



Press Release
AVANTEL LIMITED
June 18, 2025
Rating Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	12.00	ACUITE A- Stable Reaffirmed	-
Bank Loan Ratings	57.50	-	ACUITE A2+ Reaffirmed
Total Outstanding Quantum (Rs. Cr)	69.50	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has reaffirmed its long-term rating of 'ACUITE A-' (read as ACUITE A minus) and short-term rating of 'ACUITE A2+' (read as ACUITE A two plus) on Rs. 69.50 Cr. bank facilities of Avantel Limited (AL). The outlook is 'Stable'.

Rationale for rating reaffirmation

The reaffirmation of ratings considers established market position, extensive experience of promoters and strong order book position as of May 2025. The rating reflects the steady scale of operations in operating income and EBITDA and PAT margins during FY25. The company has plans for expansion of its existing facilities and diversification into new segments. The financial risk profile is healthy marked by healthy networth due to capital infusion and reserves, gearing below unity and strong debt protection metrics. The liquidity position is strong marked by healthy net cash accruals against nil debt repayment obligations, external funding and moderate current ratio. The rating is constrained by intensive working capital cycle due to inherent nature of business and customer concentration risk.

About the Company

Avantel was set up in 1990 in Hyderabad as a private limited company by Dr. A. Vidyasagar along with his family members and was reconstituted as a public limited company in 1994. The company specialises in RF microwave subsystems, digital radios, and satellite communication systems, and offers related software solutions and services. It is listed on the Bombay Stock Exchange and National Stock Exchange. The company has its registered headquarters, manufacturing facility and R&D facility at Vishakhapatnam.

Unsupported Rating

Not Applicable

Analytical Approach

Acuite has considered the standalone business and financial risk profiles of Avantel Limited to arrive at the rating.

Key Rating Drivers

Strengths

Established track record of operations and experienced management

The management has decades of experience in building wireless & Satellite Communication systems, RF systems design, Embedded systems & Digital signal processing, Network management & software development and Engineering & IT services. The company provide customized solutions through process oriented design, develop and manufactures RF subsystems, RADAR subsystems, Software defined radios and satellite communication systems. AL majorly serves government organisations like Defence Research and Development Organization

(DRDO), ISRO, Shipyards, defence Public Sector Undertaking (DPSUs), Indian railways and others. Additionally, the public listed companies such as L&T, NewSpace India Limited and others with numerous private firms operating in defence and space industries. the company has healthy relationship with its customers and suppliers. Acuite believes that the long track record of operations with extensive industry experience of the management and healthy orders in hand will benefit the company over the medium term.

Steady scale of operations

The operating income stood almost stagnant at Rs.248.48 Cr. in FY25 as against Rs.223.92 Cr. in FY24. This is due to slower execution of order book and delays by government in expediting RFP. The outstanding order book stood at Rs.194.23 Cr. as of May 2025 which provides it revenue visibility.

The EBITDA margin stood at 38.61 percent in FY25 as against 37.95 percent in FY24 due to lower cost of goods sold as a result of unsold inventory. Additionally, raw material costs experienced volatility depending on orders, and some orders required external procurement of specialized subsystems. The company has expensed towards Employee Stock Options Plan (ESOP) and Employee Compensation Expenses of Rs.14.57 Cr. as on March 31st, 2025. The PAT margin stood on similar levels at 24.11 percent in FY25 as against 24.76 percent in FY24 due to depreciation. Acuite believes the scale of operations will increase backed by order book over the medium term.

Healthy Financial Risk Profile

The financial risk profile of the company is marked by healthy network, gearing below unity and strong debt protection metrics. The tangible network stood at Rs.248.01 Cr. in FY25 as against Rs.171.41 Cr. in FY24 due to accretion of reserves and ESOPs converted into equity shares. The rights issued are fully subscribed of Rs.80.90 Cr. The gearing stood below unity at 0.09 times in FY25 as against 0.07 times in FY24. The debt protection metrics marked by Interest Coverage Ratio (ICR) and Debt Service Coverage Ratio (DSCR) stood at 32.01 times and 24.49 times respectively in FY25. Acuite believes the financial risk profile will continue to remain healthy supported by healthy network, no debt funded capex plans and absence of long-term debt.

Weaknesses

Intensive Working Capital Cycle

The working capital cycle is intensive marked by GCA days of 234 days in FY25 as against 213 days in FY24. The inventory days stood at 144 days in FY25 as against 120 days in FY24 primarily due to imported and integrated LRUs (Line Replaceable units) with their value additions, resulting in higher inventory levels. The debtor days stood at 104 days in FY25 and FY24. The company receives most of its payments upon project delivery, with a small portion of payments received in advance. Against this, the creditor days stood at 11 days in FY25 as against 27 days in FY24. Acuite expects the working capital cycle remains intensive over the medium term due to inherent nature of business.

Rating Sensitivities

Movement in operating income and profitability margins
Working capital cycle
Timely completion of capex plans

Liquidity Position

Strong

Avantel Limited' liquidity position is strong marked by healthy net cash accruals (NCA) of Rs.71.31 Cr. on March 31, 2025, against nil debt repayment obligations. The cash and bank balances stood at Rs.1.88 Cr. as on March 31, 2025, as against Rs.0.11 Cr. as on March 31, 2024. The current ratio stood at 4.89 times during FY25. The average month end limit utilization for fund-based facility was ~81.00% for last eight months ended March 2025. Acuite believes that liquidity position of the company will remain strong in the medium term on account of sufficient accruals and external market funds and moderate current ratio.

Outlook: Stable

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 25 (Actual)	FY 24 (Actual)
Operating Income	Rs. Cr.	248.48	223.92
PAT	Rs. Cr.	59.92	55.45
PAT Margin	(%)	24.11	24.76
Total Debt/Tangible Net Worth	Times	0.09	0.07
PBDIT/Interest	Times	32.01	20.53

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
20 Mar 2024	Cash Credit	Long Term	27.50	ACUITE A- Stable (Reaffirmed)
	Bank Guarantee (BLR)	Short Term	27.90	ACUITE A2+ (Reaffirmed)
	Bank Guarantee (BLR)	Short Term	12.10	ACUITE A2+ (Assigned)
	Letter of Credit	Short Term	2.00	ACUITE A2+ (Reaffirmed)
06 Mar 2024	Cash Credit	Long Term	27.50	ACUITE A- Stable (Upgraded from ACUITE BBB+ Stable)
	Bank Guarantee (BLR)	Short Term	27.90	ACUITE A2+ (Upgraded from ACUITE A2)
	Letter of Credit	Short Term	2.00	ACUITE A2+ (Upgraded from ACUITE A2)
07 Dec 2022	Bank Guarantee (BLR)	Short Term	13.00	ACUITE A2 (Assigned)
	Letter of Credit	Short Term	2.00	ACUITE A2 (Assigned)
	Cash Credit	Long Term	37.00	ACUITE BBB+ Stable (Assigned)
	Proposed Long Term Bank Facility	Long Term	5.40	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
Canara Bank	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	55.50	Simple	ACUITE A2+ Reaffirmed
Canara Bank	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	12.00	Simple	ACUITE A- Stable Reaffirmed
Canara Bank	Not avl. / Not appl.	Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	2.00	Simple	ACUITE A2+ Reaffirmed

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About Acuité Ratings & Research

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