

November 21, 2025

Kalyani Rafael Advanced Systems Private 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	40.00	40.00	[ICRA]A- (Stable); reaffirmed
Long-term /Short-term: Non-fund based - Bank guarantee	40.00	40.00	[ICRA]A- (Stable)/ [ICRA]A2+; Reaffirmed
Short-term - Non-fund based	10.00	10.00	[ICRA]A2+; Reaffirmed
Short-term - Non-fund based - Letter of credit	10.00	10.00	[ICRA]A2+; Reaffirmed
Total	100.00	100.00	

*Instrument details are provided in Annexure I

Rationale

The rating reaffirmation continues to factor in the strong operational and financial support derived by Kalyani Rafael Advanced Systems Private Limited (KRAS) from its ultimate holding company, Bharat Forge Limited (BFL, rated [ICRA]AA+(Stable)/[ICRA]A1+). KRAS is undertaking missile sub-system manufacturing under the defence segment, which is a strategically important division of the Kalyani Group. Further, the demand prospects across its end-user segments remain favourable, given the Government's thrust on indigenisation of defence production. ICRA notes that the promoter group remains committed to provide timely financial and operational support to KRAS, if required. The ratings favourably consider the healthy order book position of Rs. 794.7 crore as on March 31, 2025 providing medium-term revenue visibility. The financial risk profile is comfortable, with low gearing, healthy interest coverage and adequate liquidity position.

The ratings are, however, constrained by its high customer concentration as it derived more than 95% of its revenues in FY2025 from a single customer and its JV partner, Rafael. This risk is expected to reduce over the medium term with KRAS bidding for direct orders of various defence public sector undertakings (PSUs) and remains a key rating monitorable. The company's operating margins improved to 5.3% in FY2025 from 2.7% in FY2024 and 3.4% in FY2023 on account of an increase in the share of revenues from the manufacturing segment. Nevertheless, it is exposed to forex fluctuations as the entire revenues are derived from exports. However, the deemed imports would act as a natural hedge to an extent.

The Stable outlook on the rating reflects ICRA's opinion that KRAS will benefit from its strong promoter background, healthy order book position and adequate liquidity position.

Key rating drivers and their description

Credit strengths

Operational and financial benefits from strong promoters – The Kalyani Group has a 51% holding in KRAS and the remaining 49% is held by Rafael. The JV company has been formed to fulfil the defence offset obligations under the Indian defence purchase programme. KRAS is undertaking missile sub-system manufacturing under the defence segment, which is strategically important to the Kalyani Group. ICRA is given to understand that the promoter group remains committed to provide timely financial and operational support to KRAS, if required.

Healthy order book position – The company’s order book remained strong at Rs. 794.7 crore as on March 31, 2025 providing medium-term revenue visibility. Apart from the said order book, the company will receive offset orders from Rafael, which accounted for majority of the income in FY2025. Further, the favourable demand prospects across its end-user segments, given the Government’s thrust on indigenisation of production, augur well for its long-term growth prospects.

Comfortable financial risk profile – The financial risk profile is comfortable, with interest coverage of 13.5 times for FY2025 and adequate liquidity position with nil utilisation of cash credit limits and cash balances of Rs. 50.0 crore as on September 30, 2025

Credit challenges

High customer and supplier concentration risks – KRAS has high customer concentration risk, as it derives more than 95% of its revenues from a single customer and its JV partner, Rafael. The customer concentration is expected to reduce over the medium term with KRAS bidding for direct orders of various defence PSUs. The supplier concentration risk is high with the company procuring its sub-assemblies only from approved vendors. However, the risk is mitigated, to an extent, on the back of its established relationship with Rafael and suppliers.

Thin operating margins – The company’s operating margins improved to 5.3% in FY2025 from 2.7% in FY2024 on account of an increase in the share of manufacturing revenues. Nevertheless, it still remained thin during the last three years owing to limited value addition, as KRAS is involved in largely trading and integration, assembly and testing of sub-system segments. The operating margins are projected to remain more than 5% on account of the expected increase in share of manufacturing revenues. The profitability is exposed to forex fluctuations as the entire revenues are derived from exports. However, the deemed imports would act as a natural hedge to an extent.

Liquidity position: Adequate

The company’s liquidity position is adequate, with unencumbered cash balance of Rs.50.0 crore as on September 30, 2025 and cushion in working capital limits. The liquidity position is expected to remain adequate, given the minimal capex plans as well as no long-term debt repayment obligations. Moreover, KRAS derives strong financial flexibility as a part of the Kalyani Group, with BFL being the ultimate holding company.

Rating sensitivities

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

Negative factors – Pressure on the ratings may arise if the company witnesses any significant decline in revenue or profitability, with elongation in working capital cycle weakening its liquidity position. Further, any weakening in linkages with the promoter could exert pressure on the ratings.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology
Parent/Group support	Parent Company: Kalyani Strategic Systems Limited (KSSL) Ultimate parent company: Bharat Forge Limited (BFL) The ratings assigned to KRAS factor in the likelihood of its ultimate parent, BFL, extending financial support to KRAS through Kalyani Strategic Systems Limited (KSSL, being the major shareholder in KRAS and 100% subsidiary of BFL) because of its strategic importance. KRAS, being in the defence segment, is a strategically important and core business to BFL’s defence division.
Consolidation/Standalone	Standalone

About the company

Incorporated in 2015, Kalyani Rafael Advanced Systems Pvt. Ltd. (KRAS) is a joint venture (JV) between the Kalyani Group and Rafael Advanced Defense Systems Ltd., Israel. KRAS is a private sector missile sub-system manufacturing facility. The Kalyani Group holds a 51% stake in KRAS and the remaining 49% is held by Rafael Advance Systems Ltd, Israel. In line with the Government's Make in India initiative, the JV was set up as a facility to design, develop and manufacture weapon systems for the Indian Armed Forces.

