

May 28, 2025

BEL-Thales Systems Ltd: Rating reaffirmed

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Issuer rating	-	-	[ICRA]AA(Stable); reaffirmed
Total	-	-	

*Instrument details are provided in Annexure I

Rationale

The rating reaffirmation for BEL-Thales Systems Ltd. (BTSL) draws comfort from the strong parentage, robust capital structure with nil debt and healthy future revenue prospects. BTSL is a 74:26 joint venture (JV) between Bharat Electronics Limited (BEL; a Navaratna defence PSU rated [ICRA]AAA (Stable) / [ICRA]A1+) and the Thales Group (Thales has a rating outstanding of A2/Stable from Moody's Investors Service). BTSL has been receiving infrastructure support, technological knowhow, favourable payment terms and 100% of its order book from its JV partners. Moreover, given BTSL's status as a subsidiary of BEL, ICRA expects BEL to support BTSL if required to protect its reputation from the consequences of a Group entity's distress. The company's revenue grew YoY by 26% to Rs. 117.8 crore in FY2025 from Rs. 93.8 crore in FY2024. On a lower base, it witnessed a healthy CAGR of 24% over the last 5 years ending FY2025. With an adequate order book position of Rs. 238.7 crore as on March 31, 2025, ICRA expects the execution momentum to remain buoyant in the current fiscal. The rating also factors in its healthy revenue prospects, aided by the strong market share of the shareholders in the defence electronic equipment sector and gradual expansion of the product portfolio. The revenue visibility is also supported by the receipt of an MSME certificate by BTSL, which qualifies its customers to get credit of 1.5 times the contract value towards meeting offset obligations, enhancing its competitive positioning. The company's working capital requirements are partly met through extended payment to its suppliers as well as customer advances, which have helped keep the leverage at a very low level.

However, the rating is constrained by the company's modest scale of operations at an absolute level, though the annual revenues witnessed healthy growth over the last 5 years. In FY2024, BTSL incurred operating loss on account of one-time write-off of ~Rs. 5 crore of inventory, coupled with a change in product mix (reduced contribution from high margin products and services). While the operating profitability recovered to 2.9% in FY2025, it still remains lower than 12%-15% witnessed in FY2022 and FY2023. Going forward, the company's ability to sequentially improve its operating profitability will remain important from the credit perspective. It has a concentrated customer base with majority of revenues derived through sale of products to BEL and the Thales Group. The rating is constrained by BTSL's dependence on limited products and services, which exposes it to a greater degree of revenue volatility. Nonetheless, the company expects to receive additional orders for products/services from defence forces through its shareholders, including export orders. While competition from the private sector is likely to intensify in the medium to long term, the established track record and large manufacturing capacities with adequate pool of trained manpower and research and development (R&D) capabilities of the JV partners will continue to be strong mitigating factors.

The Stable outlook on the long-term rating reflects ICRA's expectation that BTSL would benefit from the extensive experience of its JV partners in the defence electronic equipment sector, which is expected to provide a steady earnings stream, support its profitability while helping to maintain its liquidity and credit metrics at comfortable levels, going forward.

Key rating drivers and their description

Credit strengths

Strong parentage of BTSL – BTSL is a 74:26 JV between BEL and the Thales Group. Both the entities have established themselves as leading defence electronic contractors. BEL is a Navaratna defence PSU with a turnover of Rs. 23,768 crore in FY2025. The Thales Group is a leading defence electronic equipment manufacturer based in France, with strategic shareholding by the Government of France. BTSL has been receiving infrastructure support, technological knowhow, favourable payment terms and 100% of its order book from its JV partners. Moreover, given BTSL's status as a subsidiary of BEL, ICRA expects BEL to support BTSL if required to protect its reputation from the consequences of a Group entity's distress.

Strong capital structure with nil debt – BTSL has a strong capital structure with nil debt on books. The company's working capital requirements are primarily met through favourable credit terms from its suppliers. It is expected to remain debt free, going forward, based on the current business plans.

