



Press Release
APOLLO MICRO SYSTEMS LIMITED
July 15, 2025
Rating Upgraded

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	452.50	ACUITE A- Stable Upgraded	-
Bank Loan Ratings	150.00	-	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Total Withdrawn Quantum (Rs.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 A-**’ (read as **ACUITE A minus**) from ‘**ACUITE BBB+**’ (read as **ACUITE triple B plus**) on the Rs. 452.50 Cr. bank facilities and short-term rating to ‘**ACUITE A2+**’ (read as **ACUITE A two plus**) from ‘**ACUITE A2**’ (read as **ACUITE A two**) on the Rs. 150.00 Cr. bank facilities of Apollo Micro Systems Limited (AMSL). The outlook remains ‘**Stable**’.

Rationale for upgrade :

Acuite, vide its press release dated 25th June, 2025, had upgraded its rating by one notch against which the client had appealed and provided further information and clarification particularly with respect to high inventory holding and its liquidity position. Further, Acuite continues to consider 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 factor's in the acquisition of IDL Explosives Ltd by it's 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 extensive experience of its promoter, Mr. B Karunakar Reddy in the aerospace and defence industries spanning over 40 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 27 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 repeat 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 a 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 22.73 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 improved due to the addition of premium on fresh issue of Rs. 131.50 Cr. in FY2024. The gearing of the company stood at 0.49 times as on March 31, 2025, against 0.40 times as on March 31, 2024. Debt protection metrics – Interest coverage ratio and debt service coverage ratio stood at 3.98 times and 2.52 times as on March 31, 2025, respectively as against 2.85 times and 2.33 times as on March 31, 2024, respectively. Tol/ TNW stood at 1.08 times as on March 31, 2025, as against 0.84 times as on March 31, 2024. The debt to EBITDA of the company stood at 2.23 times as on March 31, 2025, as against 2.40 times as on March 31, 2024. Acuité believes that the financial risk profile will 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 of 628 days in FY2025 as against 740 days in FY2024, primarily driven by stretched receivables and elevated inventory levels. However, there is improvement in GCA days in FY2025 mainly on account of improved 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, 2025, 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—155 days in FY2025. 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.

ESG Factors Relevant for Rating

AMS has minimised environmental impact essentially by adopting environmentally friendly manufacturing practices, technologically advanced machineries, and optimum resource utilization. This helped AMS to reduce carbon emissions and minimising the ecological footprint. Further, the company focuses on reducing carbon footprint and implemented efficient inventory and logistics management for the same. Further, it promotes material reuse and recycling to reduce waste. Promoted women's empowerment; encouraged representation from diverse background and regions. The board comprises of a strong team of promoters and experienced industry professionals. Also, to manage the corporate governance, anti bribery, and anti corruption a whistleblower policy has been framed. The group ensures efficient credit risk management and indulges in data privacy and data security practices.

Rating Sensitivities

- Any decline in revenue and profitability at standalone level.
- Further stretch in the working capital cycle

Liquidity Position: Adequate

AMSL generated cash accruals of Rs.72.57 Cr. in FY2025, while its maturing debt obligations stood at Rs.8.08 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.0.20 Cr. and the current ratio stood at 1.73 times as on March 31, 2025. 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.	57.24	31.67
PAT Margin	(%)	10.18	8.52
Total Debt/Tangible Net Worth	Times	0.49	0.40
PBDIT/Interest	Times	3.98	2.85

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.

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
25 Jun 2025	Letter of Credit	Short Term	40.00	ACUITE A2 (Assigned)
	Bank Guarantee/Letter of Guarantee	Short Term	50.00	ACUITE A2 (Upgraded from ACUITE A3+)
	Bank Guarantee/Letter of Guarantee	Short Term	25.00	ACUITE A2 (Assigned)
	Letter of Credit	Short Term	35.00	ACUITE A2 (Upgraded from ACUITE A3+)
	Cash Credit	Long Term	102.00	ACUITE BBB+ Stable (Upgraded from ACUITE BBB Stable)
	Cash Credit	Long Term	50.00	ACUITE BBB+ Stable (Assigned)
	Term Loan	Long Term	4.00	ACUITE BBB+ Stable (Assigned)
	Working Capital Demand Loan (WCDL)	Long Term	24.00	ACUITE BBB+ Stable (Upgraded from ACUITE BBB Stable)
	Term Loan	Long Term	15.00	ACUITE BBB+ Stable (Upgraded from ACUITE BBB Stable)
	Cash Credit	Long Term	57.50	ACUITE BBB+ Stable (Upgraded from ACUITE BBB Stable)
	Cash Credit	Long Term	90.00	ACUITE BBB+ Stable (Assigned)
	Term Loan	Long Term	110.00	ACUITE BBB+ Stable (Upgraded from ACUITE BBB Stable)
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 (WCDL)	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 (WCDL)	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 (WCDL)	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.	75.00	Simple	ACUITE A2+ Upgraded (from ACUITE A2)
State Bank of India	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	147.50	Simple	ACUITE A- 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.	152.00	Simple	ACUITE A- Stable Upgraded (from ACUITE BBB+)
State Bank of India	Not avl. / Not appl.	Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	75.00	Simple	ACUITE A2+ Upgraded (from ACUITE A2)
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 A- 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 A- 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 A- Stable Upgraded (from ACUITE BBB+)
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 A- Stable Upgraded (from ACUITE BBB+)

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About Acuité Ratings & Research

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