



भारत इलेक्ट्रॉनिक्स

**BHARAT ELECTRONICS**

भारत इलेक्ट्रॉनिक्स लिमिटेड

(भारत सरकार का उद्यम, रक्षा मंत्रालय)

पंजीकृत कार्यालय :

आउटर रिंग रोड, नागवारा, बेंगलूर - 560 045, भारत

**Bharat Electronics Limited**

(Govt. of India Enterprise, Ministry of Defence)

Registered Office : Outer Ring Road,

Nagavara, Bangalore - 560 045, INDIA.

CIN : L32309KA1954GOI000787

टेलीफैक्स/Telefax : +91 (80) 25039266

ई-मेल/E-mail : secretary@bel.co.in

वेब/Web : www.bel-india.com

प्रतिष्ठा में/ To,

नेशनल स्टॉक एक्सचेंज ऑफ इंडिया लिमिटेड

National Stock Exchange of India Ltd.

एक्सचेंज प्लाज़ा, प्लॉट नं. सी/1, जी ब्लॉक

Exchange Plaza, Plot No. C/1, G Block,

बांद्रा-कुर्ला कॉम्प्लेक्स, बांद्रा (पूर्व)

Bandra-Kurla Complex, Bandra (E)

मुंबई/Mumbai - 400 051

सं. No. 17565/6/SE/NSEC/SEC

दिनांक / Date: 21.01.2022

महोदय / महोदया,

Dear Sir/Madam,

विषय: क्रेडिट रेटिंग की सूचना।

**Sub: Intimation of Credit Rating.**

सेबी (एल.ओ.डी.आर.) विनियम, 2015 के विनियम 30 के तारतम्य में, आपको सूचित किया जाता है कि आई.सी.आर.ए. (क्रेडिट रेटिंग एजेंसी) ने कंपनी की निम्नलिखित क्रेडिट रेटिंग की पुनःपुष्टि की है - Pursuant to Regulation 30 of SEBI (LODR) Regulations, 2015, we inform that ICRA (Credit Rating Agency) has reaffirmed the following credit ratings of the Company:

- (iii) [आईसीआरए] एएए (जिसे आईसीआरए ट्रिपल ए कहा जाता है) की क्रेडिट एवं दीर्घकालीन ₹ 500 करोड़ की निधि आधारित सीमा- ₹ 300 करोड़ के लिए अनाबंटित।  
Long-term rating of [ICRA]AAA (pronounced ICRA triple A) to Rs.500 crore fund based limits of credit and long term - unallocated to Rs.300 crore.
- (iv) [आई.सी.आर.ए.]ए1+ (जिसे आई.सी.आर.ए ए वन प्लस कहा जाता है) की अल्पकालीन रेटिंग की क्रेडिट की ₹. 4,500 करोड़ की गैर-निधि आधारित सीमा।  
Short-term rating of [ICRA]A1+ (pronounced ICRA A one plus) to Rs.4,500 crore non-fund based limits of credit.

दीर्घकालीन रेटिंग की दृष्टि 'स्थिर' है। ये रेटिंग दीर्घकाल और अल्पकाल में सर्वोच्च क्रेडिट गुणता दर्शाती हैं। इन वर्गों में श्रेणीकृत विलेखों में दीर्घकाल और अल्पकाल में निम्नतम क्रेडिट जोखिम होते हैं। ये रेटिंग 10 जनवरी, 2023 तक वैध हैं।

The outlook on the long-term rating is 'Stable'. These ratings indicate the highest credit quality in the long- and short-term. The instruments rated in these categories carry the lowest credit risk in the long- and short-term. These ratings are valid till 10<sup>th</sup> January, 2023.

आपके संदर्भ हेतु आई.सी.आर.ए. द्वारा जारी रिपोर्ट की प्रति संलग्न है।

We enclose copy of the report issued by ICRA for your reference.



