Revenue Growth Broadens; Profitability Trend Remains Uneven

Q2FY27 Quarterly Result Review

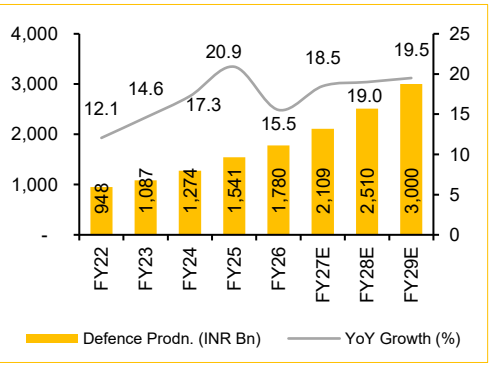
Defence & Aerospace Sector

Sector View: Positive

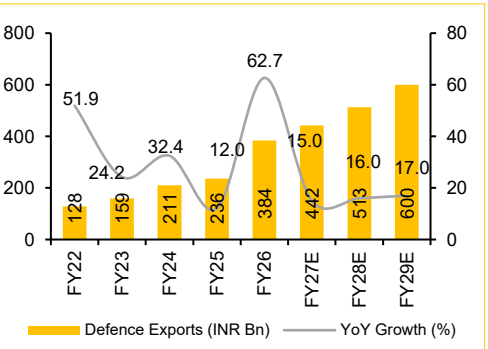
Recommendation			
Company (Ticker)	CMP (INR)	TP (INR)	Rating
Hindustan Aeronautics (HAL)	4,936	5,750	BUY
Bharat Dynamics (BDL)	1,027	1,600	BUY
Astra Microwave Products	1,599	1,700	REDUCE
Bharat Electronics	404	530	BUY
Data Patterns (India)	4,135	4,810	BUY
Apollo Micro Systems	418	525	BUY
Centum Electronics	3,865	5,150	BUY
Zen Technologies	1,713	2,150	BUY
DCX Systems	140	192	BUY
Azad Engineering	2,355	2,870	ADD
Mazagon Dock Shipbuilders	1,799	2,500	BUY
Cochin Shipyard	1,082	1,565	BUY
Garden Reach Shipbuilders	2,051	3,500	BUY
Unimech Aerospace	1,704	1950	BUY

**CMP as on Nov 25, 2026*

Defence production to rise 19% CAGR over FY26–29E (INR Bn)



Defence exports to expand 16% CAGR over FY26–29E (INR Bn)



Revenue Growth Strong; Earnings Conversion Muted

The defence coverage universe reported aggregate Q2FY27 revenue of **INR 240,226 Mn, up 15.4% YoY and 2.6% above our estimate.** EBITDA grew 3.2% YoY to INR 48,492 Mn, while PAT increased 3.1% YoY to INR 45,387 Mn, both below our estimate by 10.4% and 7.4%, respectively. **The relatively slower growth in profitability reflects a divergence between revenue execution and earnings growth.** While both, DPSUs and private players, reported a healthy revenue growth, their earnings trajectories varied across segments.

DPSUs: Earnings Delivery Lags Behind despite Strong Execution

DPSUs reported aggregate revenue of **INR 2,21,271 Mn, up 14.7% YoY and 2.6% above estimate.** EBITDA and PAT grew at a relatively moderate pace of -1.0% and 1.2%, respectively, against a strong revenue performance. Execution across the segment remained varied, with BEL, HAL and BDL supporting revenue growth, while shipbuilders, such as MDL, Cochin Shipyard and GRSE reported relatively softer earnings. **This reflects differences in project mix, execution schedules and profitability across companies.** Going ahead, **the pace of earnings growth is likely to be shaped by the conversion of ongoing projects, product mix and improvement in project-level profitability.**