Healthy future revenue prospects – The company has an outstanding order book of Rs. 238.7 crore as on March 31, 2025 that mainly includes supply of TRM components to BEL, which provides adequate revenue visibility. It has added new products during the last few years such as Advance Rocket System Interface (ARSI, prototype and test bench), shock absorbing foundation (SAF), etc, which will add to the order inflow in the upcoming years. While the current order book is adequate, BTSL's future revenue prospects are also healthy, aided by the strong market share of the shareholders in the defence electronic equipment sector and gradual expansion of the product portfolio. The revenue visibility is also supported by the receipt of an MSME certificate by BTSL, which qualifies its customers to get credit of 1.5 times the contract value towards meeting offset obligations, enhancing its competitive positioning.

Credit challenges

Modest scale of operations and profitability – The company recognises revenue from limited sources like maintenance activities for radars, along with sale of products primarily to both its JV partners. It recorded healthy revenue growth in FY2025, driven by healthy order execution leading to a turnover of Rs. 118 crore against Rs. 94 crore in FY2024, majorly driven by supply of ball grid array components to BEL. Additionally, in the current year, the company is positioned to achieve ~10-15% growth for the full fiscal year, supported by the supply of the ball grid array components to BEL. However, despite the healthy scale up in the recent years, the overall scale remains modest. In FY2024, BTSL incurred an operating loss of Rs. 1.5 crore on account of one-time write-off of ~Rs. 5 crore of inventory, coupled with a change in product mix (reduced contribution from high margin products and services). Though the operating profitability recovered to 2.9% in FY2025, it still remains lower than the peak of 12%-15% witnessed in FY2022 and FY2023. Going forward, the company's ability to sequentially improve its operating profitability will remain important from the credit perspective.

Limited products and services – BTSL have a limited portfolio of products and services, which exposes the top line to a greater degree of revenue volatility. The company supplies ball grid array components to BEL, low band receiver to Thales Reliance Defence system and few other products such as ARSI, SAF, etc. Besides, it provides comprehensive annual maintenance contract (AMC) services for airport surveillance radar to the Indian Navy and local support to Thales India Private Limited (TIPL) for air traffic management/radar projects. While the product offering is limited at present, the same is gradually expanding.

Low customer diversification – BTSL has a low customer diversification with BEL and TRDS being the only major customers as on date. Also, most of the future orders are likely to be received from the shareholders and their affiliates. Nonetheless, the company expects to receive additional orders for products/services from defence forces through its shareholders, including export orders.

Liquidity position: Strong

BTSL's liquidity position is strong. The company had free cash and bank balances of Rs. 64.94 crore as on March 31, 2025. It has nil debt and modest annual maintenance capital expenditure plans worth Rs. 1-2 crore over the next two fiscals, which can be easily funded from internal accruals. Its working capital requirements are partly funded through customer advances, which limits its borrowing dependence.

Rating sensitivities

Positive factors – ICRA could upgrade BTSL's rating if there is a substantial growth in its scale and diversification of revenues and customer base, resulting in an improved business risk profile.

Negative factors – Pressure on the rating may emerge in case of any weakening in the credit profile of BEL. Also, any weakening of linkages with the JV partners or weakening of the business profile through reduced order visibility may result in a rating downgrade. Pressure on liquidity, on a sustained basis, could also result in negative rating action.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology
Parent/Group support	BTSL is a 74:26 JV between BEL and the Thales Group. BEL is a Navaratna defence PSU, while Thales is one of Europe's leading defence electronics contractors. As BTSL is a subsidiary of BEL, ICRA expects BEL to support BTSL if required to protect its reputation.
Consolidation/Standalone	The rating is based on the standalone financial profile of the company.

About the company

BTSL is a defence public sector undertaking under the Ministry of Defence, Government of India. The company is a 74:26 JV between Bharat Electronics Limited and the Thales Group, based in France. Its primary focus is to design, develop, market, supply and support civilian and defence radars for Indian and global markets and other mutually agreed end-user applications.

