



**Press Release**  
**APOLLO MICRO SYSTEMS LIMITED**  
**June 25, 2025**  
**Rating Assigned and Upgraded**

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	144.00	ACUITE BBB+   Stable   Assigned	-
Bank Loan Ratings	308.50	ACUITE BBB+   Stable   Upgraded	-
Bank Loan Ratings	65.00	-	ACUITE A2   Assigned
Bank Loan Ratings	85.00	-	ACUITE A2   Upgraded
Total Outstanding Quantum (Rs. Cr)	602.50	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

**Rating Rationale**

Acuite has upgraded its long-term rating to ‘ACUITE BBB+’ (read as ACUITE triple B plus) from ‘ACUITE BBB’ (read as ACUITE triple B) and short-term rating to ‘ACUITE A2’ (read as ACUITE A two) from ‘ACUITE A3+’ (read as ACUITE A three plus) on the Rs.393.50 Cr. bank facilities of Apollo Micro Systems Limited (AMSL). The outlook remains ‘Stable’.

Also, Acuite has assigned its long-term rating to ‘ACUITE BBB+’ (read as ACUITE triple B plus) on the Rs.144.00 Cr. and short-term rating to ‘ACUITE A2’ (read as ACUITE A two) on the Rs. 65.00 Cr. bank facilities of Apollo Micro Systems Limited (AMSL). The outlook is ‘Stable’.

**Rationale for upgrade:**

The rating upgrade reflects the significant improvement in the company's scale of operations in FY2025. Over the past four years ending in FY2025, the company's earnings profile, including operating income, EBITDA, and PAT, has achieved a CAGR of 30 percent, driven by better execution of the order book. Additionally, the rating is supported by an equity infusion of Rs. 742.24 Cr. in FY2026 by both non-promoters and promoters on a preferential basis, for expansion of existing business and to manage increasing working capital requirements aligned with expected increase in scale of operations which will be enhancing the company's capital structure, liquidity, and financial risk profile. The operating margins have ranged between 22.99 and 22.57 percent over the last two years ending FY2025. The rating also considers the healthy order book position of Rs. 600.00 crore as of March 2025. It also factors in the acquisition of IDL Explosives Ltd by its subsidiary company which brings together over a century of specialized expertise in the niche and growing sector — 64 years in energetics and commercial explosives, and over 40 years in integrated weapons systems, AMSL will become fully integrated Tier-1 defence OEM. The acquisition not only enhances the manufacturing capabilities but also broadens the solutions portfolio across critical areas of India's defence supply chain. Furthermore, the rating benefits from the promoters' extensive experience of over 30 years in the aerospace and defense industries.

However, the rating remains constrained by its intensive nature of working capital operations and susceptibility to risks inherent in tender-based business and long gestation period of projects.

**About the Company**

Incorporated in 1985, Apollo Micro Systems Limited (AMSL) is promoted by Mr. Karunakar Reddy. The company is listed on the Bombay Stock Exchange (BSE) and the National Stock Exchange (NSE). AMSL is an electronic, electromechanical, and engineering design, manufacturing, and supplies company. It designs, develops, and sells

high-performance, mission-critical, and time-critical solutions to Aerospace, Defence, Space, and Homeland Security for the Ministry of Defence, government-controlled public sector undertakings, and the private sector. It offers custom-built COTS (Commercially off-the-shelf) solutions based on specific requirements to defence and space customers. The company's manufacturing unit is located in Hyderabad, with its lab area conforming to electrostatic discharge requirements, featuring ESD-safe furniture and a controlled environment. AMSL is an ISO 9001:2015 and CEMILAC (Centre for Military Airworthiness and Certification) certified organization.

### Unsupported Rating

Not applicable

### Analytical Approach

Acuité has considered the standalone business and financial risk profiles of AMSL to arrive at the rating.

