

March 07, 2025

## JSW UAV Limited: [ICRA]A-(Stable) assigned

### Summary of rating action

Instrument*	Current rated amount (Rs. crore)	Rating action
Long-term – Fund-based – Term loan	650.0	[ICRA]A- (Stable); Assigned
Long-term – Non-fund based – Letter of credit	(250.0)	[ICRA]A- (Stable); Assigned
Long-term – Non-fund based – Bank guarantee	(200.0)	[ICRA]A- (Stable); Assigned
<b>Total</b>	<b>650.00</b>	

\*Instrument details are provided in Annexure I

### Rationale

The rating assigned to JSW UAV Limited (JUAV) considers the strategic importance of JUAV to the JSW Group, by virtue of JUAV being a key entity for the Group's defence initiative, given it will undertake the Group's efforts to indigenise advanced defence technologies, to produce Unmanned Aerial Systems (UAS) called 'VBAT'. The rating factors in the superior financial flexibility enjoyed by the entity, given a part of the JSW Group. The company is establishing a greenfield manufacturing complex at EMC Maheshwaram, Ranga Reddy District, Telangana, where it will benefit from the presence of a large and developed ecosystem of aerospace and defence vendors, along with various subsidies/incentives from the Telangana Government. JUAV has purchased the rights to manufacture and supply VBAT systems from its US-based OEM, Shield AI (SAI). ICRA notes that considerable support is expected from Shield AI in the form of technical assistance, training for personnel and operational support, both during the project phase and post commencement of operations, which will enhance project viability. Additionally, the company has signed an offtake agreement with SAI for supply of a pre-determined quantity, which mitigates the demand risk to an extent.

The rating, however, remains constrained by the execution risks associated with the nascent stages of project. It is expected to commercially start operations from Q1 FY2028. As a result of the nascent stages of operations, the project remains exposed to cost/time overrun risks. However, the JSW Group's established track record of successfully completing complex projects provides comfort. ICRA notes that the key regulatory approvals are still awaited, though an in-principal approval for land allotment from the Telangana Government and import licences have been obtained. Manufacturing permits are also likely to be received shortly. Further, ICRA notes that the project achieved part financial closure to the extent of Rs. 250.0 crore of the total debt funding requirement of Rs. 500.0 crore, and is expected to tie-up for the remaining portion in time. The total funding requirement from promoters for the project is to the tune of Rs. 214.0 crore, of which Rs. 89.3 crore is already infused till date. The company's leverage metrics are expected to remain elevated due to the high reliance on debt funding, and its ability to profitably ramp-up the operations post timely completion and within the budgeted costs will remain a key monitorable.

The Stable outlook on the rating reflects ICRA's opinion that the company will benefit from its experienced management and strong execution track record of the JSW Group, along with the Group's commitment towards this defence initiative, coupled with assured offtake agreement with SAI.

## Key rating drivers and their description

### Credit strengths

**Superior financial flexibility from being a part of the JSW Group** – The company is a wholly-owned subsidiary of JSW Defence Private Limited, through which the JSW Group intends to induct and indigenise advanced defence technologies. ICRA draws comfort from the financial strength of the JSW Group, coupled with the company's strategic importance to the Group, which is expected to ensure availability of need-based funding support as well as timely equity infusion for the project.

**Training support from Shield AI, exclusive right for production of VBAT in India and eligibility for subsidies from Telangana Government enhances project viability** – The company has purchased exclusive technology licences and IP rights to manufacture, market, sell and provide after sales support for VBATs and associated ground systems in India for the next 20 years. Additionally, it will receive training and technical support towards the implementation and indigenisation of the requisite technologies domestically. ICRA derives comfort from the significant support from Shield AI, enhancing the operational viability of the project. Further, the company will receive support from the Telangana Government in the form of various subsidies/incentives, which supports the project's financial viability.

**Minimum offtake agreement from Shield AI provides revenue visibility** – The company has a minimum offtake agreement with Shield AI, which requires the latter to purchase a specified minimum volume of VBAT units at pre-determined prices over 3 years (can be extended up to 5 years) post commencement of commercial operations. In the event of a shortfall, Shield AI will be required to compensate on the unpurchased volume, which will insulate the company against losses on this transaction. This provides assured revenue visibility upon the tentative commencement of operations in FY2028 and reduces the revenue risk notably.

