



Date: 20 November 2025

To,
BSE Limited,
20th Floor, P.J. Towers,
Dalal Street,
Mumbai - 400001.
BSE Scrip Code: 544294

National Stock Exchange of India Limited,
Exchange Plaza, C-1, Block G,
Bandra Kurla Complex, Bandra (E),
Mumbai – 400 051
NSE Scrip Symbol: ROSSTECH

Subject: Intimation of Credit Rating

Dear Sir/Ma'am,

Pursuant to Regulation 30 and other applicable provisions of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, we hereby inform you that India Ratings and Research has assigned the credit rating of the Company as under:

Sl no	Instrument Type	Amount (in million)	Rating Assigned	Outlook
1	Bank loan facilities	INR3,200	IND BBB/Positive/IND A2	Positive

Rating Rationale:

The ratings reflect the strong order book ensuring healthy revenue visibility, sticky customer relationships in the defence sector, and healthy operating performance at the consolidated level over FY24-1HFY26. The ratings also factor in RTL's ongoing efforts to diversify its revenue profile by adding new customers and expanding into other industries. The ratings, however, are constrained by the consolidated stretched credit metrics, largely due to an elongated working capital cycle, resulting from significant raw material inventory holdings. The Positive Outlook reflects Ind-Ra's expectation of an improvement in RTL's working capital cycle in the medium term, largely driven by a reduction in the inventory holding period, thereby resulting in an improvement in the credit metrics and liquidity.

This is for your information and records.
Thank you,

For Rossell Techsys Limited

Krishnappayya Desai
Company Secretary & Compliance officer

Encl: The rating letter issued by the agency.

India Ratings Assigns Rossell Techsys's Bank Loan Facilities 'IND BBB'; Outlook Positive

Nov 20, 2025 | Aerospace & Defense

India Ratings and Research (Ind-Ra) has rated Rossell Techsys Ltd's (RTL) bank loan facilities as follows:

Details of Instruments

Instrument Type	Date of Issuance	Coupon Rate	Maturity Date	Size of Issue (million)	Rating assigned along with Outlook/Watch	Rating Action
Bank loan facilities	-	-	-	INR3,200	IND BBB/Positive/IND A2	Assigned

Analytical Approach

Ind-Ra has taken a fully consolidated view of RTL and its wholly owned subsidiary Rossell Techsys Inc, to arrive at the ratings, due to the strong operational and strategic linkages between them.

Detailed Rationale of the Rating Action

The ratings reflect the strong order book ensuring healthy revenue visibility, sticky customer relationships in the defence sector, and healthy operating performance at the consolidated level over FY24-1HFY26. The ratings also factor in RTL's ongoing efforts to diversify its revenue profile by adding new customers and expanding into other industries. The ratings, however, are constrained by the consolidated stretched credit metrics, largely due to an elongated working capital cycle, resulting from significant raw material inventory holdings.

The Positive Outlook reflects Ind-Ra's expectation of an improvement in RTL's working capital cycle in the medium term, largely driven by a reduction in the inventory holding period, thereby resulting in an improvement in the credit metrics and liquidity.

List of Key Rating Drivers

Strengths

- Proven experience in industry offers significant growth potential
- Strong order book provides revenue growth visibility
- Sticky customer relationships
- EBITDA margin impacted in FY25; although likely to increase in near to medium term

Weaknesses

- Stretched working capital cycle due to significant inventory levels
- Deterioration in credit metrics in FY25, but recovered in 1HFY26: Likely to improve in the near term
- Segment and customer concentration
- Input cost volatility

Detailed Description of Key Rating Drivers

Proven Experience in Industry Offers Significant Growth Potential: RTL supplies electrical wiring interconnection systems and custom electronics assemblies for global original equipment manufacturers (OEMs) in the defence sectors. The company benefits from the defence offset guidelines introduced by the government of India, which mandate foreign vendors to invest a portion of the contract value in India. These guidelines enable Indian manufacturers of eligible products and services to collaborate with international vendors to meet offset obligations. RTL began in 2013 by fulfilling the offset obligations of The Boeing Company (Boeing; Fitch Rating: Issuer Default Rating 'BBB-/Stable') in India and has since expanded its customer base to other OEMs, seeking to meet localisation requirements in India. RTL broadened its customer base to 26-30 active customers as of 1HFY26 from less than 10 in FY22, making it a key player in the defence sector.

