February 20, 2026

Bharat Electronics Limited: Ratings reaffirmed

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Long-term - Fund-based/Cash credit	500.00	500.00	[ICRA]AAA(Stable); Reaffirmed
Short-term - Non-fund based	6,500.00	6,500.00	[ICRA]A1+; Reaffirmed
Long-term - Unallocated	300.00	300.00	[ICRA]AAA(Stable); Reaffirmed
Total	**7,300.00**	**7,300.00**	

**Instrument details are provided in Annexure-I*

Rationale

The ratings reaffirmation for Bharat Electronics Limited (BEL) reflects its large scale of operations, strategic position as a dominant supplier of electronic equipment to the Indian defence forces, and robust financial profile characterised by negligible debt levels, healthy operating margins and superior liquidity position. BEL, by virtue of being majority owned by the Government of India (GOI) and being a Navratna defence public sector undertaking (DPSU), witnesses a sizeable inflow of orders on a nomination basis. The ratings consider the strong order pipeline with an unexecuted order book worth Rs. 73,015 crore as on January 01, 2026, which translates into an order book to operating income (OI) ratio of around 3.2 times (based on FY2025 operating revenue), providing healthy revenue visibility in the medium term. ICRA expects BEL to register an annual revenue growth of 10%-15% over the near to medium term, while maintaining its robust coverage metrics and superior liquidity position in the interim.

With the Government's focus on increasing the share of private sector in the manufacturing and technological development in the defence sector, the competition from the private sector is likely to intensify in the medium to long term. However, BEL's established track record and large manufacturing capacities with an adequate pool of trained manpower and focus on research and development (R&D) will be strong mitigating factors. BEL's consistent investment towards R&D has helped to create a strong competitive position by enabling it to develop the latest generation products as well as services and gradually increasing the indigenisation of its product offerings, which has been a key driver to the company's revenues and healthy profit margins.

The rating strengths are partially tempered by BEL's continued high dependence on the domestic defence sector, which contributes to the bulk of its revenues (FY2025: ~89%). BEL, however, is targeting to gradually increase its share of non-defence revenues over the medium term, though it continues to remain low at present as the share of revenues from civil and export businesses stood at around 11% in FY2025 (FY2024: ~19%). BEL's operating profit margins remain susceptible to input cost fluctuations, as defence contracts are generally fixed price in nature. The ratings factor in BEL's high gross operating cycle, led by high receivable days and long production cycle resulting in a high inventory holding period. ICRA takes note of the increase in its working capital intensity in FY2025, primarily on account of lower customer advances owing to lower order inflows (due to impact of the union elections in Q1 FY2025). Nevertheless, the company is able to manage its working capital through these sizeable customer advances and extended creditor days, though, the working capital requirements on an ongoing basis will remain a key monitorable. This, though, has translated to a moderate TOL/TNW of 1.0 times as on March 31, 2025 (FY2024: 1.4 times), but has been on an improving trend, supported by ploughing back of healthy profits, leading to strengthening of the net worth.

The Stable outlook reflects ICRA's expectation that BEL's financial profile is likely to remain strong, supported by its strategic importance as the major supplier of defence electronics equipment to the Indian defence forces and the high sectoral entry barriers, which would limit competition.

Key rating drivers and their description

Credit strengths

Defence Navratna PSU and a dominant supplier of electronic equipment to Indian defence forces – BEL is a DPSU, with the GOI holding a 51.14% equity stake as on December 31, 2025. The company is of strategic importance to the GOI as it is the dominant domestic supplier of defence electronics equipment to the Indian defence forces. Further, BEL's status as the largest domestic electronics manufacturer leads to benefits associated with the economies of scale. In addition, the Government ownership leads to a sizeable inflow of orders on a nomination basis (around 80-90% of defence orders), providing a steady earnings stream for the company.

Strong order book position provides healthy revenue visibility – The company's unexecuted order book as on January 01, 2026, stood at Rs. 73,015 crore. This translates into an order book to OI ratio of around 3.2 times (based on FY2025 operating revenue), providing adequate medium-term revenue visibility. Additionally, the Government's growing capital budget allocation and continued focus on increasing India's defence product manufacturing capability are expected to support the order inflow for BEL in the medium to long term.

Strong financial profile – BEL's financial profile remains strong, characterised by sizeable scale of operations, healthy profitability, nil external borrowings and a superior liquidity profile. The company reported a consolidated OI of Rs. 23,769 crore in FY2025 (around 17% growth on a YoY basis) with an operating profit margin of 28.8% (FY2024: 24.9%). Aided by healthy order execution in the first nine months of FY2026, BEL reported a top line of Rs. 17,386 crore (around 19% growth on a YoY basis) with an operating profit margin of 29.1%. With expectation of a healthy fourth quarter performance, ICRA estimates BEL's FY2026 full-year revenues to witness a healthy growth of around 10%-15% on a YoY basis. Its superior liquidity profile is supported by sizeable free cash and bank balance of over Rs. 8,000 crore as on September 30, 2025, along with unutilised fund-based working capital facilities of Rs. 500 crore.

