

May 06, 2026

JSW UAV Limited: Rating reaffirmed

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Interchangeable limits	(200.00)	(200.00)	[ICRA]A-(Stable); Reaffirmed
Interchangeable limits	(250.00)	(250.00)	[ICRA]A-(Stable); Reaffirmed
Long-term - Fund-based - Term loan	650.00	650.00	[ICRA]A-(Stable); Reaffirmed
Total	650.00	650.00	

*Instrument details are provided in Annexure-II

Rationale

The rating reaffirmation for JSW UAV Limited (JUAV or the company) continues to consider the strategic importance of JUAV to the JSW Group, with JUAV being a key entity for the Group's defence initiative and the latter's efforts to indigenise advanced defence technologies. The company will start producing Unmanned Aerial Systems (UAS) called 'VBAT', once the manufacturing facility starts commercial operations. As of March 2026, the company had incurred 61% of the total project cost (which includes expenditure towards technology acquisition and infrastructure implementation). Land from the Telangana Government was received in FY2026, albeit with a delay of a few months. However, this is not expected to materially impact the completion time and the same is likely to be completed within the budgeted costs by H2 of FY2027. The same, however, will remain a key rating monitorable. The rating factors in the exceptional financial flexibility enjoyed by the entity by being part of the JSW Group. JUAV has purchased the rights to manufacture and supply VBAT systems from its US-based original equipment manufacturer (OEM) partner, Shield AI (SAI). 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 the project viability. Additionally, JUAV 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 estimated to start commercial operations from Q1 FY2028. ICRA draws comfort from the Group's established track record of successfully completing complex projects in the past. With receipt of all key regulatory approvals, permitting risk remains low. Financial closure for the project was achieved in FY2026, and the total project cost is estimated at Rs. 714 crore (funded through Rs. 500 crore of debt and Rs. 214 crore of equity/promoter's contribution). Consequently, the company's leverage is expected to remain elevated during the initial years of operations, and its ability to profitably ramp-up the operations 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

Exceptional financial flexibility from being part of the JSW Group – The company is a 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 three years (can be extended up to five years) post commencement of commercial operations. In the event of a shortfall, Shield AI will be required to compensate 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. Additionally, JUAV is participating actively in tenders floated by the Indian Armed Services, which are expected to translate into firm orders by the commercial operations date.

Credit challenges

Exposed to execution risk (cost and time overruns) on account of the project 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. As of March 2026, the company had incurred 61% of the total project cost (which includes expenditure towards technology acquisition and infrastructure implementation). Land from the Telangana State Government was received in FY2026, albeit with a delay of a few months. However, this did not result in delayed physical progress, and the project is estimated to be completed on time and within budgeted costs by H2 of FY2027, followed by a validation period before the commencement of commercial operations in Q1 FY2028. Completion of the project in a timely manner, within the budgeted costs, along with successful validation process, will remain a key rating monitorable.

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 reach an optimum level. The company's ability to ramp-up operations profitably and 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 and from the Group's exceptional financial flexibility.

Liquidity position: Adequate

Financial closure for the project was achieved in FY2026. The project cost includes a sufficient contingent fund and interest-during-construction component. Further, equity mobilisation risk is mitigated due to the company's strong parentage (of the JSW Group). JUAV's ability to ramp-up operations in a profitable post commencement of operations in Q1 FY2028 will remain a key monitorable.

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	Corporate Credit Rating Methodology
Parent/Group support	Not Applicable
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: Not applicable

Rating history for past three years

Instrument	Current rating(FY2027)			Chronology of rating history for the past 3 years					
	Type	Amount rated (Rs crore)	May 06, 2026	FY2026		FY2025		FY2024	
				Date	Rating	Date	Rating	Date	Rating
Interchangeable limits	Long-term	(200.00)	[ICRA]A- (Stable)	-	-	March 07, 2025	[ICRA]A- (Stable)	-	-
Interchangeable limits	Long-term	(250.00)	[ICRA]A- (Stable)	-	-	March 07, 2025	[ICRA]A- (Stable)	-	-
Fund-based - Term loan	Long-term	650.00	[ICRA]A- (Stable)	-	-	March 07, 2025	[ICRA]A- (Stable)	-	-

Annexure I: Disclosure pursuant to the SEBI Circular SEBI/HO/DDHS/DDHS-PoD-2/I/4685/2026 dated February 10,2026

ICRA rated Instruments fall under regulatory purview of various Financial Sector Regulators (FSR) as under:

Sr. No.	Instrument	FSR
1	Listed/Proposed to be listed Bonds/Debentures/Preference Shares (all securities)	SEBI
2	Unlisted/Proposed to be unlisted Bonds/Debentures/ Preference share (all securities)	MCA
3	Listed PTCs / Securitisation Notes (originated by entities regulated by RBI) (*)	SEBI
4	Listed PTCs / Securitisation Notes (originated by entities not regulated by RBI) (*)	SEBI
5	Unlisted PTCs / Securitisation Notes (originated by entities regulated by RBI) (*)	RBI
6	Listed Commercial Paper and NCDs with original maturity less than 1 year	RBI
7	Unlisted Commercial Paper and NCDs with original maturity less than 1 year	RBI
8	Loan Facilities (Fund/Non-Fund Based) from Bank / NBFCs/ NHB/ FIs (\$)	RBI
9	External Commercial Borrowings/Loans from overseas branches of Indian Banks/other similar borrowings	RBI
10	Certificates of Deposit	RBI
11	Fixed Deposits raised by NBFCs, Banks, HFCs, FIs	RBI
12	Fixed Deposits raised by corporates other than NBFCs, Banks, HFCs, FIs	MCA
13	Inter Corporate Deposits/Loans extended by Corporates	MCA
14	Listed Security Receipts	SEBI
15	Unlisted Security Receipts	RBI
16	Unlisted PTCs / Securitisation Notes (originated by entities not regulated by RBI) (*)	Investor-side Regulator such as IRDAI, PFRDA (%)

(*) Includes securitisation transactions involving assignee payout, acquirer's payout.

