July 08, 2026

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 II

Rationale

The rating reaffirmation for BEL-Thales Systems Ltd. (BTSL) factors in its strong parentage, being a 74:26 joint venture (JV) between Bharat Electronics Limited (BEL; a Navratna defence PSU rated [ICRA]AAA (Stable)/ [ICRA]A1+) and the Thales Group (rated A2/Stable by Moody's). The company benefits from significant operational and strategic support from its shareholders, reflected in infrastructure backing, technology transfer, favourable payment terms and consistent order inflows. Given BTSL's status as a subsidiary of BEL, ICRA expects continued need-based support from BEL, if required, driven by its reputational sensitivity. The rating draws comfort from the company's debt-free capital structure, along with prudent working capital management, largely managed through supplier credit and customer advances, thereby limiting reliance on external borrowings. BTSL's liquidity position remains strong, backed by free cash, bank balances and deposits of Rs. 80.7 crore as on March 31, 2026 and modest capex requirements, which are expected to be funded through internal accruals. The rating takes into account the company's healthy revenue prospects, aided by an adequate order book (Rs. 269.8 crore as on March 31, 2026). Further, its MSME certification enhances its competitive positioning, as customers are eligible to get offset credits of ~1.5 times the contract value, supporting order inflows and revenue visibility.

The rating is, however, constrained by the company's modest scale of operations, despite a CAGR of ~33% in revenue over the five fiscals ending FY2026. The profitability remains subdued and volatile, with margins moderating in FY2026 due to higher input costs, an unfavourable product mix, and a one-time foreign exchange loss, thereby remaining a key rating monitorable. The credit profile is further constrained by the company's limited product and customer diversification, with revenues across a restricted product base and a few counterparties, primarily its JV partners, exposing the company to revenue concentration risks. These risks are partly mitigated by its strong market position, established order pipeline through its shareholders, and the ongoing product diversification initiatives. Notwithstanding the anticipated intensification of competition from private sector players, the JV partners' established track record, large-scale manufacturing capabilities, in addition to strong technical and R&D strengths, coupled with a skilled manpower base, are expected to remain the key mitigating factors.

Going forward, the company's ability to scale up operations, diversify its product offerings as well as its customer base alongside improving profitability, while maintaining strong liquidity profile, will remain the key rating sensitivities.

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, while helping to maintain its liquidity and credit metrics at comfortable levels, going forward.

Key rating drivers and their description

Credit strengths

Strong parentage – 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 consolidated operating income (OI) of ~Rs. 27,610 crore in FY2026. 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 majority of its order book from its JV partners. Moreover, given BTSL's status as a subsidiary of BEL, ICRA expects BEL to provide need-based support BTSL, if required, driven by its reputational sensitivity.

Comfortable capital structure with nil debt – BTSL has a strong capital structure with nil debt on books. The company's working capital requirements are mainly met through favourable credit terms from its suppliers, and customer advances. The company is expected to maintain a debt-free capital structure, based on its current business plans.

Healthy future revenue prospects – The company has an outstanding order book of Rs. 269.8 crore as on March 31, 2026 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 is expected to add to the order inflows over the near to medium term. 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.

Credit challenges

Modest scale of operations and profitability – The company earns revenue from limited sources like maintenance activities for radars, along with sale of products primarily to both its JV partners. It recorded a consistent revenue growth of ~25% over the last two fiscals, driven by healthy order inflows and their timely execution leading to an OI of ~Rs. 147 crore in FY2026 against ~Rs. 94 crore in FY2024. Additionally, in the current year, the company is positioned to achieve 10-12% growth for the full fiscal year, supported by adequate orders in hand. However, despite the healthy scale up in the recent years, the overall scale remains modest. In FY2026, BTSL's operating margins moderated to ~2% from ~3% in FY2025, whereas its PAT margins decreased from ~4% to ~1%. This was on account of one-time foreign exchange loss of ~Rs. 3.7 crore, coupled with a lower margin order without an exchange rate variation (ERV) clause. Going forward, the company's ability to sequentially improve its operating profitability will remain important from the credit perspective.

Limited products and services – BTSL has 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 Limited (TRDSL) 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 – The company has a low customer diversification with BEL and TRDSL being the primary customers as on date. Most of the future orders are likely to be received from the shareholders and their affiliates. Nonetheless, the company expects to receive additional orders, including export orders for products/services from defence forces through its shareholders.