### Key Rating Drivers

#### Strengths

- **Experience of the management team; established relationships with reputed clientele**

AMSL has been an established player since 1985 in the electronic system design manufacturing (ESDM) segment with the significant experience of its promoter, Mr. B Karunakar Reddy in the aerospace and defence industries spanning over 30 years. AMSL has a strong R&D team focused on developing new products. The company works with the DRDO for research on strategic defence missions, developing commercially off the shelf solutions, which are the proprietary products of AMSL. It focuses on R&D as reflected by the increasing spend on the same over the years. Mr. C V S Prasad, one of the directors, has over 20 years' experience in defence electronic systems manufacturing, particularly critical systems and has worked with organizations like the Indian Space research Organization (ISRO) and Semi- Conductor Laboratory (SCL) in research department. The company provides electric and electronic hardware and software solutions for mission-critical applications to defence, aerospace, navy, and home land security among others. AMSL derives significant benefit from its promoter experience and has established strong relationships with its customers as well as suppliers for repeated business. The major customers include the Ministry of Defence (MoD), Defence Research and Development Organisation (DRDO), BrahMos Aerospace Private Limited, Bharat Electronics Limited (BEL), Hindustan Aeronautics Limited (HAL), and units operated by the Indian Space Research Organisation (ISRO) among others. Acuité believes that similar growth trajectory is likely to continue over the medium term backed by experienced management and an established longstanding relationship with reputed clientele.

- **Improvement in operating revenue**

The company has reported a year-on-year (YOY) significant growth of 51.24 percent in FY2025 compared to the previous year, largely attributed to the execution of the order book. The revenue of the company stood at Rs. 562.07 Cr. in FY2025 as against Rs. 371.63 Cr. in FY2024. The operating margin stood at 22.99 percent in FY2025 as against 22.57 percent in FY2024. The company has an unexecuted order book position of Rs. 600.00 Cr. as of March 31st, 2025. Additionally, the capex of Rs. 149.05 Cr. in Electronic City is expected to be completed in the current year (Q2FY2026), which is expected to result in an increase in the scale of operations over the medium term. Acuité believes that the company will continue to sustain its order book position and maintain its business risk profile over the medium term.

- **Healthy financial risk profile**

The company's financial risk profile is healthy with low gearing and moderate debt protection metrics. The net worth of the company stood at Rs.603.64 Cr. as of March 31, 2025 against Rs.517.56 Cr. as on March 31, 2024, and Rs.383.70 Cr. as of March 31, 2023. The net worth is improved due to the Premium on fresh issue of Rs. 131.50 Cr. in FY2024. The gearing of the company stood at 0.40 times as on March 31, 2024, against 0.37 times as on March 31, 2023. The estimated gearing for FY2025 is around 0.49 times. Debt protection metrics – Interest coverage ratio and debt service coverage ratio stood at 2.85 times and 2.33 times as on March 31, 2024, respectively as against 2.78 times and 1.37 times as on March 31, 2023, respectively. TOL/ TNW stood at 0.84 times as on March 31, 2024, as against 0.80 times as on March 31, 2023. The estimated ICR and DSCR for FY2025 is around 4.02 times and 2.54 times. The estimated TOL/TNW for FY2025 is around 1.08 times. The debt to EBITDA of the company stood at 2.40 times as on March 31, 2024, as against 2.31 times as on March 31, 2023 and estimated to be around 2.21 times as on March 31st 2025. Acuité believes the financial risk profile to remain healthy over the medium term on account of the company's healthy capital structure and stable operations.

- **High Entry barriers and moderate order book position**

AMSL operates in a niche segment of the high entry barrier Defence and Aerospace industry. The company is 'Centre for Military Airworthiness and Certification (CEMILAC)' certified, making it an approved design house for the design and development of software and equipment for military aircraft applications. This certification is based on technical experience and the past record of such authorized design houses. AMSL deals with reputed clientele like Bharat Dynamics Limited, Bharat Electronics Limited, and the Defence Research and Development Organisation (DRDO), among others. As of March 25, AMSL has an unexecuted order book position of Rs. 600.00 Cr. Acuité believes that the high entry barrier, coupled with the long-term nature of the contracts in the order book, provides revenue visibility over the medium term. Further, AMSL's growth prospects remain healthy, supported by the Indian Government's focus on indigenization in the defense sector amid the Make in India thrust.

## **Weaknesses**

- **Working capital intensive nature of operations marked by high GCA Days**

AMSL's working capital cycle remains significantly elongated, with Gross Current Asset (GCA) days increasing to 740 days in FY2024 from 661 days in FY2023, primarily driven by stretched receivables and elevated inventory levels. Notably, there has been an improvement in receivables in FY2025, which declined to 155 days, supported by the execution of commercial orders during the year. The high inventory as of March 31, 2024, is attributed to pre-emptive stocking of critical raw materials. Additionally, systems supplied by the company are subject to post-delivery testing by customers, and payments are released only upon successful completion, contributing to elevated debtor days—231 days in FY2024, up from 180 days in FY2023. To partially fund its working capital needs, the company stretches creditor payments, though these are secured through Letters of Credit (LCs). AMSL's solutions are integrated within broader delivery systems assembled by other system integrators, with final deployment by the Ministry of Defence (MoD), further extending the operating cycle. Acuité notes that while operational improvements are expected over the medium term, the company's ability to moderate its working capital intensity will remain a key sensitivity for its credit profile.