Strong Order Book Provides Revenue Growth Visibility: As on 30 September 2025, the consolidated order book amounted over INR7,000 million, executable over the next three-to-four years, providing strong revenue growth visibility. The consolidated revenue grew at a CAGR of 14% over FY22-FY25. The revenue grew 19.7% yoy to INR2,597 million in FY25, largely led by growth from all the key customers except Boeing. The revenue from Boeing, which contributed about 41% to revenue as of FY25 (1HFY26: 40%), was temporarily impacted due to a slowdown in one of the company's programme, which is back on track from 4QFY25. In 1HFY26, the company's revenue increased 122% yoy to INR2,124 million, driven by a ramp-up of its existing orderbook. RTL is focused on expanding its industry footprint beyond defence. The company has diversified into semiconductor and satellite sectors. As per management, it is targeting to reduce the defence segment's contribution to about 50% over the medium term (FY25: 93%). Additionally, management has confirmed that most RTL's customers are exempt from the US tariffs.

Sticky Customer Relationships: The defence sector has been a key focus area for RTL. Given the company's established track record in developing electronic wiring harness related products for defence sector OEMs, it has built long-term customer relationships. This has also helped in securing repeat orders from its key clients. RTL started its journey with Boeing being its key customer since 2013, and has since then expanded its client base, which includes other global OEMs including Honeywell International Inc, InterConnect Wiring, Lockheed Martin Corporation. The US accounts for over 90% of its revenue. The nature of business at RTL requires a key focus on product quality, and the long-term nature of programmes ensures client stickiness and sustained engagement.

EBITDA Margin Impacted in FY25, Although Likely to Increase in Near to Medium Term: The consolidated EBITDA margins were in the range of 12.2%-15.8% during FY22-FY25 (1HFY26: 12.8%; FY25: 13.5%; FY24: 14.8%). The decline in the EBITDA margin in 1QFY26 was primarily due to an increase in raw material prices for one of Boeing's programmes. According to management, the peak revenue contribution from this programme is now over and will not exceed 10% to the revenue in the following quarters of FY26 and FY27, which will help improve the overall EBITDA margins. The company also witnessed an increase in employee costs in FY25-1HFY26 on account of wage hikes, applicable from June 2024 and increased manpower hiring in line with robust order pipeline from 3QFY26. To contain the EBITDA margin volatility, the company is incorporating equitable price adjustment clauses in all of its new long-term contracts for any fluctuation in raw material prices. Management expects the EBITDA margin to range between 15.5%-16.5% in FY26.

Stretched Working Capital Cycle, Largely due to Significant Inventory Levels: The company's operations remain hugely working capital-intensive, largely due to extended raw material holdings. The consolidated net working capital cycle stretched to 607 days in FY25, due to inventory days of 566 (Ind-Ra calculated). This was largely due to RTL's strategy of procuring raw materials in advance to mitigate price volatility risks, especially under long-tenure fixed-price contracts spanning three-to-five years. Also, the procurement of critical components for testing has contributed to the elevated inventory levels. This is exacerbated by long transit times, as over 80% of the raw materials are imported. To address this, RTL is optimising inventory management by aligning procurement closer to production schedules and securing shorter-tenure contracts outside the defence sector to improve inventory turnover. The company is pursuing additional measures including supplier consolidation, third-party inventory holding, and advance payments from customers to enhance its working capital efficiency. The net working capital cycle improved to 387 days in 1HFY26, primarily because of a reduction in the inventory days to 398, although it remains on the higher side. Ind-Ra expects RTL's working capital cycle to improve further in FY26-FY27 from FY25 levels, but may remain elevated in the near term due to the high inventory levels.

Deterioration in Credit Metrics in FY25, but Recovered in 1HFY26; Likely to Improve in Near Term: The consolidated credit metrics weakened in FY25, primarily due to an increase in short-term working capital borrowings. The net debt increased to INR2,363 million at FYE25 (FYE24: INR1,657 million), largely short-term working capital debt. Consequently, the net leverage (net debt/EBITDA) deteriorated to 6.7x in FY25 (FY24: 5.2x) and interest coverage (EBITDA/interest) to 2.2x (2.7x). As of 1HFY26, the net debt stood at INR2,598 million, with the net leverage and interest coverage improving to 4.8x and 2.8x, respectively, supported by the improved profitability. While the net leverage moderated in 1HFY26, but it continues to be relatively high. Ind-Ra expects the credit metrics to improve in FY26-FY27, largely led by the likely improvement in working capital cycle as well as profitability.

Segment and Customer Concentration: The top five customers contributed about 91% to the consolidated revenue in FY25, indicating high client concentration. However, the company is actively engaging with new clients to diversify its revenue base and reduce dependency. The company continues to derive a significant proportion of its revenue from Boeing (FY25: about 41%; FY24: about 50%), but the share has reduced considerably from about 90% in FY22. Ind-Ra derives comfort from the company's long-established relationships with its customers. This risk is also mitigated because of the long-term nature of contracts (renewed every four-to-five years and perpetual in nature). With Boeing being the largest customer, the risk is largely mitigated by the long-term nature of contract and its strong credit profile.