Key financial indicators (audited)

	FY2024	FY2025
Operating income	272.6	318.1
PAT	5.7	14.0
OPBDIT/OI	2.7%	5.3%
PAT/OI	2.1%	4.4%
Total outside liabilities/Tangible net worth (times)	4.9	3.4
Total debt/OPBDIT (times)	0.3	0.1
Interest coverage (times)	13.5	25.0

Source: Company, ICRA Research; Amounts in Rs. crore

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Current rating (FY2026)			Chronology of rating history for the past 3 years					
	Type	Amount rated (Rs. crore)	Nov 21, 2025	FY2025		FY2024		FY2023	
				Date	Rating	Date	Rating	Date	Rating
Fund-based - Cash credit	Long term	40.00	[ICRA]A-(Stable)	Aug 19, 2024	[ICRA]A-(Stable)	Jun 23, 2023	[ICRA]A-(Stable)	-	-
Non-fund based - Bank guarantee	Long term/ Short Term	40.00	[ICRA]A-(Stable)/ [ICRA]A2+	Aug 19, 2024	[ICRA]A-(Stable)/ [ICRA]A2+	-	-	-	-
Non-fund based - Others	Short Term	10.00	[ICRA]A2+	Aug 19, 2024	[ICRA]A2+	Jun 23, 2023	[ICRA]A2+	-	-
Non-fund based - Letter of credit	Short Term	10.00	[ICRA]A2+	Aug 19, 2024	[ICRA]A2+	-	-	-	-
Proposed - Fund-based	Long term	-	-	-	-	Jun 23, 2023	[ICRA]A-(Stable)	-	-
Proposed - Non-fund based	Long term/ Short Term	-	-	-	-	Jun 23, 2023	[ICRA]A-(Stable)/ [ICRA]A2+	-	-

Complexity level of the rated instruments

Instrument	Complexity indicator
Long-term: Fund-based – Working capital facilities	Simple
Long-term/ Short-term: Non-fund based – BG	Very Simple
Short-term: Non-fund-based – LC	Very Simple
Short-term – Non-fund based – Loan equivalent risk	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	Working capital facilities	NA	NA	NA	40.00	[ICRA]A- (Stable)
NA	Non-fund based – BG	NA	NA	NA	40.00	[ICRA]A- (Stable)/ [ICRA]A2+
NA	Non-fund based – LC	NA	NA	NA	10.00	[ICRA]A2+
NA	Non-fund based – Loan equivalent risk	NA	NA	NA	10.00	[ICRA]A2+

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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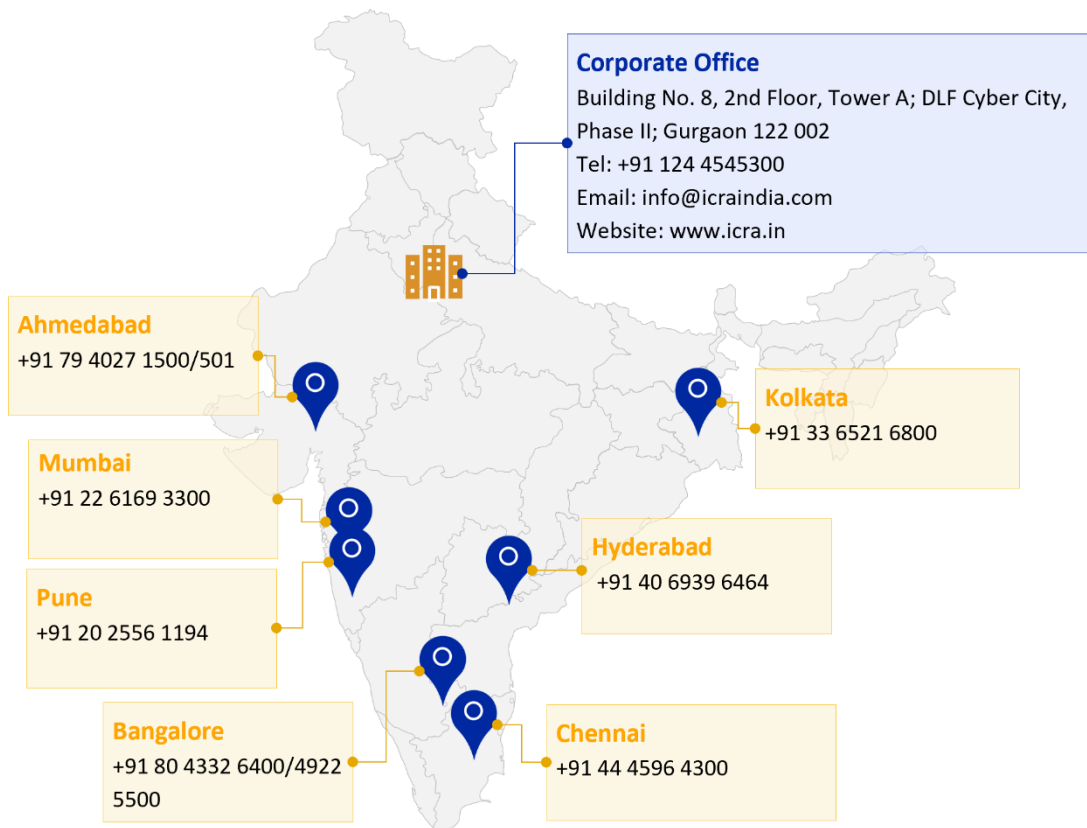
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