April 08, 2026

Armoured Vehicles Nigam Limited: Ratings reaffirmed

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Long term – Fund-based limits – Cash credit	2,000.00	2,000.00	[ICRA]AA+ (Stable); Reaffirmed
Short term – Non-fund based limits – Bank guarantee (Sub-limit of cash credit)	(1,000.00)	(1,000.00)	[ICRA]A1+; Reaffirmed
Short term – Non-fund based limits – Letter of credit (Sub-limit of cash credit)	(1,000.00)	(1,000.00)	[ICRA]A1+; Reaffirmed
Total	**2,000.00**	**2,000.00**	

**Instrument details are provided in Annexure I*

Rationale

The ratings consider Armoured Vehicles Nigam Limited's (AVNL) established position in India's defence manufacturing ecosystem and its strategic importance to the Government of India (GoI) as the primary manufacturer and supplier of battle tanks and other armoured platforms to the Indian defence forces. The company supplies a diversified range of defence equipment, including infantry combat vehicles, trawls, naval guns, chaff decoy launchers and security vehicles. The ratings derive comfort from the strong operational and financial support from the GoI, including equity support for capital expenditure (capex) requirements, which is expected to continue, given AVNL's strategic role. Further, the company's large unexecuted order book of Rs. 36662 crore as on January 31, 2026, and substantial customer advances provide healthy medium-term revenue visibility and support liquidity. The ratings are further supported by AVNL's strong financial profile, marked by a debt-free balance sheet, robust net worth and sizeable cash and liquid investments. Advance customer receipts at the beginning of each financial year, aligned with scheduled execution milestones, provide additional liquidity buffer and reduce reliance on external borrowings.

However, the ratings remain constrained by the company's dependence on defence order inflows and budgetary allocations, with revenues and earnings susceptible to fluctuations in ordering patterns. As on January 31, 2026, AVNL had an unexecuted order book of Rs. 36,662.4 crore, which is 6-7x of its estimated FY2026 revenues. Execution of this large order book remains contingent upon the timely availability of parts and components, effective coordination across the supply chain and mobilisation of skilled manpower and operational resources. The company could be liable for liquidated damages (LD) in case of delays in execution, as reflected in the past. Margins remain volatile due to the fixed-price nature of contracts, exposing AVNL to raw material price movements, despite standard annual escalation clauses. In addition, variation in margins across various stages of execution could result in sharp variations in margins across years. The ratings also consider the need for further strengthening of internal controls and processes, as highlighted in the statutory auditor's reports.

The Stable outlook on AVNL's long-term rating reflects ICRA's opinion that the company will continue to witness a healthy growth in its scale of operations and earnings on the back of its strong order book position, which would support it in sustaining robust debt metrics.

Key rating drivers and their description

Credit strengths

Strategic importance as a sole supplier of armoured vehicles to Indian defence forces – AVNL is one of the seven newly established Defence Public Sector Undertakings (DPSUs). It was formally incorporated as a wholly owned GoI company under the Companies Act 2013 on August 14, 2021. The company commenced its operations on the designated date of October 1, 2021. With five manufacturing units and three training centres spread across four different states, it is a leading supplier of armoured vehicles to Indian defence forces. AVNL supplies multiple vehicles such as battle tanks, infantry combat vehicles and logistics vehicles to the Indian Army, Navy and Air Force, apart from other government departments. Given its established position as a manufacturer and supplier of vehicles to defence forces, a strategically important sector for GoI, it holds high strategic importance.

Support from GoI – The GoI has consistently extended support to AVNL, as evidenced by regular equity infusions aggregating Rs. 1,180 crore during FY2023–FY2025 to fund its capex requirements. Going forward, it is expected to incur annual capex of Rs. 170-200 crore per annum, which is likely to be funded through equity support from the GoI. ICRA also notes the budgetary allocation towards the equity infusion in AVNL for FY2026 and FY2027.

Strong order book position, providing revenue visibility over the medium term – As on January 31, 2026, the company had an unexecuted order book of Rs. 36,662.4 crore, which translates into 6-7x of its estimated FY2026 revenues, to be executed over the next four years. Strong order book position provides revenue visibility over the next four to five years. However, ICRA notes that execution of orders depends on timely availability of parts and components apart from mobilisation of skilled talent and resources. Any material delay may make the company liable to LD (as witnessed in the past), impacting its profitability.

Strong financial profile – The company has a strong financial profile, characterised by nil debt levels, comfortable leverage and coverage metrics and a robust liquidity position**.** It does not have any long-term debt as capex is funded through equity infusion and working capital requirements are largely funded through advances from customers and internal accruals. The company has sanctioned working capital limits of Rs. 2,000 crore, which largely remain unutilised. This apart, it maintains a healthy cash balance of Rs. 6,000-Rs. 6,500 crore, indicating a strong liquidity position.