सूचना व अभिलेख हेतु।

This is for your information and record.

सधन्यवाद / Thanking you,

भवदीय Yours faithfully,

कृते भारत इलेक्ट्रॉनिक्स लिमिटेड/

**For Bharat Electronics Limited**

एस श्रीनिवास/ **S Sreenivas**

कंपनी सचिव/ **Company Secretary**

संलग्न: यथा उपरोक्त।

Encls: As stated above.



ICRA

ICRA Limited

Ref: ICRA/Bharat Electronics Limited/14012022/1

Date: January 14, 2022

Mr. S Damodar Bhattad  
General Manager (Finance),  
Bharat Electronics Limited,  
Outer Ring Road,  
Nagavara, Bangalore – 560 045

Dear Sir,

Re: ICRA-assigns Credit Rating for Rs. 5,300 crore (enhanced from Rs. 4,300 crore) Line of Credit of Bharat Electronics Limited (instrument details in Annexure)

Please refer to the RRF dated February 4, 2019 and Rating Agreement dated February 7, 2019 executed between ICRA Limited ("ICRA") and your company, whereby ICRA is required to review the ratings assigned to your company, on an annual basis, or as and when the circumstances warrant. Also, please refer to your SOW dated December 13, 2021 seeking an enhancement of the captioned Line(s) of Credit (LOC) of your company from Rs. 4,300 crore to Rs. 5,300 crore.

Please note that the Rating Committee of ICRA, after due consideration, has reaffirmed the long term rating at [ICRA]AAA (pronounced ICRA triple A) and short term rating at [ICRA]A1+ (pronounced ICRA A one plus) assigned earlier to the Rs. 4,300 crore Line of Credit of your Company, and also assigned a short-term rating of [ICRA]A1+ (pronounced ICRA A one plus) to the additional limit of Rs. 1,000 crore. The Outlook on the long term rating is **Stable**.

Instruments with [ICRA]AAA rating are considered to have the highest degree of safety regarding timely servicing of financial obligations. Such instruments carry lowest credit risk. In any of your publicity material or other document wherever you are using the above Rating(s), it should be stated as [ICRA]AAA (Stable)/[ICRA]A1+.

The aforesaid Rating(s) will be due for surveillance any time before January 10, 2023. However, ICRA reserves the right to review and/or, revise the above Rating(s) at any time on the basis of new information becoming available, or the required information not being available, or other circumstances that ICRA believes could have an impact on the Rating(s). Therefore, request the lenders and Investors to visit ICRA website at [www.icra.in](http://www.icra.in) for latest Rating(s) of the Company.

The Rating(s) are specific to the terms and conditions of the proposed issue as indicated to us by you, and any change in the terms or size of the same would require a review of the Rating(s) by us. In case there is any change in the terms and conditions or the size of the issue, the same must be brought to our notice before the issue is used by you. In the event such changes occur after the Rating(s) have been assigned by us and their use has been confirmed by you, the Rating(s) would be subject to our review, following which there could be a change in the Rating(s) previously assigned. Notwithstanding the foregoing, any change in the over-all limit of the issue from that specified in the first paragraph of this letter would constitute an enhancement that would not be covered by or under the said Rating Agreement.

The Rating(s) assigned must be understood solely as an opinion and should not be treated, or cause to be treated, as recommendation to buy, sell, or hold the rated instruments availed/issued by your company.