- **Susceptibility to risks inherent in tender-based business and long gestation period of projects**

The business depends on success in bidding for tenders invited by defence public sector undertakings and research establishments. Establishments such as the Defence Research and Development Organisation (DRDO) invite tenders from qualified vendors for their R&D requirement and commence bulk production on successful completion of product development. Long-term revenue visibility is driven by the success of R&D projects and mass production.

## **Rating Sensitivities**

- Sustained improvement in scale of operations supported by healthy order inflows along with improvement in its profitability
- Further stretch in the working capital cycle leading to an increase in working capital borrowing and weakening of financial risk profile

## **Liquidity Position: Adequate**

AMSL's Liquidity is adequate with adequate NCAs to its repayment obligations. It generated cash accruals of Rs.42.96 Cr. in FY2024, while its maturing debt obligations stood at Rs.0.80 Cr. during the same period. Going forward, the company is expected to generate adequate net cash accruals against maturing repayment obligations. However, the reliance on working capital limits stood high marked by average 92 percent utilization of the fund-based limits used over the past six months ending in Mar 2025. The Company has maintained unencumbered cash and bank balances Rs.0.19 Cr. and the current ratio stood at 1.98 times as on March 31, 2024. Acuité expects that the liquidity of the company is likely to remain adequate over the medium term on account of expected healthy cash accruals to its maturing debt obligations.

## **Outlook: Stable**

## **Other Factors affecting Rating**

None

## Key Financials

Particulars	Unit	FY 25 (Actual)	FY 24 (Actual)
Operating Income	Rs. Cr.	562.07	371.63
PAT	Rs. Cr.	58.23	31.67
PAT Margin	(%)	10.36	8.52
Total Debt/Tangible Net Worth	Times	0.49	0.40
PBDIT/Interest	Times	4.02	2.85

**FY2025 is based on abridged financial statement**

**Status of non-cooperation with previous CRA (if applicable)**

Not applicable

**Any other information**

None

### Applicable Criteria

- Default Recognition :- <https://www.acuite.in/view-rating-criteria-52.htm>
- Manufacturing Entities: <https://www.acuite.in/view-rating-criteria-59.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>

### Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuité has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuité's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on [www.acuite.in](http://www.acuite.in).

## Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
30 Mar 2024	Bank Guarantee/Letter of Guarantee	Short Term	50.00	ACUITE A3+ (Reaffirmed)
	Letter of Credit	Short Term	35.00	ACUITE A3+ (Reaffirmed)
	Cash Credit	Long Term	57.50	ACUITE BBB   Stable (Reaffirmed)
	Cash Credit	Long Term	77.50	ACUITE BBB   Stable (Reaffirmed)
	Cash Credit	Long Term	24.50	ACUITE BBB   Stable (Assigned)
	Working Capital Demand Loan (WC DL)	Long Term	24.00	ACUITE BBB   Stable (Reaffirmed)
	Term Loan	Long Term	110.00	ACUITE BBB   Stable (Reaffirmed)
	Term Loan	Long Term	15.00	ACUITE BBB   Stable (Reaffirmed)
06 Jul 2023	Letter of Credit	Short Term	35.00	ACUITE A3+ (Reaffirmed)
	Bank Guarantee/Letter of Guarantee	Short Term	40.00	ACUITE A3+ (Reaffirmed)
	Bank Guarantee/Letter of Guarantee	Short Term	12.50	ACUITE A3+ (Reaffirmed)
	Proposed Bank Guarantee	Short Term	1.00	ACUITE A3+ (Reaffirmed)
	Proposed Bank Guarantee	Short Term	9.00	ACUITE A3+ (Assigned)
	Cash Credit	Long Term	52.50	ACUITE BBB   Stable (Reaffirmed)
	Cash Credit	Long Term	60.00	ACUITE BBB   Stable (Reaffirmed)
	Cash Credit	Long Term	30.00	ACUITE BBB   Stable (Reaffirmed)
	Working Capital Demand Loan (WC DL)	Long Term	24.00	ACUITE BBB   Stable (Reaffirmed)
	Proposed Cash Credit	Long Term	5.00	ACUITE BBB   Stable (Reaffirmed)
	Proposed Long Term Loan	Long Term	100.00	ACUITE BBB   Stable (Assigned)
02 Sep 2022	Letter of Credit	Short Term	35.00	ACUITE A3+ (Reaffirmed)
	Bank Guarantee/Letter of Guarantee	Short Term	25.00	ACUITE A3+ (Reaffirmed)
	Bank Guarantee/Letter of Guarantee	Short Term	12.50	ACUITE A3+ (Reaffirmed)
	Cash Credit	Long Term	42.50	ACUITE BBB   Stable (Reaffirmed)
	Cash Credit	Long Term	25.00	ACUITE BBB   Stable (Reaffirmed)
	Cash Credit	Long Term	30.00	ACUITE BBB   Stable (Reaffirmed)
	Working Capital Demand Loan (WC DL)	Long Term	15.00	ACUITE BBB   Stable (Reaffirmed)
	Proposed Long Term Bank Facility	Long Term	25.00	ACUITE BBB   Stable (Reaffirmed)
	Proposed Long Term Bank Facility	Long Term	20.00	ACUITE BBB   Stable (Assigned)
	Proposed Term Loan	Long Term	30.00	ACUITE BBB   Stable (Assigned)

