

Sagar Defence Engineering Private Limited

October 17, 2025

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	40.00	CARE BBB; Stable	Assigned
Short Term Bank Facilities	115.00	CARE A3+	Assigned

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

Ratings assigned to the bank facilities of Sagar Defence Engineering Private Limited (SDEPL) derive strength from experienced and professionally qualified management and in-house technological capabilities and intellectual property portfolio. Ratings are further strengthened by growing scale of operations, supported by a strong order book position, healthy profitability, and comfortable capital structure and debt coverage indicators.

Ratings are, however, constrained by working capital-intensive nature of operations, driven by high receivable cycle, exposure to technology obsolescence and regulatory risks in the segment, and exposure to foreign exchange fluctuation risk. Going forward, SDEPL's ability to secure more orders, maintain profitability, and manage working capital efficiently will remain key monitorable.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Reduction in Gross Current Asset days below 360 days on sustained basis
- Improvement in total operating income (TOI) above Rs.250 crore while maintaining profitability.

Negative factors

- Any significant increase in debtors leading to negative cash flow from operations on sustained basis.
- Any deterioration in capital structure, leading to overall gearing above 0.75x on sustained basis.

Analytical approach: Standalone

Outlook: Stable

'Stable' outlook reflects CARE Ratings Limited's (CareEdge Ratings') expectation that the entity will continue to benefit from the promoters' extensive experience and execution of existing orderbook of the company.

Detailed description of key rating drivers:

Key strengths

Experienced and professionally qualified management

The company has an experienced and qualified management team led by Captain Nikunj Parashar, Managing Director and Ex Merchant Navy Officer, and supported by co-founders Mridul Babbar, CFO and Lakshay Dang, CTO, who have previously worked with National Aeronautics and Space Administration (NASA), bringing technical expertise to the team. Their domain expertise has enabled the company to develop technologies and navigate regulatory frameworks within the defence ecosystem. The team is further supported by qualified professionals with domain-specific expertise.

In-House Technological Capabilities and Intellectual Property Portfolio

SDEPL has developed a range of unmanned systems, including Unmanned Surface Vehicles (USVs), Autonomous Underwater Vehicles (AUVs), Unmanned Aerial Vehicles (UAVs) and Unmanned Ground Vehicles (UGVs) which are powered by their indigenously designed, developed and manufactured platform agnostic patented technology Genisys 'Boat in a Box', designed for defence and strategic applications. The company's product portfolio is based on indigenously developed technologies, with several innovations protected under patents and intellectual property rights. These proprietary technologies provide competitive differentiation and act as entry barriers for new players in the niche defence tech segment. Furthermore, SDEPL's focus on indigenous R&D aligns well with national initiatives such as "Make in India" and "Atmanirbhar Bharat", which prioritize domestic defence manufacturing. SDEPL has received three National Awards including the prominent National Award for creation of Intellectual Property.

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

The company operates in a specialized segment of the defence technology space, which is characterized by high technical complexity, regulatory oversight, and limited competition. These factors contribute to entry barriers that support SDEPL's positioning. SDEPL's platforms have been demonstrated and deployed by the Ministry of Defence (MoD) in operational settings, indicating a level of acceptance and validation.

Growing scale of operations supported by strong order book position

SDEPL has witnessed a significant expansion in its scale of operations, with Total Operating Income (TOI) growing from ₹7.85 crore in FY22 (FY refers to April 01 to March 31) to ₹100.97 crore in FY25. This growth has been primarily driven by the successful execution of defence contracts. As on September 30, 2025, SDEPL has an order book position of ₹2,730 crore (27x FY25 TOI), scheduled for execution over the next three years, providing medium- to long-term revenue visibility.

Healthy profitability

SDEPL has seen an improvement in profitability in FY25, following a period of relatively lower and fluctuating margins in earlier years. The company's proprietary technologies have enabled it to command high gross margins, particularly as the major R&D investments related to current product lines have already been incurred. The sharp increase in revenue has enabled the company to benefit from operating leverage, resulting in a marked improvement in profitability. PBILDT margin improved to 45.53% in FY25 as from 13.85% in FY24. PAT margin improved in tandem to 33.01% in FY25 (PY: 8.92%). While the nature of defence contracts remains largely fixed-price, SDEPL's margin buffer and internal cost controls allow it to absorb raw material price fluctuations without significant impact on profitability. Going forward, the ability to sustain profitability while executing a growing order pipeline will remain key monitorable.