Continued focus on R&D by BEL and GOI's intent to increase share of indigenous procurement provide competitive advantage – BEL is focused on R&D for increasing indigenisation and value addition in its products/systems. It has set up a three-layer R&D structure, namely Central Research Laboratories (CRL), Product Design and Innovation Centre (PD & IC) and Development & Engineering (D&Es) attached to strategic business units. Consistent investment towards R&D (6-7% of operating revenues) helped to create a strong competitive advantage compared to its other domestic peers. BEL's focus on gradually increasing the indigenisation of its product offerings aided in sustaining healthy profit margins. Additionally, the GOI's focus on increasing indigenous procurement under 'Atmanirbhar Bharat' initiative provides a unique opportunity for BEL to build its future revenue streams through development of domestic capabilities.

Credit challenges

High dependence on domestic defence sector for orders with limited export business – The Indian defence sector is the major customer of BEL, accounting for nearly 89% of the turnover in FY2025. The company's revenue and order book position can be affected in case of any change in the procurement policy of the Indian defence forces or a significant cutback in domestic defence spending. BEL's revenue booking and cash flows are vulnerable to delays in project execution or final payment clearance in some cases owing to high concentration of the Government sector orders. BEL is targeting to gradually increase its share of non-defence revenues over the medium term. Nonetheless, it remains low at present as the share of revenues from the civil and export businesses stood at around 11% in FY2025 (FY2024: ~19%).

Working capital-intensive nature of operations, however, cushioned by healthy liquidity and significant customer advances – BEL has a high gross operating cycle, led by high receivable days and long production cycle leading to a high inventory holding period. ICRA takes note of the increase in its working capital intensity in FY2025, primarily on account of lower customer advances owing to lower order inflows (due to impact of the union elections in Q1 FY2025). Nevertheless, the company is able to manage its working capital through these sizeable customer advances and extended creditor days, though, the working capital requirements on an ongoing basis will remain a key monitorable. Additionally, BEL has unutilised fund-based and moderately utilised (~75% for November 2025) non-fund based facilities. As per ICRA, the company's non-fund based limits are estimated to remain sufficient for its growing scale of operations over the medium term.

Environment and social risks

Environmental considerations – BEL operates in the defence equipment manufacturing industry, which requires various raw materials and entails sizeable energy as well as water requirements for running its multiple facilities. To safeguard the environment against the impact of its operations, and possible regulatory action for violation of applicable environmental laws, BEL has tied up with the State Pollution Control Board (PCB) authorities for appropriately disposing/recycling solid hazardous waste at its manufacturing sites. BEL has installed 13.9 MW of wind power capacity and 4.5 MWp of cumulative grid connected rooftop solar power capacity. Further, 4 MW of wind power capacity is planned to be commissioned. Cumulatively, these met more than 50% of BEL's energy requirement. Further, by the end of FY2025, BEL became the first DPSU to achieve the RE100 status.

Social considerations – BEL has dependence on human capital and hence, retaining talent, maintaining healthy employee relations, as well as supplier ecosystem remains essential for disruption-free operations. Going forward, the company's ability to manage risks related to safety in the areas of process and occupational health, while developing safety leadership capabilities, will remain a key factor from the social consideration perspective.

Liquidity position: Superior

BEL's liquidity profile is superior, supported by comfortable cash flow from operations, which are expected to be adequate to meet the capital expenditure and dividend outflows. The company had a free cash and bank balance of over Rs. 8,000 crore as on September 30, 2025, along with unutilised fund-based borrowing facilities of Rs. 500 crore, which provides a comfortable liquidity headroom. Given the low gearing and its strategic importance to the GOI, the company enjoys a high degree of financial flexibility, allowing it to raise funds from financial intermediaries in a timely manner at competitive rates.

Rating sensitivities

Positive factors – Not applicable

Negative factors – The ratings can be downgraded if there is any significant stretch in the company's receivable cycle due to delay in payments by customers, or a change in the strategic importance of BEL to the GOI, reflecting in lower order inflows and revenues. Specific credit metrics include increase in Total Debt/OPBDITA to more than 0.5 times on a sustained basis.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology
Parent/group Support	Parent: Government of India. The assigned ratings factor in the strategic importance that BEL holds for being the largest domestic defence electronics manufacturer, which ICRA expects should induce the GOI to extend timely financial support to the rated entity, should there be a need
Consolidation/standalone	For arriving at the ratings, ICRA has considered the consolidated financials of BEL. Details of the companies are enlisted in Annexure II.