### Credit challenges

**Exposed to execution risk (cost and time overruns) on account of it being in the nascent stages of implementation** – The project is in the nascent stages of operations, given the commercial date of operations is only expected from FY2028. Thereby, the project remains exposed to cost/time overrun risks. However, the JSW Group's established track record of successfully completing complex projects provides comfort.<sup>1</sup>

**High reliance on debt funding leading to elevated leverage metrics, though being a part of strong promoter group lends comfort** – The project has been financed through debt-equity ratio of 70:30, i.e., for the total project cost of Rs. 714.0 crore. ICRA notes the high leverage of the project given its debt-funded nature, which will keep the credit metrics under check till the revenues ramp up profitably to an optimum level. The company's ability to profitably ramp-up operations in a timely manner will be critical. Further, the business may require loss-funding support initially till stabilisation of operations is achieved and operations achieve optimum scale. ICRA expects JUAV to benefit from being a part of the JSW Group towards meeting any shortfalls in the funding requirements as well as the superior financial flexibility.

### Liquidity position: Adequate

The liquidity position is expected to remain adequate during the construction period with a funding tie-up of Rs. 250.0 crore of debt in place, and for the remaining Rs. 250.0 crore in the advanced stages. Further, equity infusions are likely to be timely, given the financial strength of the JSW Group, and any need-based funding support in the event of cost/time overruns are expected from the Group. The company's ability to ramp-up operations in a profitable and timely manner post commencement of operations in Q1 FY2028 will remain a key monitorable.

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<sup>1</sup> The total project cost is Rs. 714.0 crore, which includes technology purchase cost, training and consultancy costs, etc. As on February 5, 2025, the company had incurred expenditure of Rs. 156.0 crore of the total project cost of Rs. 714.0 crore.

## Rating sensitivities

**Positive factors** – Successful and timely implementation of the entire project within envisaged costs, and profitable ramp-up of operations, thereafter, resulting in a sustained improvement in the company’s financial risk profile could lead to a rating upgrade.

**Negative factors** – Pressure on the rating could arise if the company experiences significant time and/or cost overruns, or slower ramp-up of operations with weak revenue and/or profitability growth, resulting in inadequate coverage metrics could lead to a rating downgrade. Further, a weakening of linkages with the JSW Group could be a credit negative.

## Analytical approach

Analytical approach	Comments
Applicable rating methodologies	<a href="#">Corporate Credit Rating Methodology</a>
Parent/Group support	NA
Consolidation/Standalone	Standalone

## About the company

Incorporated in November 2023, is a wholly-owned subsidiary of JSW Defence Private Limited, an associate of JSW Projects Limited. JUAV is involved in manufacturing category 3 UAS dubbed ‘VBAT’. JUAV has collaborated with M/s Shield AI, USA, which specialises in designing of UAS. As per the management, it is a global leader in developing Artificial Intelligence (AI) systems for autonomous UAS operations. JUAV has purchased technology licences from SAI through which it has acquired the right to market, manufacture, sell and provide after-sales support for VBATs within India. As for export sales, JUAV can only supply these systems to SAI directly, in accordance with an offtake agreement included in the contractual terms between the two entities.

The company has initiated a greenfield project to set up a UAV manufacturing and assembly facilities at EMC Maheshwaram, Telangana, on account of its well-developed industrial ecosystem of electronics, as well as defence and aerospace industries, coupled with support from the Telangana Government. The commercial date of operations is in Q1 FY2028. The total estimated cost stands at Rs. 714.0 crore, which will be funded through debt-equity ratio of 70:30.

**Key financial indicators (audited) – Not Applicable since this is a project entity**

**Status of non-cooperation with previous CRA: Not applicable**

**Any other information: None**

## Rating history for past three years

Instrument	Current (FY2025)			Chronology of rating history for the past 3 years					
	Type	Amount rated (Rs. crore)	March 07, 2025	FY2024		FY2023		FY2022	
				Date	Rating	Date	Rating	Date	Rating
Fund-based – Term loan	Long term	650.00	[ICRA]A-(Stable)	-	-	-	-	-	-

Instrument	Current (FY2025)			Chronology of rating history for the past 3 years					
	Type	Amount rated (Rs. crore)	March 07, 2025	FY2024		FY2023		FY2022	
				Date	Rating	Date	Rating	Date	Rating
<b>Non-fund based – Letter of credit</b>	Long term	(250.00)	<b>[ICRA]A-(Stable)</b>	-	-	-	-	-	-
<b>Non-fund based – Bank guarantee</b>	Long term	(200.00)	<b>[ICRA]A-(Stable)</b>	-	-	-	-	-	-

### Complexity level of the rated instruments

Instrument	Complexity indicator
<b>Long-term – Fund-based – Term loan</b>	Simple
<b>Long-term – Non-fund based – Letter of credit</b>	Very Simple
<b>Long-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	Long-term fund based – Term loan	FY2025	-	FY2033	650.00	[ICRA]A- (Stable)
NA	Long-term – Non-fund based – Letter of credit	-	-	-	(250.00)	[ICRA]A- (Stable)
NA	Long-term – Non Fund-based – Bank guarantee	-	-	-	(200.00)	[ICRA]A- (Stable)

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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## ABOUT ICRA LIMITED

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.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

For more information, visit [www.icra.in](http://www.icra.in)

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