Comfortable capital structure and strong debt coverage indicators

SDEPL's overall gearing has significantly improved from 1.50x as on March 31, 2022, to 0.05x as on March 31, 2025, resulting from a substantial increase in net worth, as SDEPL raised funds by way of Series A Compulsory Convertible Preference Shares (CCPS) in December 2024.

Debt coverage indicators remained strong marked by total debt to gross cash accruals (TDGCA) and interest coverage (PBILDT/Interest) of 0.35x and 10.16x respectively in FY25 (4.51 and 7.64 respectively in FY24). CareEdge Ratings expects the capital structure of SDEPL to remain comfortable in the medium term in the absence of any planned debt funded capex.

Key weaknesses

Working capital intensive nature of operations

SDEPL's operations are characterized by high working capital intensity, primarily on account of elongated receivable cycle. Given the nature of its clientele- predominantly government and defence sector entities- payments are typically linked to milestone-based billing and are subject to procedural clearances, inspections, and approvals. This often results in delayed realization of receivables, stretching the company's operating cycle and exerting pressure on its liquidity position, though the counterparty risk is low. The ability of the company to improve its collection efficiency and reduce debtor days will remain critical for sustaining healthy cash flows. Operating cycle has improved from more than 12 months to 4 months over FY22- FY25. Nevertheless, SDEPL's working capital requirements are expected to remain high, commensurate with its growing scale of operations.

Exposure to technology obsolescence and regulatory risks

SDEPL operates in a rapidly evolving defence-tech landscape, where continuous innovation is critical. Despite its in-house R&D and patented technologies, the risk of obsolescence remains, given the fast-paced advancements in unmanned systems and autonomous technologies. Sustained investments in product upgrades and alignment with evolving defence requirements will be essential to maintain technological relevance and competitiveness. Furthermore, SDEPL's operations are closely linked to government defence procurement policies, which are subject to frequent changes, budgetary constraints, and geopolitical considerations. Any adverse shift in policy direction, delays in approvals, or changes in defence spending could impact order inflows and execution timelines.

Exposure to foreign exchange fluctuation risk

SDEPL is exposed to foreign exchange fluctuation risk due to its dependence on few components that are not readily available or manufactured at scale in India but readily available from multiple vendors outside India. While the company's revenues are entirely denominated in INR, the absence of a natural hedge increases its vulnerability to currency volatility. In the absence of a formal hedging mechanism, adverse movements in exchange rates could impact the company's cost structure and profitability.

Liquidity: Adequate

SDEPL is expected to generate cash accruals of more than Rs.75 crore annually and presently does not have any principal repayment obligations. Average utilisation of fund based, and non-fund based working capital limits stood at 34.25% and 68.18%, respectively, for 12 months ended August 31, 2025. SDEPL has been sanctioned additional working capital limits in September 2025. As on March 31, 2025, SDEPL had free cash and bank balance of Rs.167.77 crore. SDEPL, thus, has sufficient cushion to take care of incremental working capital and capital expenditure (capex) requirements. Current ratio and quick ratio stood at 4.45x and 4.34x, respectively, as on March 31, 2025. Going forward, prudent working capital management and timely realization of receivables will be critical to sustaining the company's liquidity profile.

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
Industrials	Capital Goods	Aerospace & Defense	Aerospace & Defense

Sagar Defence Engineering Private Limited (SDEPL), incorporated in May 2015, is an emerging defence technology company specializing in the design, development, manufacturing, and deployment of unmanned and autonomous systems across maritime, aerial, underwater, and land domains. The company develops cutting-edge unmanned solutions that cater to a wide range of applications including strategic defence surveillance, maritime security, oceanographic research, and search and rescue operations. The technologies developed by SDEPL possess dual-use potential, offering significant opportunities for both defence and commercial sectors.

The company's product portfolio includes unmanned surface vehicles (USVs) for maritime operations, autonomous weaponised boat swarms (AWBS) for naval missions, autonomous underwater vehicles (AUVs) and unmanned aerial vehicles (UAVs) with multi-mission capabilities such as autonomous launch and recovery from high-speed moving platforms. SDEPL is also developing heavy-lift aerial platforms and personal aerial vehicles designed for both defence and commercial logistics applications.