Credit challenges

Revenues remain susceptible to defence budgets – Given its large dependence on the defence segment, the company's order inflows and execution remain susceptible to budgetary allocation for defence and the spending levels. Moreover, timely execution of orders continue to be critical and a key monitorable, given the inherent delays in obtaining approvals and extensive testing involved in the manufacturing process. Besides, delay in obtaining critical imported components impacts the execution, as observed in the past. Delays in execution also expose the company to LD, thus affecting its margins and cash flows.

Timely execution remains critical given sizeable, unexecuted order book; material gaps could result in LD – As on January 31, 2026, AVNL had an unexecuted order book of Rs. 36,662.4 crore, providing strong revenue visibility over the next four to five years. However, the execution of this large order book remains critical and is contingent upon the timely availability of parts and components, effective coordination across the supply chain, and mobilisation of skilled manpower and operational resources. ICRA notes that any material slippages in execution timelines could expose the company to LD, as reflected in the past. It has a track record of provisioning for potential LD obligations on a conservative basis – Rs. 507.9 crore in FY2023, followed by a partial reversal of Rs. 389.2 crore in FY2024 owing to revised delivery schedules, and a further provision of around Rs. 194.6 crore in FY2025. While the company typically provides 2.5-3.0% of sales towards warranty and related obligations, provisions have gone up to 7-10% of sales in periods of heightened execution risk. Accordingly, sustained on-time execution of orders remains a key monitorable, as any significant delays could adversely impact profitability and cash flows.

Margins remain susceptible to input costs and vary significantly across various stages of execution – The company's margins are volatile, given the variation in margins across various phases of the manufacturing process, which could extend for 18-24 months. Hence, margins for a given period would depend on the order execution phase mix and are likely to vary over the years. Moreover, the company's orders are fixed-price in nature, with annual price escalation linked to a predetermined percentage. Given the elongated working capital cycle, any sharp fluctuation in raw material prices is not passed on to the customers, impacting margins.

Auditor qualifications indicating scope for improvement in controls and policies – The statutory auditor has given a qualified opinion in the FY2025 audit report, indicating scope of improvement in the internal financial controls and policies. However, the Comptroller and Auditor General (CAG) audit does not mention any observations. The company's management stated that it has been working towards strengthening its internal financial controls. It has appointed an internal auditor and is in the process of implementing an enterprise resource planning (ERP) system to strengthen its internal financial controls. The company's ability to improve its internal controls would be a key monitorable.

Liquidity position: Strong

AVNL's liquidity position is strong, supported by undrawn working capital limits of around Rs. 2,000 crore, and cash and bank balances of around Rs. 6,331 crore as on March 31, 2025. Its free cash balances are estimated to remain strong as on March 2026 as well. The company does not have any long-term debt and hence, does not have any repayment obligation. It plans to incur capex of Rs. 150-170 crore per annum over the next three years, which will be funded through equity infusion by the Government.

Rating sensitivities

Positive factors – The company's ratings may be upgraded if it demonstrates stable and healthy margins and profitability while clocking a growth in revenues.

Negative factors – Any material weakening of linkages with the GoI may trigger ratings downgrade. Pressure on AVNL's ratings could arise if stretched working capital cycle or low earnings result in material depletion of free cash balances or if debt metrics weaken significantly.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology
Parent/Group support	Parent: GoI The assigned ratings factor in AVNL's strategic importance to the GoI, which will prompt the Government to extend financial support to the rated entity, should there be a need.
Consolidation/Standalone	Standalone financials of the company have been analysed to arrive at the rating.

About the company

Armoured Vehicles Nigam Ltd. (AVNL), a wholly owned GoI company incorporated in August 2021, is one of the seven newly established DPSUs carved out of the erstwhile Ordnance Factory Board, with its headquarters in Avadi, Chennai. The company is involved in the designing, manufacturing and maintenance of armoured, security and other logistics vehicles to Indian defence forces with installed capacity to manufacture 140 vehicles per annum. It has five manufacturing units in Chennai (Tamil Nadu), Medak (Telangana), Jabalpur (Madhya Pradesh) and Ambernath (Maharashtra), and three training institutes. AVNL's product portfolio comprises battle tanks, trawls, infant combat vehicles, naval guns, chaff decoy launchers and security vehicles, among others.