About the company

Bharat Electronics Limited (BEL), a Navratna DPSU, was established in 1954 under the Ministry of Defence, the GOI, to cater to the electronic equipment requirements of the defence sector. The GOI remains BEL's largest shareholder with the current shareholding of 51.14%. BEL was conferred the Navratna PSU status in June 2007. BEL is the dominant supplier of radar, communication and electronic warfare equipment to the Indian armed forces. The company has nine manufacturing units across India and two research units. The Bangalore and the Ghaziabad units are BEL's two major units, with the former contributing the largest share to the company's total revenue and profits.

Key financial indicators (audited)

Bharat Electronics Limited (Consolidated)	FY2024	FY2025
Operating income	**20268.2**	**23768.8**
PAT	**3985.2**	**5322.7**

Bharat Electronics Limited (Consolidated)	FY2024	FY2025
OPBDITA/OI	24.9%	28.8%
PAT/OI	19.7%	22.4%
Total outside liabilities/tangible net worth (times)	1.4	1.0
Total debt/OPBDITA (times)	0.0	0.0
Interest coverage (times)	418.8	545.6

Source: Company, ICRA Research; All ratios are as per ICRA's calculations; Amount in Rs. crore; PAT: Profit after tax; OPBDITA: Operating profit before depreciation, interest, taxes and amortisation

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating history for past three years

Instrument	Current rating(FY2026)			Chronology of rating history for the past 3 years					
				FY2025		FY2024		FY2023	
	Type	Amount rated (Rs crore)	February 20, 2026	Date	Rating	Date	Rating	Date	Rating
Fund-based - Cash credit	Long-term	500.00	[ICRA]AAA(Stable)	February 21, 2025	[ICRA]AAA (Stable)	February 22, 2024	[ICRA]AAA (Stable)	March 09, 2023	[ICRA]AAA (Stable)
Unallocated limits	Long-term	300.00	[ICRA]AAA(Stable)	February 21, 2025	[ICRA]AAA (Stable)	February 22, 2024	[ICRA]AAA (Stable)	March 09, 2023	[ICRA]AAA (Stable)
Non-fund based - Others	Short-term	6500.00	[ICRA]A1+	February 21, 2025	[ICRA]A1+	February 22, 2024	[ICRA]A1+	March 09, 2023	[ICRA]A1+

Complexity level of the rated instruments

Instrument	Complexity indicator
Long-term - Fund-based - Cash credit	Simple
Short-term - Non-fund based - Others	Simple
Unallocated limits	NA

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'scredit 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 / sanction	Coupon rate	Maturity date	Amount rated (Rs. crore)	Current rating and outlook
NA	Fund-based limits	NA	NA	NA	500.00	[ICRA]AAA (Stable)
NA	Unallocated limits	NA	NA	NA	300.00	[ICRA]AAA (Stable)
NA	Non-Fund-based limits	NA	NA	NA	6500.00	[ICRA]A1+

Source: Company

Please Click here to view details of lender-wise facilities rated by ICRA

Annexure II: List of entities considered for consolidated analysis

Bharat Electronics Limited	Ownership	Consolidation approach
BEL Optronic Devices Limited	100.00%	Full Consolidation
BEL - Thales Systems Limited	74.00%	Full Consolidation
GE BE Private Limited	26.00%	Equity Method
BEL IAI Aerosystems Private Limited	40.00%	Equity Method

Source: BEL's annual report FY2025

ANALYST CONTACTS

Ashish Modani
+91-22-61693358
ashish.modani@icraindia.com

Suprio Banerjee
+91-22-61143443
supriob@icraindia.com

M Rajashekar Reddy
+91-40-69396423
m.rajashekarreddy@icraindia.com

Anirudh Goel
+91-22-61693379
anirudh.goel@icraindia.com

Mridul Rathi
+91-22-61693347
mridul.rathi@icraindia.com

RELATIONSHIP CONTACT

L Shivakumar
+91 22 6114 3406
shivakumar@icraindia.com

MEDIA AND PUBLIC RELATIONS CONTACT

Ms. Naznin Prodhani
Tel: +91 124 4545 860
communications@icraindia.com

HELPLINE FOR BUSINESS QUERIES

+91-9354738909 (open Monday to Friday, from 9:30 am to 6 pm)
info@icraindia.com

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

ICRA Limited

Registered Office

B-710, Statesman House 148, Barakhamba Road, New Delhi-110001
Tel: +91 11 23357940-45

Branches