

September 29, 2025

SMPP Limited: Ratings reaffirmed

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Long-term-Fund based – Cash Credit	5.00	5.00	[ICRA]A+ (Stable); Reaffirmed
Short-term-Non-fund Based – Bank Guarantee/ Letter of Credit	117.12	117.12	[ICRA]A1+; Reaffirmed
Long-term/Short-term-Unallocated Limits	127.88	127.88	[ICRA]A+ (Stable)/[ICRA]A1+; Reaffirmed
Total	250.00	250.00	

*Instrument details are provided in Annexure I

Rationale

For arriving at the ratings of SMPP Limited (SMPP/the company), ICRA has considered the consolidated financials of the company including its wholly owned subsidiary SMPP Ammunitions Private Limited (SMPP Ammunitions). The reaffirmation of the ratings for SMPP factors in the expected growth in its scale of operations and profitability, driven by a healthy order inflow from the domestic as well as export markets. The company's domestic order book remains healthy at ~Rs. 578 crores as on March 31, 2025. The outlook for the demand for bullet proof jackets (BPJs), the key product manufactured by the company, remains positive as there has been a healthy uptick in defence spending across the globe. The robust cash generation from operations, going forward, is expected to strengthen the company's credit profile.

ICRA notes that the company through its subsidiary SMPP Ammunitions has signed a plant supply agreement with Rheinmetall Waffe Munitions South Africa (Pty) Ltd (RWMSA) for setting up a manufacturing facility in Solan, Himachal Pradesh. The facility will undertake manufacturing of components of a 155 mm artillery. The agreement involves design, construction and installation of the plant by RWMSA at the site. The plant is expected to be commissioned in CY2026. The company has also filed a Draft Red Herring Prospectus (DRHP) for an Initial Public Offering (IPO) and intends to use the IPO proceeds for funding the capital outlay for the plant being setup at Solan. The DRHP was filed in October 2024 and the company received approval from the regulators in February 2025 for the IPO. However, the company is yet to progress further on the public issue and the same will remain a key monitorable going forward. In case the IPO does not go through, ICRA expects the credit profile to moderate marginally going forward as the company may have to rely on term debt for funding part of the capital outlay. However, given the current liquidity and the expectation of healthy cash generation in FY2026, the company's overall credit profile will remain comfortable for the rating category. Nevertheless, the company remains exposed to project execution and stabilization risks, albeit RWMSA has a strong track record of delivering similar plants in other geographies which mitigates the execution risk to some extent. Currently, the company has few export orders in hand for supply of 155 mm calibre ammunition to be delivered over the course of next three years. The timely execution of the capex and orders in hand will remain a key monitorable going forward.

The company is focusing on the export market and has over the last couple of years supplied bullet proof jackets/vests overseas, establishing its status as a reliable supplier abroad. ICRA notes that the order inflow can be lumpy because of the tender-based business in the domestic market, which may result in a variation in the revenue going forward, and will remain a key monitorable. With improvement in the scale of operations, strong order book position and low fixed cost base, the cash generation for the company is expected to remain healthy going forward. ICRA expects SMPP's liquidity position to remain strong on expectation of healthy cash generation and nil debt on the company's books.

The ratings continue to factor in the established presence of the company and the extensive experience of the promoters in the ballistic equipment industry, the ability of the company to meet the stringent quality tests and specifications which remain

a major entry barrier for the industry. The ratings also take comfort from the healthy financial risk profile of the company supported by comfortable liquidity.

Further, the profitability remains susceptible to commodity and forex risks. While the contracts have a fixed price, the raw material is largely imported which exposes SMPP to risks related to volatility in commodity prices and forex rates as the company does not hedge its foreign exchange exposure. It manages the commodity price risk by negotiating with the suppliers and placing large-sized orders for procurement, while part of the forex risk gets naturally hedged with the export orders. SMPP's operations also remain vulnerable to the strict quality standards and tender specifications of the orders. Inability to meet the quality specified in the tender can result in financial implications as well as reputational risk.