The company has established a strong operational track record and has successfully secured contracts with the Ministry of Defence (Government of India), serving key organisations such as the Indian Navy, Indian Coast Guard, and the Defence Research and Development Organisation (DRDO).

Brief Financials (₹ crore)	March 31, 2024 (A)	March 31, 2025 (A)
Total operating income	38.82	100.97
PBILDT	5.38	45.97
PAT	3.46	33.34
Overall gearing (times)	0.55	0.05
Interest coverage (times)	7.64	10.16

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		-	-	-	40.00	CARE BBB; Stable
Non-fund-based - ST-Bank Guarantee		-	-	-	115.00	CARE A3+

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	40.00	CARE BBB; Stable				
2	Non-fund-based - ST-Bank Guarantee	ST	115.00	CARE A3+				

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: 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

<p>Media Contact</p> <p>Mradul Mishra Director CARE Ratings Limited Phone: +91-22-6754 3596 E-mail: mradul.mishra@careedge.in</p> <p>Relationship Contact</p> <p>Ankur Sachdeva Senior Director CARE Ratings Limited Phone: +91-22-6754 3444 E-mail: Ankur.sachdeva@careedge.in</p>	<p>Analytical Contacts</p> <p>Akhil Goyal Director CARE Ratings Limited Phone: +91-22-6754 3590 E-mail: akhil.goyal@careedge.in</p> <p>Ashish Kashalkar Associate Director CARE Ratings Limited Phone: +91-20-4000 9009 E-mail: Ashish.Kashalkar@careedge.in</p> <p>Yash Bhide Rating Analyst CARE Ratings Limited E-mail: Yash.bhide@careedge.in</p>
--	--

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

Disclaimer:

This disclaimer pertains to the ratings issued and content published by CARE Ratings Limited ("CareEdge Ratings"). Ratings are opinions on the likelihood of timely payment of the obligations under the rated instrument and are not recommendations to sanction, renew, disburse, or recall the concerned bank facilities or to buy, sell, or hold any security. Any opinions expressed herein are in good faith and are subject to change without notice. The rating reflects the opinions as on the date of the rating. A rating does not convey suitability or price for the investor. The rating agency does not conduct an audit on the rated entity or an independent verification of any information it receives and/or relies on for the rating exercise. CareEdge Ratings has based its ratings/outlook on the information obtained from reliable and credible sources. CareEdge Ratings does not, however, guarantee the accuracy, adequacy, or completeness of any information and is not responsible for any errors or omissions and the results obtained from the use of such information. The users of the rating should rely on their own judgment and may take professional advice while using the rating in any way. CareEdge Ratings shall not be liable for any losses that user may incur or any financial liability whatsoever to the user of the rating. The use or access of the rating does not create a client relationship between CareEdge Ratings and the user.

CAREEDGE RATINGS DISCLAIMS WARRANTY OF ANY KIND, EXPRESS, IMPLIED OR OTHER WARRANTIES OR CONDITIONS, TO THE EXTENT PERMITTED BY APPLICABLE LAWS, INCLUDING WARRANTIES OF MERCHANTABILITY, ACCURACY, COMPLETENESS, ERROR-FREE, NON-INFRINGEMENT, NON-INTERRUPTION, SATISFACTORY QUALITY, FITNESS FOR A PARTICULAR PURPOSE OR INTENDED USAGE.

Most entities whose bank facilities/instruments are rated by CareEdge Ratings have paid a credit rating fee, based on the amount and type of bank facilities/instruments. CareEdge Ratings or its subsidiaries/associates may also be involved with other commercial transactions with the entity. CareEdge Ratings does not act as a fiduciary by providing the rating. The ratings are intended for use only within the jurisdiction of India. The ratings of CareEdge Ratings do not factor in any rating-related trigger clauses as per the terms of the facilities/instruments, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and triggered, the ratings may see volatility and sharp downgrades. CareEdge Ratings has established policies and procedures as required under applicable laws and regulations which are available on its website.

Privacy Policy applies. For Privacy Policy please refer to https://www.careratings.com/privacy_policy

© 2025, CARE Ratings Limited. All Rights Reserved.

This content is being published for the purpose of dissemination of information. Any use or reference to the contents herein on an "as-is" basis is permitted with due acknowledgement to CARE Ratings. Reproduction or retransmission in whole or in part is prohibited except with prior written consent from CARE Ratings.

**For detailed Rating Report and subscription information,
please visit www.careratings.com**