Key financial indicators (audited)

AVNL (standalone)	FY2024	FY2025
Operating income (OI)	4,702.8	5,010.6
PAT	605.1	336.1
OPBDIT/OI	1.5%	6.8%
PAT/OI	12.9%	6.7%
Total outside liabilities/Tangible net worth (times)	0.7	0.6
Total debt/OPBDIT (times)	-	-
Interest coverage (times)	-	-

Source: Company, ICRA Research; 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

		Current rating (FY2027)		Chronology of rating history for the past 3 years					
		FY2027		FY2026		FY2025		FY2024	
Instrument	Type	Amount rated (Rs. crore)	Apr 08, 2026	Date	Rating	Date	Rating	Date	Rating
Cash credit	Long term	2000.00	[ICRA]AA+ (Stable)	-	-	Mar 12, 2025	[ICRA]AA+ (Stable)	-	-
Bank guarantee	Short term	(1000.00)	[ICRA]A1+	-	-	Mar 12, 2025	[ICRA]A1+	-	-
Letter of credit	Short term	(1000.00)	[ICRA]A1+	-	-	Mar 12, 2025	[ICRA]A1+	-	-

Complexity level of the rated instruments

Instrument	Complexity indicator
Long term – Fund-based limits – Cash credit	Simple
Short term – Non-fund based limits – Bank guarantee	Simple
Short term – Non-fund based limits – Letter of credit	Simple

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	2,000.00	[ICRA]AA+ (Stable)
NA	**Bank guarantee**	NA	NA	NA	(1,000.00)	[ICRA]A1+
NA	**Letter of credit**	NA	NA	NA	(1,000.00)	[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 – Not applicable

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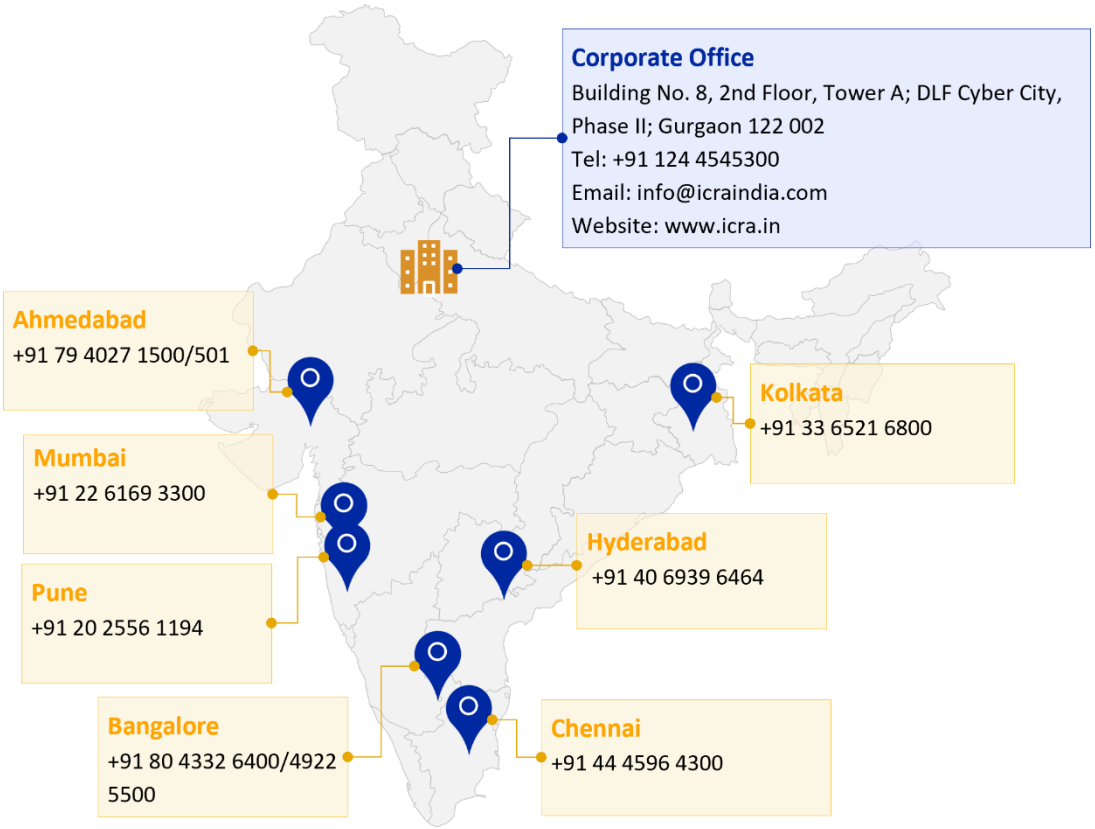

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