August 04, 2026

International Aerospace Manufacturing Private Limited: Ratings upgraded; outlook revised to Stable from Positive

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action	Financial Sector Regulator#
Long-term fund based – Term loan	250.00	300.00	[ICRA]A+ (Stable); rating upgraded from [ICRA]A (Positive) and outlook revised to Stable from Positive	RBI
Short term – Fund-based working capital	150.00	100.00	[ICRA]A1; rating upgraded from [ICRA]A2+	RBI
Total	**400.00**	**400.00**		

**Instrument details are provided in Annexure I*

#SEBI's grievance redressal/dispute resolution and SEBI investor protection mechanisms such as SCORES and ODR shall not be available for activities and instruments which fall under the regulatory purview of Financial Sector Regulators other than SEBI.

Rationale

The upgraded ratings factor in the strengthening of IAMPL's business and financial profiles, evidenced by the sustained scale-up in operations while maintaining healthy profitability and strong order visibility, supported by its improving position in the global aero-engine components supply chain. The company's operating income increased by 31.9% YoY to Rs. 469.8 crore in FY2026 from Rs. 356.3 crore in FY2025, translating into a healthy FY2022-FY2026 revenue CAGR of 33%. The growth was primarily driven by higher supplies to Rolls-Royce (RR) and the ramp-up of capacities at the company's Hosur facility. Operating profitability remained strong, with an OPM of 20.7% in FY2026 (FY2025: 20.2%), while net cash accruals improved to Rs. 68.1 crore from Rs. 49.1 crore in FY2025.

The ratings continue to derive significant strength from IAMPL's strategic importance to RR, with the company being the sole supplier for nearly 60% of the components supplied to RR and enjoying a long operational track record with the customer. Revenue visibility remains strong, supported by an order book of approximately Rs. 3,539 crore as on July 2026, compared to Rs. 2,506 crore as on September 2025. The ratings also factors in the company's comfortable financial profile, characterised by healthy profitability, low gearing, adequate liquidity and comfortable debt protection metrics. Despite the ongoing expansion, the company maintained an interest coverage ratio of 6.2 times, a debt service coverage ratio (DSCR) of 4.6 times and return on capital employed (RoCE) of 22.8% in FY2026 (6.4 times, 5.3 times and 22.6%, respectively, in FY2025), and it is likely to maintain its comfortable capital structure and credit metrics going forward. The company also benefits from exceptional financial flexibility arising from its ownership structure, being a 50:50 joint venture between Rolls-Royce (through its wholly owned subsidiary) and Hindustan Aeronautics Limited (rated [ICRA]AAA (Stable)/A1+), providing it with both operational and financial support and enhancing its credit profile.

The ratings, however, remain constrained by the company's high customer concentration, with RR accounting for around 95% of its revenues in FY2026. Although diversification initiatives have begun yielding benefits, this is likely to be a gradual process, and customer concentration is expected to remain high over the near to medium term, as supplies to RR are also expected to grow alongside the addition of new customers. The ratings are also constrained by the sizeable debt-funded capex plans over the medium term, which are expected to moderate the company's leverage metrics during the expansion phase. Further, the company remains exposed to foreign exchange fluctuations owing to its export-oriented business model and reliance on imported raw materials, although these risks are mitigated to an extent by natural hedges, customer pass-through mechanisms and hedging arrangements.

The Stable outlook reflects ICRA's expectation that IAMPL will continue to benefit from healthy demand from RR, increasing contributions from new customers, a strong order book and the timely ramp-up of newly added capacities, while maintaining healthy profitability, adequate liquidity and comfortable debt protection metrics.

Key rating drivers and their description

Credit strengths

Financial flexibility arising from being a joint venture between RR and HAL – IAMPL derives significant credit strength from being a 50:50 joint venture between Rolls-Royce plc and Hindustan Aeronautics Limited (HAL), both of which are established players in the global aerospace industry. The strong parentage enhances the company's credibility with customers, suppliers and lenders, while also providing operational, technical and financial flexibility.

Steady scale-up in operations, supported by repeat orders from RR – ICRA notes IAMPL's established position as a key supplier to Rolls-Royce (RR), with the company currently supplying close to 200 precision-machined aero engine components and being the sole supplier for nearly 60% of these parts. The company continues to benefit from strong customer relationships, healthy order inflows and increasing share of business with RR.

Strong order book position – IAMPL benefits from a healthy order book of approximately Rs. 3,539 crore as of July 2026, which has increased from Rs. 2,506 crore as of September 2025, providing strong medium-term revenue visibility. The order book is supported by confirmed requirements from RR's civil and defence programmes, alongside increasing business from GE Aerospace, Pratt & Whitney and HAL, which is also expected to support customer diversification over the medium term.