05 Aug 2022	Letter of Credit	Short Term	35.00	ACUITE A3+ (Upgraded from ACUITE A3)
	Bank Guarantee/Letter of Guarantee	Short Term	25.00	ACUITE A3+ (Upgraded from ACUITE A3)
	Bank Guarantee/Letter of Guarantee	Short Term	12.50	ACUITE A3+ (Upgraded from ACUITE A3)
	Cash Credit	Long Term	42.50	ACUITE BBB   Stable (Upgraded from ACUITE BBB-   Stable)
	Cash Credit	Long Term	25.00	ACUITE BBB   Stable (Upgraded from ACUITE BBB-   Stable)
	Cash Credit	Long Term	30.00	ACUITE BBB   Stable (Upgraded from ACUITE BBB-   Stable)
	Working Capital Demand Loan (WCDL)	Long Term	15.00	ACUITE BBB   Stable (Upgraded from ACUITE BBB-   Stable)
	Proposed Long Term Bank Facility	Long Term	10.00	ACUITE BBB   Stable (Upgraded from ACUITE BBB-   Stable)
	Proposed Long Term Bank Facility	Long Term	15.00	ACUITE BBB   Stable (Assigned)



## Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Complexity Level	Rating
State Bank of India	Not avl. / Not appl.	Bank Guarantee/Letter of Guarantee	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	50.00	Simple	ACUITE A2   Upgraded ( from ACUITE A3+ )
State Bank of India	Not avl. / Not appl.	Bank Guarantee/Letter of Guarantee	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	25.00	Simple	ACUITE A2   Assigned
State Bank of India	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	57.50	Simple	ACUITE BBB+   Stable   Upgraded ( from ACUITE BBB )
HDFC Bank Ltd	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	102.00	Simple	ACUITE BBB+   Stable   Upgraded ( from ACUITE BBB )
HDFC Bank Ltd	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	50.00	Simple	ACUITE BBB+   Stable   Assigned
State Bank of India	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	90.00	Simple	ACUITE BBB+   Stable   Assigned
State Bank of India	Not avl. / Not appl.	Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	35.00	Simple	ACUITE A2   Upgraded ( from ACUITE A3+ )
State Bank of India	Not avl. / Not appl.	Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	40.00	Simple	ACUITE A2   Assigned
State Bank of India	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	30 Sep 2031	110.00	Simple	ACUITE BBB+   Stable   Upgraded ( from ACUITE BBB )
Bajaj Finserv Limited	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	05 Jan 2027	15.00	Simple	ACUITE BBB+   Stable   Upgraded ( from ACUITE BBB )
Indian Overseas Bank	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	08 Oct 2027	4.00	Simple	ACUITE BBB+   Stable   Assigned
Bajaj Finserv Limited	Not avl. / Not appl.	Working Capital Demand Loan (WCDL)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	24.00	Simple	ACUITE BBB+   Stable   Upgraded ( from ACUITE BBB )



## Contacts

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### About Acuité Ratings & Research

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