

September 30, 2025

## Kalyani Strategic Systems Limited: Ratings assigned

### Summary of rating action

Instrument*	Current Rated Amount (Rs. crore)	Rating Action
Issuer Rating	0.00	[ICRA]A+ (Stable); Assigned
Long-term – Fund-based – Overdraft	25.00	[ICRA]A+ (Stable); Assigned
Long-term – Fund-based – Cash Credit	5.00	[ICRA]A+ (Stable); Assigned
Long-term/ Short-term – Non-fund based – Bank Guarantee	285.00	[ICRA]A+ (Stable)/[ICRA]A1; Assigned
<b>Total</b>	<b>315.00</b>	

\*Instrument details are provided in Annexure I

### Rationale

The ratings assigned to Kalyani Strategic Systems Limited (KSSL) factors in its strategic importance for Bharat Forge Limited (BFL; rated [ICRA]AA+ (Stable) and [ICRA]A1+), given that defence is a core and high growth, strategic segment. The ratings note the high entry barriers to the segment, and the strong financial and operational support KSSL enjoys as a wholly owned subsidiary of BFL. The ratings also factor in KSSL's ability to leverage its parent, BFL's expertise in advanced forging and metallurgy, which augments its technical capabilities. The ratings consider the entity's established track record in designing and developing defence systems for the Indian Armed Forces, coupled with KSSL's high degree of indigenisation, supported by in-house intellectual property (IP) ownership, which significantly enhances its competitiveness while bidding for contracts from the Ministry of Defence (Government of India) and provides high entry barriers for new entrants in the segment.

KSSL's business profile is supported by its diversified product portfolio, including artillery systems, ammunition, protected vehicles, marine systems, small arms, defence electronics, and missile sub-systems (through its subsidiary Kalyani Rafael Advanced Systems Private Limited, or KRAS). The company's standalone strong order book position stood at about Rs. 5,900 crore as on March 31, 2025 (translating to a book-to-bill ratio of 4.72 times), providing healthy medium term revenue visibility. Continued growth in exports, coupled with recent domestic orders such as the Advanced Towed Artillery Gun System (ATAGS) and Close Quarter Battle (CQB) carbine orders from the Ministry of Defence, are expected to support scale and margin expansion over the near to medium term. Moreover, KSSL maintains a comfortable financial profile, marked by healthy capital structure and robust coverage metrics supported by negligible external debt. At the consolidated level, its interest cover stood at 127.4 times with a DSCR of 70.2 times in FY2025.

ICRA notes that as part of an internal restructuring exercise for the transition of BFL's defence business to KSSL, the same was transferred on June 30, 2025. The transaction was undertaken at fair value as determined by an independent valuer, and the consideration for the transfer was discharged by way of Optionally Convertible Redeemable Preference Shares (OCRPs) to be issued by KSSL. The OCRPs have been classified as debt for the rating assessment; though the optionality regarding redemption or conversion after the pre-determined tenure at a pre-decided rate lies with KSSL.

The ratings are, however, constrained by KSSL's relatively moderate scale of operations and the exposure of its profitability to raw material fluctuations risk, given the fixed-price nature of its contracts. It also faces foreign exchange (forex) fluctuation risk since 90-95% of its revenues are derived from exports. Furthermore, its order book is concentrated in terms of clientele and segment, as KSSL's top two segments and its top five customers accounted for about 97% and around 66% of the outstanding order book, respectively, as on March 31, 2025. Nevertheless, the increasing share of domestic orders with the

recent receipt of the ATAGS and CQB carbine orders from the Ministry of Defence are expected to mitigate the aforementioned risks to an extent.

The Stable outlook on the long-term rating reflects ICRA's opinion that KSSL will benefit from its strong product profile and healthy order book position, which is likely to support its sustained revenue growth and profitability.

## Key rating drivers and their description

### Credit strengths

**Strong parentage; strategic importance to Bharat Forge for its diversification strategy** – The entity derives strong financial and operational support from its parent, Bharat Forge Limited (BFL), as a wholly-owned subsidiary and a strategically important entity for BFL's diversification into the defence sector. KSSL also benefits from its close business linkages with its parent, as it leverages BFL's expertise in advanced forging and metallurgy, which augments its technical capabilities and creates significant entry barriers. The ratings also factor in the likelihood of BFL extending financial support to KSSL, if required, because of the close business linkages between them.

**Strong order book providing healthy medium term revenue visibility** – The company's standalone order book recorded a CAGR of 467% over the last five years ending FY2025, with fresh order inflows worth Rs. 2,311.5 crore over the last 15 months ending June 30, 2025. The outstanding order book stood at almost Rs. 5,900 crore as on March 31, 2025, translating to a book-to-bill ratio of 4.72 times, thereby providing healthy medium term revenue visibility. While the timely commencement and execution of these orders remain critical to sustain the revenue growth, the Government of India's growing capital outlay with increased emphasis on indigenised defence products along with anticipated rise in global demand are expected to support future order inflows.

**Comfortable financial profile** – KSSL continues to have a comfortable financial profile characterised by robust debt protection metrics supported by negligible external borrowings. At the consolidated level, owing to low external debt, its debt coverage metrics remains robust. With no major plans to raise external debt in the near term, ICRA expects KSSL's coverage metrics to remain strong going forward as well.

### Credit challenges

**Moderate scale of operations** – KSSL has reported a CAGR of around 89% in its consolidated operating income (OI) during FY2020-FY2025. In FY2025, the company witnessed a YoY increase of about 10% in OI, supported by strong order book position. However, the scale remained relatively moderate with consolidated revenues of Rs. 1,565.1 crore in FY2025. Nonetheless, the company is well positioned to benefit from the Government's thrust on 'Make in India' in the defence sector and its in-house capabilities in manufacturing highly indigenised defence products. Additionally, the company expects a higher number of international orders due to increasing global demand.