Comfortable financial risk profile – IAMPL's financial profile remains comfortable, characterised by healthy profitability, low gearing and steady debt protection metrics, despite the ongoing partially debt-funded capacity expansion. The company reported an OPBDITA margin of 20.7% in FY2026, while the interest coverage ratio and DSCR remained comfortable at 6.2 times and 4.6 times, respectively. Although the ongoing Hosur expansion is expected to result in incremental borrowings, ICRA expects the continued healthy growth in earnings to largely offset the impact on leverage, thereby supporting a comfortable financial profile over the medium term.

Credit challenges

Majority of revenues generated from RR; focus on diversifying customer base – IAMPL remains exposed to customer concentration risk, with Rolls-Royce accounting for ~95% of revenues in FY2026. Nevertheless, the risk is partly mitigated by IAMPL's strategic importance in RR's supply chain, with the company being the sole supplier for nearly 60% of the components supplied to RR. The company has commenced supplies to GE Aerospace and is expected to begin supplies to Pratt & Whitney in the current fiscal, while also securing orders from HAL and other customers. However, customer diversification is expected to be gradual, and RR is likely to remain the dominant revenue contributor over the near-to-medium term.

Ongoing capex for expanding capacities at Hosur; timely ramp-up and funding of the same remain key – IAMPL is undertaking a sizeable, phased expansion at its Hosur facility, with IAMPL 2.5 currently under implementation, involving an overall investment of Rs. 220-230 crore, which will add an incremental capacity of ~2,20,000 machine hours per annum. While the project is expected to support IAMPL’s revenue growth potential, customer diversification and improved operating efficiencies over the near to medium term, the timely execution and ramp-up of the newly commissioned capacities, along with the generation of adequate returns on the investments, remain critical. Given that the expansion is being funded through a combination of debt and internal accruals, the company's ability to maintain comfortable leverage and coverage indicators during the capex phase will remain a key monitorable.

Exposed to foreign exchange rate fluctuations – IAMPL remains exposed to foreign exchange volatility as the majority of its revenues are derived from exports and a significant portion of raw materials is imported from customer approved suppliers. The risk is mitigated to an extent by natural hedges arising from foreign currency payables and pass through arrangements with customers.

Liquidity position: Adequate

IAMPL's liquidity is expected to remain adequate, supported by healthy cash flows from operations of Rs. 70-90 crore annually, free cash and liquid investments of Rs. 1.5 crore, and undrawn fund-based working capital limits of Rs. 131 crore as on March 31, 2026. While the company has capex plans for the ongoing Hosur expansion (Rs. 85 crore in FY2027 and Rs. 100 crore in FY2028), these are expected to be funded through a combination of internal accruals and incremental term borrowings, which are under discussion with lenders. ICRA expects the company's cash generation and available liquidity buffers to remain adequate to fund its capex requirements as well as its repayment obligations of Rs. 15.7 crore in FY2027 and Rs. 27.5 crore in FY2028.

Rating sensitivities

Positive factors – The ratings could be upgraded if the company strengthens its business profile through customer diversification, thereby supporting a sustained increase in the scale of operations while maintaining strong operating margins, along with strengthening its liquidity profile and debt protection metrics.

Negative factors – The ratings could be downgraded in the event of any adverse impact on the company's revenue or earnings, resulting in a sustained deterioration in its debt protection metrics. Further, any sizeable dividend payout or higher working capital requirement affecting the company's liquidity position could trigger a downward rating revision. A specific credit metric for a downgrade includes debt/OPBDITA above 2.3 times on a sustained basis.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies 9 Bold	Corporate Credit Rating Methodology
Parent/Group support	Not applicable
Consolidation/Standalone	Standalone

About the company

International Aerospace Manufacturing Pvt. Ltd. (IAMPL) was established in 2010 as a 50:50 joint venture between Rolls-Royce and Hindustan Aeronautics Limited (HAL) to manufacture high-precision aero-engine compressor and gas turbine parts. At present, IAMPL supplies close to 200 different parts for multiple civil aero-engine programmes of Rolls-Royce. The company machines forgings received from its suppliers and supplies the machined parts to its customer, Rolls-Royce. The company uses coordinate measuring machines (CMMs), metal spray booths and non-destructive testing (NDT) lines to complete its manufacturing operations. The company's Bengaluru facility has a capacity of 2,50,000 hours per annum, while the Hosur facility commenced operations with a capacity of 1,90,000 hours per annum, which is now being gradually expanded.