The Stable outlook on the long-term rating reflects ICRA's expectation that the credit profile will remain stable with a strong orderbook position and the company's proven track record of execution.

Key rating drivers and their description

Credit strengths

Established presence in ballistic equipment industry supported by extensive experience of promoters - SMPP's promoters have more than three decades of experience in the ballistic protection equipment industry. It has an established track record of executing many orders for various defense forces in the domestic and export markets. This, along with technical expertise and in-house product development, has enabled the company to receive repeat orders from its major customers and has also helped it secure a significant order from the MoD.

Stringent quality specifications and time taken for approvals result in high entry barriers - In the domestic markets, the consumers of defense products are majorly the government agencies which have strict quality specifications. The quality and testing requirements for the bullet-proof jackets remain stringent owing to the criticality of the product. Since the products undergo stringent testing and approvals before a supplier is approved, the approval time for getting approved by the agencies can be long. The licensing required to supply to these government agencies also acts as a barrier to entry into the segment. While stringent quality inspections remain a key barrier to entry, the same can result in financial loss also if the company fails to meet the requirements in an order. SMPP has been able to mitigate the risk by building in factors of safety over and above the requirements leading to low probability of the company's inability to meet the quality norms.

Strong financial risk profile - SMPP's credit profile is characterised by debt free operations with large un-encumbered cash balances the company holds. The company's profitability has been on an uptrend for the last couple of years with an increase in the scale of operations supported by good order inflow. Going forward, with expectation of robust order inflow for the company both from the domestic segment as well as the export markets where the company has recently found footing should keep the profitability healthy and support the overall financial risk profile.

Credit challenges

Customer concentration risk along with lumpiness in order receipt due to tender based business - The top five customers accounted for 78% of its revenues in FY2025. Thus, exposing the company to high customer concentration risk. Nonetheless, majority of the customers are reputed government entities which reduces counterparty risk. The future revenue growth also hinges on incremental order inflow from the government agencies which remains lumpy due to tendering nature of the business. However, focus of GoI on increasing the share of domestic sourcing in the defence segment should provide support to order inflow for the company.

Susceptibility of profit margins to raw material price and foreign exchange rate fluctuations - The company's contracts are fixed price in nature and thus remain exposed to fluctuation in the commodity price risk as well forex fluctuations given the raw material is largely imported. While the company does not have hedging policy for forex risk, the contracts for majority of the orders are short term contracts and thus the company so far has not witnessed any significant impact on this front. For long tenor orders like MoD's order that spanned three years, the contract had built in protections against foreign exchange

fluctuations which provided protection against forex fluctuations. In case of export orders a natural hedge is provided given the realisations are also dollar denominated.

Project Execution Risk - The company through its subsidiary SMPP Ammunitions Private Limited (SMPP Ammunitions) has signed a plant supply agreement with Rheinmetall Waffe Munitions South Africa (Pty) Ltd (RWMSA) for setting up a manufacturing facility in Solan, Himachal Pradesh. The facility will undertake manufacturing of components of a 155 mm artillery. The agreement involves design, construction and installation of the plant by RWMSA at the site. The plant is expected to be commissioned in CY2026. Therefore, timely commissioning of the plant and execution of export orders in hand would be a key monitorable. The company has also filed a Draft Red Herring Prospectus (DRHP) for an Initial Public Offering (IPO) and intends to use the IPO proceeds for funding the capital outlay for the plant being setup at Solan. The DRHP was filed in October 2024 and the company received approval from the regulators in February 2025 for the IPO. However, the company is yet to progress further on the public issue and the same will remain a key monitorable going forward. In case the IPO does not go through, ICRA expects the credit profile to moderate marginally going forward as the company may have to rely on term debt for funding part of the capital outlay.

Liquidity position: Strong

SMPPs liquidity is strong characterised by nil working capital utilisation and significant unencumbered cash balances. With expected growth in scale of operations, moderate working capital intensity, debt free operations and no major capex plans, the liquidity position is expected to remain strong.

