requirements. Hence, Avantel had availed additional limits from State Bank of India. There is no term debt outstanding as on March 31, 2025.

Assumptions/Covenants: Not applicable

Environment, social, and governance (ESG) risks

Environmental: The company has certified with the following Environmental Management Systems (EMS) and Occupational Health and Safety (OH&S) Management System. The company has a risk management committee overseeing environmental and sustainability-related matters.
Social: The company regularly expends 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 and defense	Aerospace and defense

Founded in 1990 by Dr Abburi Vidyasagar (Chairman and Managing director), Avantel has been a prominent player in the defence 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, 2024 (A)	March 31, 2025 (A)	Q1FY26 (UA)
Total operating income	223.92	248.48	51.84
PBILDT	84.41	95.38	11.36
PAT	55.45	59.92	4.62
Overall gearing (times)	0.10	0.11	NA
Interest coverage (times)	20.22	31.42	14.20

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		-	-	-	37.00	CARE A-; Stable
Fund-based - ST-Vendor financing		-	-	-	15.00	CARE A2+
Non-fund-based - LT/ ST-BG/LC		-	-	-	83.00	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 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	37.00	CARE A-; Stable	1)CARE A-; Stable (07-Apr-25)	1)CARE A-; Stable (23-May-24)	-	-
2	Non-fund-based - LT/ ST-BG/LC	LT/ST	83.00	CARE A-; Stable / CARE A2+	1)CARE A-; Stable / CARE A2+ (07-Apr-25)	1)CARE A-; Stable / CARE A2+ (23-May-24)	-	-
3	Fund-based - ST-Vendor financing	ST	15.00	CARE A2+	-	-	-	-

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	Fund-based - ST-Vendor financing	Simple
3	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: 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.

Contact us

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About us:

Established in 1993, CareEdge 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 Reserve Bank of India. With an equitable position in the Indian capital market, CareEdge 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, CareEdge 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. CareEdge Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit. For more information: www.careratings.com

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