Key financial indicators (audited)

International Aerospace Manufacturing Private Limited (Standalone)	FY2025	FY2026
Operating income	356.3	469.8
PAT	28.1	38.5
OPBDIT/OI	20.2%	20.7%
PAT/OI	7.9%	8.2%
Total outside liabilities/Tangible net worth (times)	1.7	1.7
Total debt/OPBDIT (times)	2.2	2.2
Interest coverage (times)	6.4	6.2

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)**	**August 04, 2026**	**Date**	**Rating**	**Date**	**Rating**	**Date**	**Rating**
Fund-based-Term loan	Long Term	300.00	[ICRA]A+ (Stable)	Sep 30, 2025	[ICRA]A (Positive)	Aug 01, 2024	[ICRA]A (Stable)	-	-
				-	-	Dec 13, 2024	[ICRA]A (Stable)	-	-
Fund-based-Working Capital	Short Term	100.00	[ICRA]A1	Sep 30, 2025	[ICRA]A2+	-	-	-	-
Fund-based-Cash credit	Long Term			-	-	Dec 13, 2024	[ICRA]A (Stable)	-	-
Fund-based-Cash credit	Long Tem/Short Term			-	-	Aug 01, 2024	[ICRA]A (Stable)/[ICRA]A2+	-	-
				-	-	Dec 13, 2024	[ICRA]A (Stable)/[ICRA]A2+	-	-

Complexity level of the rated instruments

Instrument	Complexity indicator
Long-term fund based – Term loan	Simple
Long term/Short term – Fund-based working capital	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	Financial Sector Regulator#
NA	**Long-term Fund based – Term loan**	July 2024	NA	October 2033	300.00	[ICRA]A+ (Stable)	RBI
NA	**Short-term Fund based – Working capital**	NA	NA	NA	100.00	[ICRA]A1	RBI

Source: Company

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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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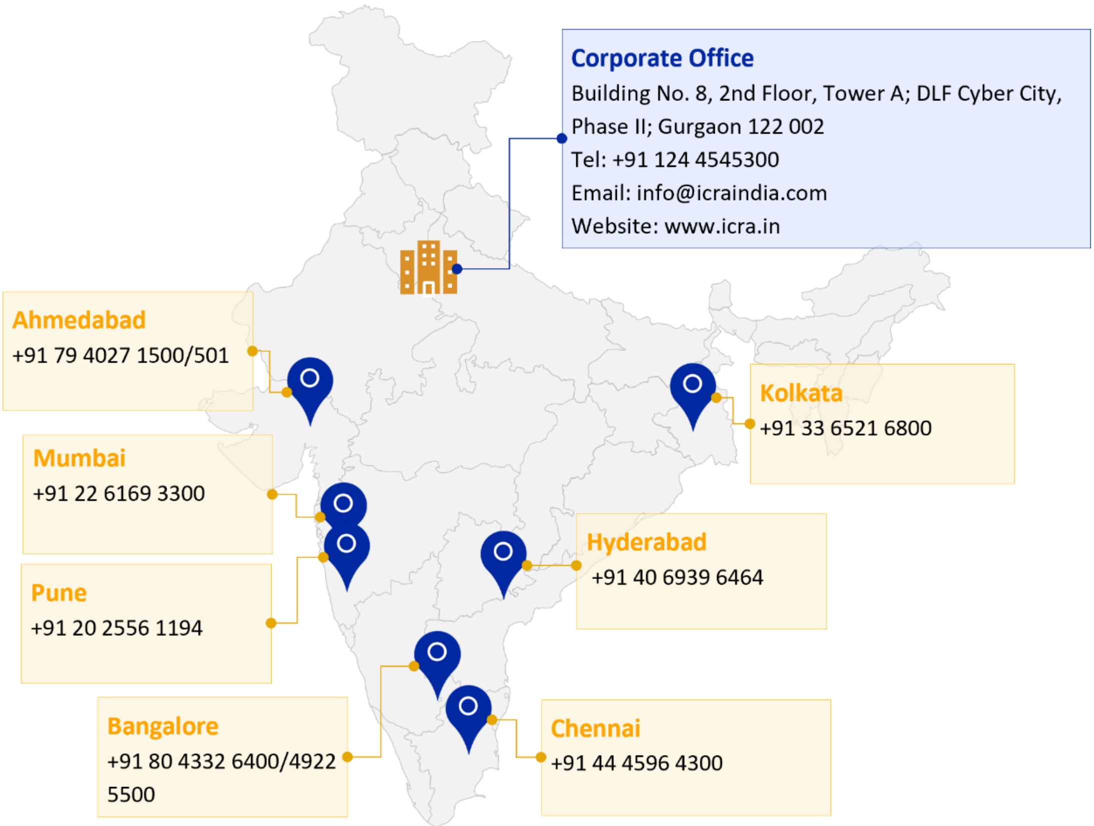

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