You are also requested to forthwith inform us about any default or delay in repayment of interest or principal amount of the instrument rated, as above, or any other debt instruments/ borrowing and keep us informed of any other developments which may have a direct or indirect impact on the debt servicing capability of the company including any proposal for re-schedulement or postponement of the repayment programmes of the dues/ debts of the company with any lender(s) / investor(s). Further, you are requested to inform

FMC Fortuna, A-10 & 11, 3<sup>rd</sup> Floor  
234/3A, A.J.C. Bose Road  
Kolkata - 700020

Tel : +91 33.71501100  
CIN : L74999DL1991PLC042749

Website : [www.icra.in](http://www.icra.in)  
Email : [info@icraindia.com](mailto:info@icraindia.com)  
Helpdesk : +91.124.3341580

Registered Office : 1105, Kailash Building, 11<sup>th</sup> Floor, 26 Kasturba Gandhi Marg, New Delhi - 110001. Tel. : +91.11.23357940-45

**RATING • RESEARCH • INFORMATION**



ICRA

us immediately as and when the borrowing limit for the instrument rated, as above, or as prescribed by the regulatory authority(ies) is exceeded.

We look forward to your communication and assure you of our best services.

With kind regards,  
Yours sincerely,

Digitally signed  
by SUJOY SAHA  
Date: 2022.01.14  
14:37:14 +05'30'

**SUJOY SAHA**  
Vice President  
[sujoy.saha@icraindia.com](mailto:sujoy.saha@icraindia.com)

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ICRA

ICRA Limited

Encl:  
Annexure

**Details of Bank Limits Rated by ICRA (Rated on Long-Term Scale)**

Bank Name	Amount in Rs. crore	Rating Outstanding
<b>Long-term Fund based</b>		
State Bank of India	500.00	[ICRA]AAA (Stable)
Canara Bank		
IDBI Bank		
Bank of Baroda		
Union Bank of India		
Punjab National Bank		
Bank of India		
ICICI Bank		
Axis Bank		
HDFC Bank		
Kotak Mahindra Bank		
IndusInd Bank		
Yes Bank		
<b>Long-term Unallocated</b>		
Unallocated	300.00	
<b>Total</b>	<b>800.00</b>	

**Details of Bank Limits Rated by ICRA (Rated on Short-Term Scale)**

Bank Name	Amount in Rs. crore	Rating Outstanding
	<b>Non-Fund Based Facilities</b>	
State Bank of India	4,500.00	[ICRA]A1+
Canara Bank		
IDBI Bank		
Bank of Baroda		
Union Bank of India		
Punjab National Bank		
Bank of India		
ICICI Bank		
Axis Bank		
HDFC Bank		
Kotak Mahindra Bank		
IndusInd Bank		
Yes Bank		
<b>Total</b>	<b>4,500.00</b>	

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**RATING • RESEARCH • INFORMATION**

January 14, 2022 <sup>Revised</sup>

## Bharat Electronics Limited: Ratings reaffirmed; rated amount enhanced

### Summary of rating action

Instrument <sup>A</sup>	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term Fund based	500.00	500.00	[ICRA]AAA (Stable); reaffirmed
Long-term Unallocated	300.00	300.00	[ICRA]AAA (Stable); reaffirmed
Short-term Non-fund based	3,500.00	4,500.00	[ICRA]A1+; reaffirmed
<b>Total</b>	<b>4,300.00</b>	<b>5,300.00</b>	

<sup>A</sup>Instrument details are provided in Annexure-1

### Rationale

The ratings reaffirmation draws comfort from Bharat Electronics Limited's (BEL) strategic position as a dominant supplier of electronic equipment to the Indian defence forces. BEL is majority owned by the Government of India (GOI) and is a Navratna defence public sector undertaking (DPSU), which leads to a sizeable inflow of orders on a nominated basis. The assigned ratings consider the strong order pipeline with unexecuted order book worth Rs. 54,372 crore as on November 1, 2021. This translates into a trailing order-book-to-operating-income ratio of 3.9 times (based on FY2021 operating income), providing adequate revenue visibility in the medium term. Moreover, BEL's fresh order addition pipeline remains healthy, supported by the Government's focus on rolling out enabling reforms to increase India's defence product manufacturing capability and gradually reduce imports. Though competition from the private sector is likely to intensify in the medium to long term, BEL's established track record and large manufacturing capacities with adequate pool of trained manpower and research and development (R&D) capabilities will continue to be strong mitigating factors. ICRA notes that BEL's consistent investment towards R&D has helped create a strong competitive moat by giving it the ability to develop latest generation products and services and gradually increasing the indigenisation of its product offering, which have been the key pillars behind the company's healthy profit margins. BEL has a strong financial risk profile, characterised by healthy profit margins and return indicators, nil borrowings and a superior liquidity profile.