Rating sensitivities

Positive factors – The ratings may be upgraded if the entity is able improve on its product diversification while maintaining a healthy scale of operations and profitability. The ratings may also be upgraded if the company is able to compete the project execution at Solan in a timely manner and also ramp up the production and sales resulting in sustained growth in profits while maintaining healthy credit metrics and liquidity profile.

Negative factors – Significant and sustained decline in revenue and profitability resulting in moderation in the leverage and coverage metrics may lead to a rating downgrade. Materially large debt funded capex and/or materially large cash outflow to any group companies resulting in weakening of the liquidity profile of the company may lead to a rating downgrade. Specific credit metrics that may result in a downgrade include TOL/TNW of more than 1.2 times on a sustained basis.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology
Parent/Group support	Not Applicable
Consolidation/Standalone	For arriving at the ratings ICRA has considered the consolidated financials of SMPP Private Limited which includes entities mentioned in Annexure-II

About the company

SM Pulp Packaging Limited (SMPP Limited), established in 1985 by Dr. S.C. Kansal, manufactures ballistic protection equipment like bullet proof jackets, helmets, bullet proof shields etc., and combustible cartridge cases (CCC). It is the first entity in India that started manufacturing CCCs indigenously. The company has also supplied kits for the A400 Airbus armouring programme. The company's manufacturing unit is at Palwal (Haryana) with its major clients being the Indian Army, the Ministry of Defence

(MoD), paramilitary forces, the state police and other Government departments. SMPP also exports boron carbide ceramic plates and hard armour plates, which is a critical raw material required for light weight bullet proof jackets, to countries, such as France, Saudi Arabia, Israel, Australia, Korea etc.

Key financial indicators (audited)

SMPP (Standalone)	FY2024	FY2025*
Operating income	518.5	583.7
PAT	146.7	174.3
OPBDIT/OI	35.7%	35.0%
PAT/OI	28.3%	29.9%
Total outside liabilities/Tangible net worth (times)	0.2	0.1
Total debt/OPBDIT (times)	0.0	0.1
Interest coverage (times)	229.0	69.8

Source: Company, ICRA Research; * Provisional numbers; All ratios as per ICRA's calculations; Amount in Rs. Crore; PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Current (FY2026)			Chronology of rating history for the past 3 years					
	Type	Amount rated (Rs. crore)	Sep 29, 2025	FY2025		FY2024		FY2023	
				Date	Rating	Date	Rating	Date	Rating
Cash credit	Long term	5.00	[ICRA]A+ (Stable)	Jun 28, 2024	[ICRA]A+ (Stable)	-	-	Mar 31, 2023	[ICRA]A (Positive)
Non-fund based	short term	117.12	[ICRA]A1+	Jun 28, 2024	[ICRA]A1+	-	-	Mar 31, 2023	[ICRA]A1
Unallocated	Long term/short term	127.88	[ICRA]A+ (Stable)/[ICRA]A1+	Jun 28, 2024	[ICRA]A+ (Stable)/[ICRA]A1+	-	-	Mar 31, 2023	[ICRA]A (Positive)/[ICRA]A1

Complexity level of the rated instruments

Instrument	Complexity indicator
Long term – Fund-based – Cash credit	Simple
Short term - Non-fund based – Bank guarantee/Letter of credit	Very Simple
Long term/Short term - Unallocated limits	Not Applicable

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: [Click here](#)

Annexure I: Instrument details

ISIN	Instrument name	Date of issuance	Coupon rate	Maturity	Amount rated (Rs. crore)	Current rating and outlook
NA	Cash credit	NA	NA	NA	5.00	[ICRA]A+ (Stable)
NA	Non-fund based	NA	NA	NA	117.12	[ICRA]A1+
NA	Unallocated	NA	NA	NA	127.88	[ICRA]A+ (Stable)/ [ICRA]A1+

Source: Company

[Please click here to view details of lender-wise facilities rated by ICRA](#)

Annexure II: List of entities considered for consolidated analysis

Company Name	SMPP Ownership	Consolidation Approach
SMPP Ammunitions Private Limited	100.00%	Full consolidation

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Branches



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