Liquidity position: Strong

BTSL's liquidity position remains strong, supported by free cash, bank balances and deposits of Rs. 80.7 crore as on March 31, 2026. The company is debt-free and has modest capital expenditure requirements of Rs. 3-4 crore over the next two fiscals, which are expected to be fully funded through internal accruals. The working capital requirements are largely supported by favourable supplier credit and customer advances, resulting in minimal reliance on external borrowings.

Rating sensitivities

Positive factors – ICRA could upgrade BTSL's rating if there is a substantial growth in its earnings, 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. 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 a 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, driven by its reputational sensitivity.
Consolidation/Standalone	Standalone

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)

Standalone	FY2025	FY2026
Operating income (OI)	117.8	146.9
PAT	4.8	1.0
OPBDIT/OI (%)	2.9%	1.9%
PAT/OI (%)	4.0%	0.7%
Total outside liabilities/Tangible net worth (times)	0.4	1.0
Total debt/OPBDIT (times)	0.9	0.9
Interest coverage (times)	8.6	9.8

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 rating (FY2027)			Chronology of rating history for the past 3 years					
				FY2026		FY2025		FY2024	
Instrument	**Type**	**Amount rated (Rs. crore)**	**July 08, 2026**	**Date**	**Rating**	**Date**	**Rating**	**Date**	**Rating**
Issuer rating	Long-term	0.00	[ICRA]AA (Stable)	May 28, 2025	[ICRA]AA (Stable)	-	-	March 15, 2024	[ICRA]AA (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 the regulatory purview of various Financial Sector Regulators (FSRs), 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 the regulatory purview of various FSRs, 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 FSRs other than SEBI.

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

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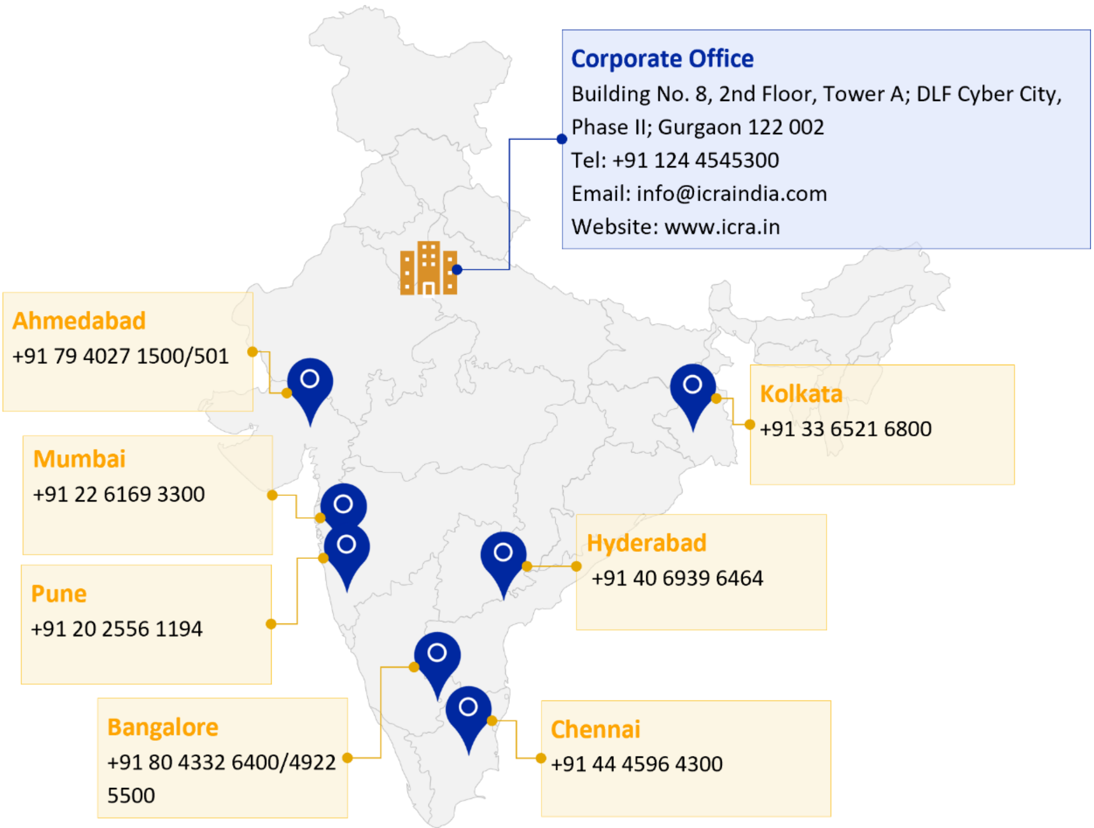

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