These strengths are offset to some extent by BEL's continued high dependence on the defence sector, which contributes to the bulk of its revenues and its working capital-intensive nature of operations due to high receivables and unbilled revenues on account of long gestation periods for the orders executed. ICRA also notes that BEL's operating profit margins remain vulnerable to input cost fluctuations in its fixed price defence contracts, lower profitability in certain segments and high level of cost overheads.

The Stable outlook reflects ICRA's expectation that BEL will continue to benefit from 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 defence PSU, with the GOI holding a 51.14% equity stake as on September 30, 2021. 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, Government ownership leads to a sizeable inflow of orders on a nominated basis, providing a steady earnings stream to the company.

**Strong pending order book provides adequate revenue visibility** – The company's unexecuted order book as on November 1, 2021 stood at Rs. 54,372 crore. The order book stands at 3.9 times of the FY2021 operating income, which provides adequate revenue visibility in the medium term. Additionally, the Government's focus on rolling out enabling reforms to increase India's defence product manufacturing capability and gradually reduce imports will support the order inflow in the medium-to-long term.

**Strong financial profile with healthy profitability and low leverage** – BEL's financial profile remains strong because of healthy profitability and return indicators, nil borrowings, superior liquidity and strong debt coverage metrics. The company reported an operating income of Rs. 14,109 crore in FY2021. Despite weak Q1 FY2022 performance due to the second wave of the pandemic, BEL's FY2022 revenues are expected to exceed FY2021 levels on the back of healthy order execution in H2 FY2022. ICRA also notes that the increasing indigenisation would support healthy profit margins, going forward.

**Competitive advantage due to high entry barriers** – BEL continues to enjoy advantage over its competitors due to its dominant market position, proven track record and association with the armed forces, established infrastructure and manufacturing facilities, along with strong R&D capabilities.

### Credit challenges

**High dependence on defence sector for orders** – The Indian defence sector is BEL's major customer, accounting for ~80% of the turnover. In case of any changes in the procurement policy of the defence forces or a significant cutback in defence spending, the company's revenue and order book position can be adversely impacted. Due to the high concentration of the Government sector orders, BEL's revenue booking and cash flows are vulnerable to delays in project execution or final payment clearance in some cases. BEL is targeting to increase the share of non-defence revenues to 25% over the medium term to reduce business risk. In addition, BEL is planning to increase its export footprint by targeting higher defence equipment exports to friendly countries, which can reduce its over-reliance on the domestic defence business.

**Working capital intensive nature of operations** – BEL's working capital intensity had remained elevated in the past due to high receivables and unbilled revenues on account of long gestation periods for the orders executed. Nonetheless, the company has been able to manage its working capital requirements through its internal cash accruals and sizeable customer advances.

### Liquidity position: Superior

The liquidity profile of BEL is **superior**, supported by comfortable cash flow from operations, which are expected to be adequate to meet the capital expenditure outlay and dividend outflows. The company had cash and bank balance of more than Rs. 5,000 crore as on September 30, 2021. The company also has sanctioned and unutilised fund-based borrowing facilities of Rs. 500 crore. Given the low leverage, the company would be able to access additional bank borrowings for capital expenditure or working capital requirements, if required.

### Rating sensitivities

**Positive factors** – Not applicable.

**Negative factors** – The ratings can be downgraded if there is any significant stretch in the receivable cycle of the company 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/OPBITDA to more than 0.5 times on a sustained basis.