Key financial indicators (audited)

BTSL Standalone	FY2024	FY2025
Operating income	93.8	117.8
PAT	2.8	4.8
OPBDIT/OI	-1.6%	2.9%
PAT/OI	3.0%	4.0%
Total outside liabilities/Tangible net worth (times)	0.3	0.4
Total debt/OPBDIT (times)	0.0	0.9
Interest coverage (times)	-13.7	8.6

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 (FY2026)			Chronology of rating history for the past 3 years							
			FY2026		FY2025		FY2024		FY2023	
Instrument	Type	Amount Rated (Rs Crore)	Date	Rating	Date	Rating	Date	Rating	Date	Rating
Issuer rating	Long Term	0.00	28-MAY-2025	[ICRA]AA (Stable)	-	-	15-MAR-2024	[ICRA]AA (Stable)	19-JAN-2023	[ICRA]AA (Stable)

Complexity level of the rated instruments

Instrument	Complexity indicator
Issuer rating	Not applicable

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	Issuer rating	NA	NA	NA	-	[ICRA]AA (Stable)

Source: Company

Annexure II: List of entities considered for consolidated analysis- Not applicable

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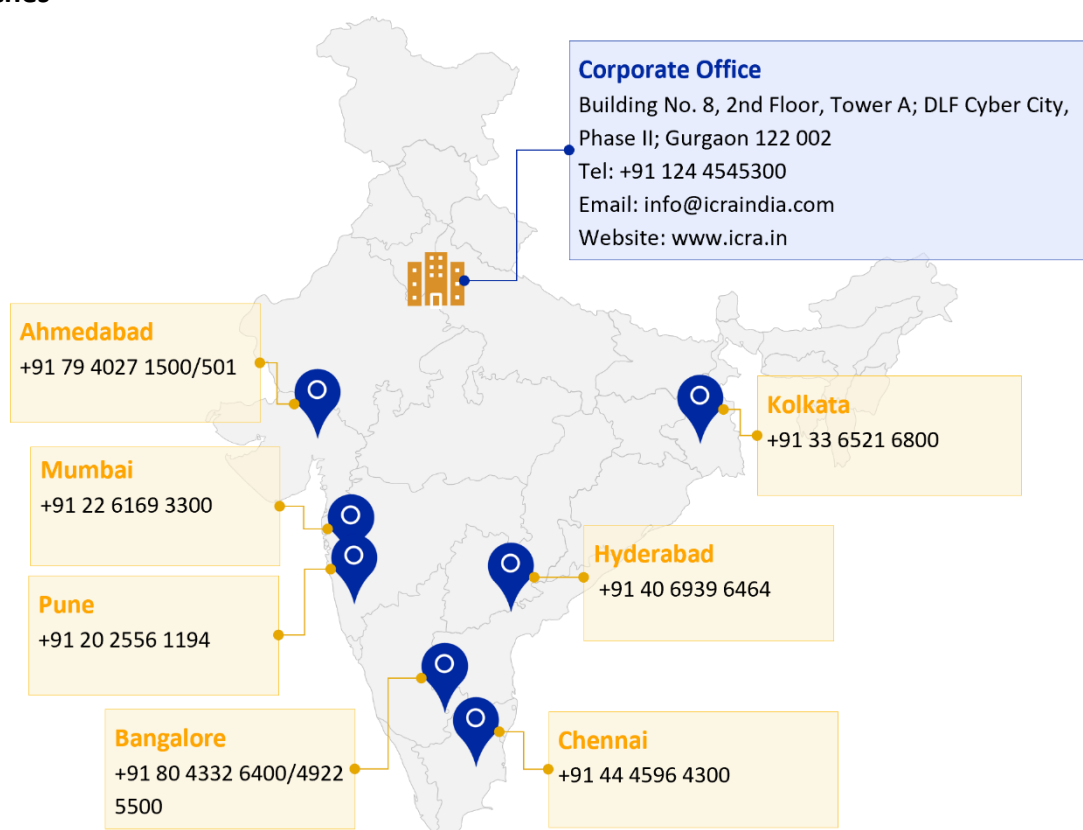
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