

## Rating Rationale

February 17, 2026 | Mumbai

### Bharat Dynamics Limited

Rating reaffirmed at 'Crisil A1+'

#### Rating Action

<b>Total Bank Loan Facilities Rated</b>	<b>Rs.600 Crore</b>
<b>Short Term Rating</b>	<b>Crisil A1+ (Reaffirmed)</b>

*Note: None of the Directors on Crisil Ratings Limited's Board are members of rating committee and thus do not participate in discussion or assignment of any ratings. The Board of Directors also does not discuss any ratings at its meetings.*

*1 crore = 10 million*

*Refer to Annexure for Details of Instruments & Bank Facilities*

#### Detailed Rationale

Crisil Ratings has reaffirmed its 'Crisil A1+' rating on the short-term bank facilities of Bharat Dynamics Ltd (BDL).

The rating continues to reflect BDL's strategic importance to the Government of India, being the prime guided weapon production agency in the country. The rating also factors in an established market position in the guided weapon system segment, satisfactory order pipeline and strong capital structure as indicated by strong networth and nil debt. These strengths are partially offset by large working capital requirement and susceptibility to time and cost overruns in order execution.

BLD's revenue grew by 40% on-year in fiscal 2025 to Rs 3364 crore, driven by advance delivery of weapon system to the customers and exports which grew ~7 times in fiscal 2025. Orderbook, which was Rs 22,814 crore as of March 2025, is estimated to have increased to ~Rs 26,000 crore by December 31, 2025. Over the next three fiscals, the company is expected to get fresh orders of ~Rs 20,000 crore, which will keep the orderbook to revenue ratio above 6 times on stable execution and healthy growth. In the first nine months of fiscal 2026, the revenue grew 25% on-year to Rs 1962 crore driven by improving delivery. For the full fiscal, the revenue is expected to grow by 19-20% on-year and 9-10% over the medium term on stable execution rate and growing orderbook. The operating margin moderated to 8.6% in the first nine months of fiscal 2026 compared with 11.1% in the corresponding period of fiscal 2025. This was on account of changes in the product mix and high expenses towards research and development (R&D). For fiscal 2026, the operating margin is expected at 15-16%, a decline of 170-270 bps over fiscal 2025 (17.7% operating margin in fiscal 2025) due to elevated levels of expenditure towards R&D and changes in the product mix.

The financial risk profile remained strong as indicated by nil debt as on December 31, 2025. Tangible networth is expected to increase to above Rs 4,200 crore driven by healthy accrual. BDL could manage the incremental working capital requirement through internal accrual and customer advances without need of utilising its fund-based working capital limit. Customer advances from Government of India through ministry of defence (MoD) at 15-20% of the order helps manage the incremental working capital requirement for the company. Leverage ratio was indicated by total outside liabilities to tangible net-worth (TOLTNW) ratio at 2.03 times as on March 31, 2025, mostly on the account of high payables and customer advances. The ratio will continue to remain at 1.9-2 times over the medium term. BDL will remain debt free over the medium term with the incremental working capital requirement mostly managed through internal accrual and customer advances and capital expenditure (capex) plans to be funded through internal accrual.

Liquidity in the company remained strong with cash and equivalents of ~Rs 4,200 crore as on December 31, 2025, with no debt obligation. BDL has annual capex plans of Rs 180-200 crore over the medium term towards expansion of its new facilities at Amravati, Ibrahimpatnam and Jhansi. Annual cash accrual is expected above Rs 550 crore over the medium term, post dividend payment which will be sufficient for the capex plan.

#### Analytical Approach

Crisil Ratings has applied the criteria for notching up standalone ratings of entities based on Government support. BDL will, in case of exigencies, received support from Government of India considering its strategic importance to the Government. The government has majority ownership (74.93%) in BDL. In addition, the Crisil Ratings has considered standalone business and financial risk profiles of BDL as the company does not have any subsidiaries.

#### Key Rating Drivers - Strengths

**High strategic importance to the govt and established position as a prime production agency for guided weapon systems to Indian armed forces:** BDL is strategically important to the govt, considering it is the primary agency to produce guided missiles for the armed forces. The company is the exclusive service provider for indigenously developed guided missiles such as Akash surface-to-air missiles and Konkur anti-tank guided missiles. It also benefits from the govt's thrust on indigenous guided weapon system production, leading to healthy order flow and strong financial support from the government in the form of healthy advances for all its orders. As of December 2025, BDL had orders of ~Rs 26,000 crore.

BDL has a well-developed vendor network and provides continuous assistance to its vendors in tool development, fixture building and related technologies. Consequently, it has indigenised ~90% of major missiles. BDL's established market position and ability to achieve high indigenisation has led to consistent order flow.

**Robust financial risk profile:** The financial risk profile remains strong, backed by healthy network and debt-free balance sheet. TOLTNW ratio is expected to remain at 1.8-2 times over the medium term on account of high customer advances and high payable days, however, the same is mitigated by strong liquidity metrics and cash reserve. Balance sheet is further strengthened by sufficient cash and cash equivalents of around Rs 4,200 crore as on December 31, 2025.