## Analytical approach

Analytical Approach	Comments/
Applicable Rating Methodologies	Corporate Credit Rating Methodology Rating Approach - Implicit parent or group support Parent: Government of India
Parent/Group Support	The assigned ratings factor in the strategic importance that BEL holds by 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. As on March 31, 2021, the company had two subsidiaries and one associate that are enlisted in Annexure-2.

## About the company

BEL, a Navratna defence public sector undertaking (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

Consolidated financials (Ind AS)	FY2020 (Audited)	FY2021 (Audited)	H1 FY2022 (Provisional)
Operating Income (Rs. crore)	12,967.7	14,108.7	5,326.7
PAT (Rs. crore)	1,824.7	2,099.8	623.1
OPBDIT/OI (%)	21.2%	22.8%	17.5%
PAT/OI (%)	14.1%	14.9%	11.7%
Total Outside Liabilities/Tangible Net Worth (times)	1.3	1.6	NA
Total Debt/OPBDIT (times)	0.0	0.0	NA
Interest Coverage (times)	765.1	504.0	1506.5

Source: Company; P – Provisional; PAT: Profit after Tax; OPBDIT: Operating Profit before Depreciation, Interest, Taxes and Amortisation; Source: BEL

Status of non-cooperation with previous CRA – Not Applicable

Any other information: None



### Rating history for past three years

Instrument	Type	Current Rating (FY2022)		Date & Rating in	Chronology of Rating History for the past 3 years			
		Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore) as on Dec 31, 2021		Date & Rating in FY2021	Date & Rating in FY2020	Date & Rating in FY2019	
				Jan 14, 2022	Feb 17, 2021	Feb 17, 2020	Feb 15, 2019	
1 Fund-based	LT	500.0	-	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)	
2 Unallocated	LT	300.0	-	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)	
3 Non-fund based	ST	4,500.0	-	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	

Amount in Rs. crore; LT – Long Term; ST – Short Term

### Complexity level of the rated instrument

Instrument	Complexity Indicator
Fund-based	Simple
Unallocated	Not applicable
Non-fund based	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 analyzing 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, is available on ICRA's website: [www.icra.in](http://www.icra.in)

**Annexure-1: Instrument details**

ISIN No/Bank Name	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (RS Crore)	Current Rating and Outlook
State Bank of India						
Canara Bank						
IDBI Bank Limited						
Bank of Baroda						
Union Bank of India						
Punjab National Bank						
Bank of India	Fund-based	-	-	-	500.0	[ICRA]AAA (Stable)
ICICI Bank Limited						
Axis Bank Limited						
HDFC Bank Limited						
Kotak Mahindra Bank Limited						
IndusInd Bank Limited						
YES Bank Limited						
Not applicable	Unallocated	-	-	-	300.0	[ICRA]AAA (Stable)
State Bank of India						
Canara Bank						
IDBI Bank Limited						
Bank of Baroda						
Union Bank of India						
Punjab National Bank						
Bank of India	Non-fund based	-	-	-	4,500.0	[ICRA]A1+
ICICI Bank Limited						
Axis Bank Limited						
HDFC Bank Limited						
Kotak Mahindra Bank Limited						
IndusInd Bank Limited						
YES Bank Limited						

Source: Company

**Annexure-2: List of entities considered for consolidated analysis**

Company Name	BEL Ownership	Consolidation Approach
BEL Optronics Devices Ltd.	100.00%	Full Consolidation
BEL - Thales Systems Ltd.	74.00%	Full Consolidation
GE BE Private Limited	26.00%	Equity Method

Source: BEL annual report FY2021; ICRA has taken a consolidated view of the parent (BEL), its subsidiaries and associates while assigning the ratings

## Corrigendum

Document dated January 14, 2022, has been corrected with revisions as detailed below –

Section related to instrument details on page number 5: Lender details have been included in Annexure-1 instead of the hyperlink which directed to the lender detail page.