(\$) Includes bank facilities such as liquidity facility, second loss facility that are part of securitisation transactions.

(%) These ratings were assigned prior to the introduction of SEBI CRA Circular dated Feb 10, 2026 and accordingly, investor side FSRs have been mentioned.

Other Activities offered by ICRA fall under regulatory purview of various Financial Sector Regulators (FSR) as under:

Sr. No.	Activity Name	FSR
1	Credit Ratings for Capital Protection Oriented Schemes (by Mutual Funds and AIFs)	SEBI
2	Credit quality ratings (CQRs) for Mutual Fund Schemes and Schemes of AIFs	SEBI
3	Independent Credit Evaluation (ICE)	RBI
4	Expected Loss Ratings (For Loan Facilities [Fund/Non-Fund based] from Banks/NBFCs/NHB/FIs)	RBI
5	Expected Loss Ratings (Listed / Proposed to be listed Bonds / Debentures / Preference Shares (all securities))	SEBI
6	Expected Loss Ratings (Unlisted / Proposed to be unlisted Bonds/ Debentures / Preference Shares (all securities))	MCA
7	Credit Rating of Borrowing programme	(@)
8	Issuer Ratings	(#)
9	Monitoring Agency	SEBI
10	Research activities, incidental to rating such as research for Economy & Industries (permitted by SEBI vide SEBI Master Circular for CRAs)	NA

(@) The rated instrument may involve issuance of different instruments such as debt securities (listed or otherwise), bank loans, commercial paper (listed or otherwise), etc. The regulator of the instrument can only be determined upon issuance. Accordingly, ICRA shall capture the rated quantum details along with names of respective FSR in the press release(s) after the issuance(s) of the instruments.

(#) Since no instrument is being rated, FSR is not applicable. The rating scale and definitions stipulated in SEBI Master Circular for CRAs are being followed.

Disclosure: SEBI's grievance redressal/dispute resolution and SEBI investor protection mechanisms such as SCORES and ODR shall not be available for activities and instruments which fall under the regulatory purview of Financial Sector Regulators other than SEBI.

Complexity level of the rated instruments

Instrument	Complexity indicator
Interchangeable limits	Simple
Interchangeable limits	Simple
Long-term - Fund-based - Term loan	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 II: 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 III: List of entities considered for consolidated analysis- Not Applicable

ANALYST CONTACTS

Ashish Modani

+91 22 6169 3358

ashish.modani@icraindia.com

Suprio Banerjee

+91 22 6114 3443

supriob@icraindia.com

M Rajashekar Reddy

+91 40 6939 6423

m.rajashekarreddy@icraindia.com

Anirudh Goel

+91 22 6169 3379

anirudh.goel@icraindia.com

Mridul Rathi

+91 22 6169 3347

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

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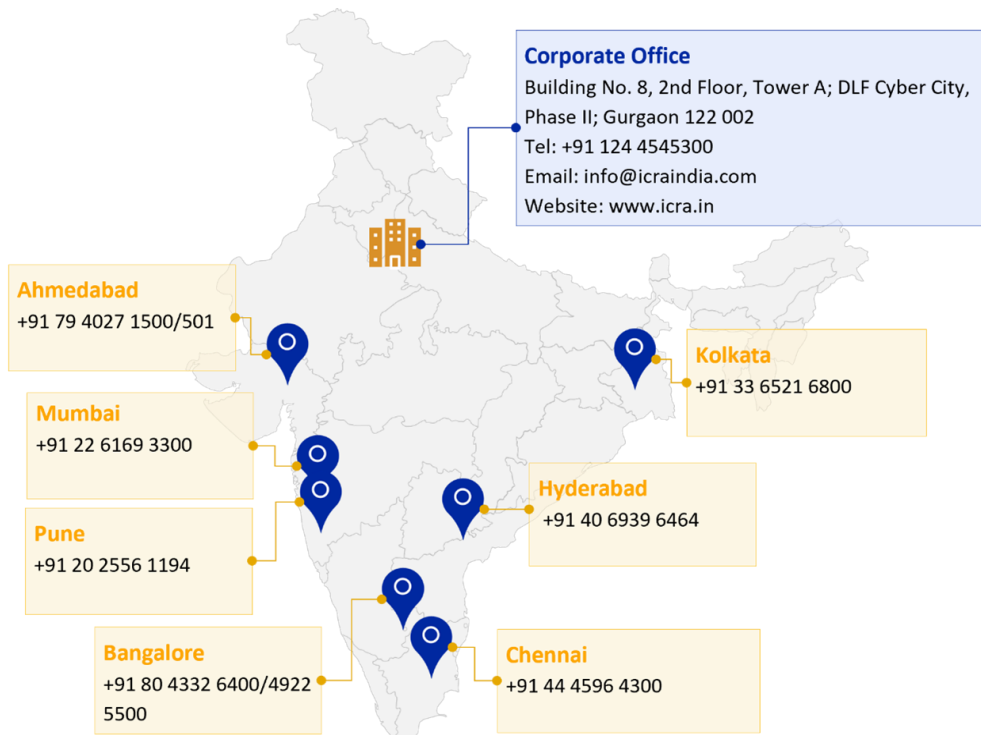


Registered Office

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



Branches



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