**Concentrated order book in terms of segment and clientele** – The company is exposed to a concentrated order book (standalone) in terms of clientele and segment, with its top five clients contributing to around 66% of its total order book as on March 31, 2025, and its top five clients accounting for nearly 86% of its standalone revenues in FY2025. It faces segment concentration risk with the top two segments contributing almost 97% of its unexecuted order book as on March 31, 2025, and accounting for nearly 99% of its standalone revenues in FY2025. While the company's revenue profile has historically been export driven, the increasing share of domestic orders with the recent orders for ATAGS and CQB carbines from the Ministry of Defence is expected to improve diversification and mitigate the aforementioned risks to an extent.

**Susceptibility to exchange fluctuation risks** – KSSL's revenue profile remains heavily export-oriented, with 90–95% of its revenues in FY2024 and FY2025 derived from the overseas markets. While the company benefits from some natural hedging, the absence of a formal hedging policy leaves it exposed to the risk of adverse movements in exchange rates and volatility

arising out of revenue from the overseas markets. This could have an impact on company's profitability, especially during periods of sharp exchange rate movements or geopolitical uncertainty affecting global defence trade.

### Liquidity position: Adequate

The company's overall liquidity position is adequate as reflected in its unencumbered cash and bank balance (including free FDs) of Rs. 246.5 crore as on March 31, 2025. Additionally, at a standalone level, KSSL has a fund-based limit of Rs. 10 crore, which largely remained unutilised as on March 31, 2025. The company does not have any external borrowings and its cash flow from operations is expected to be sufficient for funding future capex of about Rs. 250 crore in the next two fiscals. Moreover, KSSL derives strong financial flexibility as a wholly owned subsidiary of BFL, the flagship entity of the Pune-based Kalyani Group.

### Rating sensitivities

**Positive factors** - ICRA may upgrade the ratings if the company witnesses significant revenue growth along with improvement in profitability margins, while maintaining a comfortable liquidity position.

**Negative factors** – The ratings might be downgraded if there is sustained pressure on earnings and/or elongation in working capital cycle weakening its liquidity position. Further, any large debt-funded capex or investments, which could materially impact leverage and coverage metrics will also be a credit negative. Moreover, weakening of linkages with the parent or material deterioration in the credit profile of the parent could also be a credit negative.

### Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	<a href="#">Corporate Credit Rating Methodology</a>
Parent/Group support	Parent Company: Bharat Forge Limited (BFL). The ratings assigned to KSSL factor in the reasonable likelihood of its parent, BFL [rated [ICRA]AA+ (Stable) and [ICRA]A1+], extending financial support to it because of the close business linkages between them.
Consolidation/Standalone	For arriving at the ratings, ICRA has used the consolidation approach, under which KSSL's subsidiaries have been fully consolidated. The list of companies considered for the ratings are shared in Annexure II.

### About the company

Incorporated in 2010, Kalyani Strategic Systems Limited is a wholly owned subsidiary of Bharat Forge Limited and the principal holding company to drive the defence business initiatives of the Kalyani Group of companies. The company manufactures a diverse set of defence products including artillery systems, protected vehicles, armoured vehicle upgrades, ammunition, air defence solutions, small arms, marine products, etc.

### Key financial indicators (audited)

Consolidated	FY2024	FY2025
Operating income	1417.2	1565.1
PAT	91.1	82.7
OPBDIT/OI	5.4%	6.4%
PAT/OI	6.4%	5.3%
Total outside liabilities/Tangible net worth (times)	6.1	3.6
Total debt/OPBDIT (times)	0.0	0.0
Interest coverage (times)	109.0	127.4

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 (FY2026)				Chronology of rating history for the past 3 years					
				FY2025		FY2024		FY2023	
Instrument	Type	Amount rated (Rs. crore)	Sep 30, 2025	Date	Rating	Date	Rating	Date	Rating
<b>Issuer Rating</b>	Long term	0.00	[ICRA]A+ (Stable)	-	-	-	-	-	-
<b>Fund based – Overdraft</b>	Long term	25.00	[ICRA]A+ (Stable)						
<b>Fund based – Cash Credit</b>	Long term	5.00	[ICRA]A+ (Stable)						
<b>Non-Fund based – Bank Guarantee</b>	Long Term/ Short Term	285.00	[ICRA]A+ (Stable)/ [ICRA]A1	-	-	-	-	-	-

### Complexity level of the rated instruments

Instrument	Complexity Indicator
<b>Issuer Rating</b>	Not Applicable
<b>Long Term – Fund based – Overdraft</b>	Simple
<b>Long Term – Fund based – Cash Credit</b>	Simple
<b>Long Term/ Short Term – Non-Fund based – Bank Guarantee</b>	Very 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	Issuer Rating	NA	NA	NA	0.00	[ICRA]A+ (Stable)
NA	Long Term – Fund based – Overdraft	NA	NA	NA	25.00	[ICRA]A+ (Stable)
NA	Long Term – Fund based – Cash Credit	NA	NA	NA	5.00	[ICRA]A+ (Stable)
NA	Long Term/ Short Term – Non-Fund based – Bank Guarantee	NA	NA	NA	285.00	[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	Ownership	Consolidation Approach
Kalyani Rafael Advanced Systems Private Limited	50%	Full Consolidation
Sagar-Manas Technologies Limited	51%	Full Consolidation

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ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

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### Branches



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