### **Key Rating Drivers - Weaknesses**

**Large working capital requirement:** The working capital cycle will remain elongated over the medium term and hence will be closely monitored. Gross current assets were high and increased to above 651 days as on March 31, 2025, as against 726 days a year earlier, largely due to high inventory and unbilled revenue. This was due to delayed customer clearances due to high gestation period of products and advance purchase by the company in quarter four of any fiscal for expediting order execution. GCAs are expected to remain high above 650 days over the medium term and shall remain monitorable.

**Susceptibility to time and cost overruns in order execution:** The ministry of defence is BDL's major customer, and the company bids for defence projects floated by the ministry on a fixed-contract basis with minimal profitability, considering national interest. BDL depends on Defence Research and Development Organisation (DRDO) for technical modifications for orders. Any delay in finalisation of technical modifications renders BDL liable for damages, thereby weakening its profitability.

### **Liquidity** Strong

Expected annual cash accrual above Rs 550 crore over fiscals 2026 to 2028 and unencumbered cash and cash equivalent of around Rs 4,200 crore as on December 31, 2025, will sufficiently cover incremental working capital requirement and yearly capex of Rs 180-200 crore during the same period. Further, the govt will provide need-based support, considering BDL is the primary agency to produce guided missiles for the armed forces if any.

### **Rating sensitivity factors**

#### **Downward factors**

- \* Any change in stance of the govt's support to BDL and latter's strategic importance to the former
- \* Large, debt-funded capex or acquisition, leading to gearing above 0.70 time
- \* Any significant impact on operating profitability, weakening the operating margin below 15%

### **About the Company**

BDL was set up in Hyderabad in 1970 as a central public sector enterprise. The company is the prime production agency for guided weapon systems for the Indian defence forces. BDL also manufactures underwater weapon systems, surface-to-air missiles and associated equipment. Furthermore, it is into refurbishment of vintage defence equipment for the Indian army. BDL has three manufacturing facilities, one in Visakhapatnam (Andhra Pradesh) and two in Telangana<sup>(1)</sup>. The company is setting up three more facilities, one each in Amravati (Maharashtra), Jhansi (Uttar Pradesh) and Ibrahimpatnam (Telangana).

<sup>(1)</sup>Facilities are in Rangareddy district and Bhanur in Medak district.

### **Key Financial Indicators - Crisil Ratings adjusted numbers**

Particulars	Unit	2025	2024
Revenue	Rs.Crore	3364	2396
Profit After Tax (PAT)	Rs.Crore	550	613
PAT Margin	%	16.3	25.6
Adjusted debt/adjusted networkth	Times	0.00	0.00
Interest coverage	Times	216.36	256.01

**Any other information:** Not applicable

### **Note on complexity levels of the rated instrument:**

Crisil Ratings` complexity levels are assigned to various types of financial instruments and are included (where applicable) in the 'Annexure - Details of Instrument' in this Rating Rationale.

Crisil Ratings will disclose complexity level for all securities - including those that are yet to be placed - based on available information. The complexity level for instruments may be updated, where required, in the rating rationale published subsequent to the issuance of the instrument when details on such features are available.

For more details on the Crisil Ratings` complexity levels please visit [www.crisilratings.com](http://www.crisilratings.com). Users may also call the Customer Service Helpdesk with queries on specific instruments.

### **Annexure - Details of Instrument(s).**

ISIN	Name Of Instrument	Date Of Allotment	Coupon Rate (%)	Maturity Date	Issue Size (Rs.Crore)	Complexity Levels	Rating Outstanding with Outlook
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NA	Bank Guarantee	NA	NA	NA	315.00	NA	Crisil A1+
NA	Letter of Credit	NA	NA	NA	285.00	NA	Crisil A1+

### Annexure - Rating History for last 3 Years

Instrument	Type	Current		2026 (History)		2025		2024		2023		Start of 2023
		Outstanding Amount	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating	Rating
Non-Fund Based Facilities	ST	600.0	Crisil A1+		--		--	19-11-24	Crisil A1+	25-08-23	Crisil A1+	Crisil A1+

All amounts are in Rs.Cr.

### Annexure - Details of Bank Lenders & Facilities

Facility	Amount (Rs.Crore)	Name of Lender	Rating
Bank Guarantee	65	State Bank of India	Crisil A1+
Bank Guarantee	60	Union Bank of India	Crisil A1+
Bank Guarantee	190	Union Bank of India	Crisil A1+
Letter of Credit	135	State Bank of India	Crisil A1+
Letter of Credit	150	Union Bank of India	Crisil A1+

### Criteria Details

<b>Links to related criteria</b>
<a href="#">Basics of Ratings (including default recognition, assessing information adequacy)</a>
<a href="#">Criteria for factoring parent, group and government linkages</a>
<a href="#">Criteria for manufacturing, trading and corporate services sector (including approach for financial ratios)</a>

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