Input Cost Volatility: The raw material costs account for 50%-60% of the revenue, making margins susceptible to volatility in input costs. RTL largely operates on fixed-price contracts, giving it limited flexibility to pass on any sharp increase in raw material prices. Furthermore, almost 80% of the total raw material requirement is being imported, which makes RTL susceptible to fluctuations in forex rates. This is also evident from volatile gross margins, which fluctuated between 45% and 55% over FY22-FY25. The company is incorporating equitable price adjustment clauses in all new long-term contracts for any fluctuation in raw material prices. Additionally, management is focusing on localising raw material sourcing for customers outside the defence sector to further mitigate the impact of forex fluctuations.

Liquidity

Adequate: The consolidated cash balance was INR48 million at 1HFYE26. RTL's average utilisation of the fund-based working capital limits was 89.2% for the 12 months ended September 2025. Of the total fund-based working capital limits of INR2,900 million as of September 2025, INR1,700 million is non-drawing power backed limits. The consolidated cash flow from operations was negative at INR482 million in FY25 (FY24: negative INR108 million), largely due to the elongated working capital cycle. The free cash flow also remained negative at INR699 million in FY25.

The company has repaid INR50 million of debt in YTD FY26 and has no long-term debt on its books as of July 2026. The company estimates to incur capex of INR353 million in FY26 and INR674 million in FY27, which is likely to be funded through a mix of debt and internal accruals. To support its growing operations, RTL has secured an additional limit of INR400 million in YTD FY26 and is in discussion with bankers to enhance working capital limits by INR400 million-600 million. Following the demerger of Rossell Techsys into a separate entity, the company is planning to raise equity funds through a qualified institutional placement of up to INR3,000 million, for which board approval has already been obtained. Management expects the fund raising activity to be completed by end-FY26. The company is already in discussions with strategic investors, and a portion of the funds will be used to repay debt, fund capex and improve overall liquidity.

Rating Sensitivities

Positive: The following events could collectively lead to a positive rating action are:

- a sustained increase in the consolidated revenue and profitability;
- an improvement in the liquidity and working capital cycle;
- an improvement in the overall credit metrics with interest coverage remaining above 2.5x beyond FY26.

Negative: A negative rating action could result from any of the following events on a sustained basis:

- the company's inability to scale up revenue and sustained weakening of profitability margins;
- unable to improve working capital cycle and further deterioration in liquidity;
- a higher-than-expected debt-led capex leading to a further significant deterioration in the credit metrics with the gross interest coverage falling below 2.5x

Any Other Information

Standalone Performance: On a standalone basis, RTL's revenue stood at INR2,122.38 million in 1HFY26 and INR2,593.82 million in FY25 (FY24: INR2,168.80 million), EBITDA margin was 12.4% and 13.3% (14.7%), interest coverage ratio was 2.7x in and 3.3x (3.6x), while net leverage was 3.1x and 5.0x (6.9x).

About the Company

RTL is the erstwhile aerospace and defence (A&D) division of Rossell India Limited, established in early 2011, to provide services to global OEMs with wiring and wiring solutions. This division is now demerged into a separate company. The company provides engineering and manufacturing services entity with competencies in (a) electrical wiring and interconnect systems and electrical panel assemblies, (b) electronic systems and system integration (c) automatic test equipment, (d) after-market for electrical and electronic products and systems (Electrical-MRO). The company conducts business in two primary models: build to specification and build to print.

Key Financial Indicators

Particular	1HFY26*	FY25	FY24
Revenue (INR million)	2,124	2,597	2,170
EBITDA (INR million)	273	351	321
EBITDA margin (%)	12.8	13.5	14.8
Interest coverage (x)	2.8	2.2	2.7
Adjusted net leverage (x)	4.8	6.7	5.2
Source: RTL, Ind-Ra *Unaudited			

Status of Non-Cooperation with previous rating agency

Not applicable

Rating History

Instrument Type	Rating Type	Rated Limits (million)	Current Rating/Outlook
Bank loan facilities	Long-term/Short-term	INR3,200	IND BBB/Positive/IND A2

Complexity Level of the Instruments

Instrument Type	Complexity Indicator
Bank loan facilities	Low

For details on the complexity level of the instruments, please visit <https://www.indiaratings.co.in/complexity-indicators>.

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India Ratings and Research (Ind-Ra) is India's SEBI registered credit rating agency committed to providing India's credit markets accurate, timely and prospective credit opinions. Built on a foundation of independent thinking, rigorous analytics, and an open and balanced approach towards credit research, Ind-Ra has grown rapidly during the past decade, gaining significant market presence in India's fixed income market.

Ind-Ra currently maintains coverage of corporate issuers, financial institutions (including banks and insurance companies), finance companies, urban local bodies, and structured finance and project finance companies.

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APPLICABLE CRITERIA AND POLICIES

Evaluating Corporate Governance

Corporate Rating Methodology

Short-Term Ratings Criteria for Non-Financial Corporates

The Rating Process

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