Private Players: Earnings Growth Strong, led by Select Players

Private defence companies reported aggregate revenue of **INR 18,955 Mn, up 24.9% YoY and 2.7% above estimates.** EBITDA grew 60.6% YoY, exceeding estimate by 13.3%, while PAT increased 39.9% YoY, marginally below our estimate. Apollo Micro Systems, Zen Technologies and Astra Microwave supported the strong performance, benefitting from improved execution and operating leverage, while Data Patterns and DCX Systems reported relatively moderate growth. **The sharp improvement in aggregate profitability highlights the operating leverage potential of private defence companies, although the pace of recovery across players varied.** Going ahead, **timely execution, programme conversion and sustainable margin are likely to remain key drivers of earnings growth.**

Our View

We believe **Q2FY27 marks a broadening of revenue growth across the defence sector, but not yet a corresponding improvement in earnings quality.** While private players demonstrated a sharper recovery in profitability, DPSUs continued to face margin pressure despite a healthy revenue growth. This divergence reinforces our view that the next phase of sector performance will be driven less by order-book visibility alone and more by **execution efficiency, margin sustainability and conversion of large programmes into profitable revenues.** We remain positive on the sector's structural growth opportunity, supported by a rising domestic defence production, indigenisation and exports.

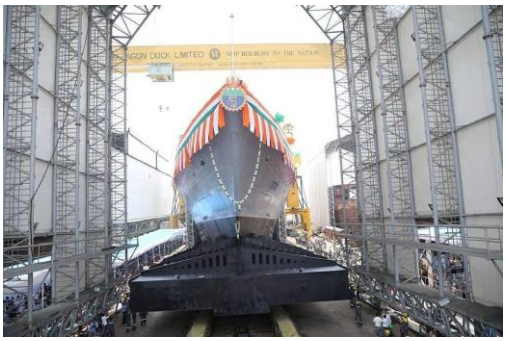
Preferred Long-term Investment Ideas

Bharat Dynamics Limited	Garden Reach Shipbuilders & Engg. Ltd
TP: INR 1,600 I Upside: 55.7%	TP: INR 3,500 I Upside: 70.6%
Strong Order Book position of INR 262 Bn (~10.7x of FY26 revenue)	Pro-forma Order Book position of INR 456 Bn (~6.5x of FY26 revenue)
Revenue expected to rise ~55.5% CAGR over FY26–29E	Revenue expected to expand ~19.2% CAGR over FY26-29E

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Q2FY27 Quarterly Result Review

Several trends observed this quarter:



Revenue Execution Gains Momentum across the Sector

- **DPSUs maintain growth leadership:** Government defence companies recorded 14.7% YoY revenue growth, supported by a strong execution at BEL, HAL and BDL
- **Private-sector recovery broadens:** Private players delivered 24.9% YoY revenue growth, indicating an improvement in programme execution and revenue conversion
- **Execution remains programme-dependent:** Despite improving aggregate growth, differences in project schedules and delivery milestones continue to cause quarterly volatility



Margin Quality Emerges as Next Earnings Differentiator

- **Revenue growth does not fully translate into profitability:** Aggregate EBITDA grew 3.2%, below revenue growth of 15.4%, indicating pressure on operating margin
- **DPSU profitability remains under pressure:** Revenue grew 14.7% YoY, while EBITDA declined 1.0%, with profitability also falling short of our estimate.
- **Private players demonstrate operating leverage:** EBITDA growth of 60.6% reflects improving profitability as execution scales up, although this remains company-specific



Programme Conversion & Order Execution Drive Medium-term Visibility

- **Large programme pipelines support growth:** QRSAM, MRSAM, naval platforms, submarines and next-generation weapon systems provide multi-year opportunities across the sector
- **Production ramp-up remains critical:** The transition from development and procurement to serial production is likely to determine the pace of revenue growth
- **Order inflows need to replenish execution:** Particularly for shipbuilders, timely conversion of large tender pipelines into executable contracts remains important for sustaining growth visibility



Structural Growth in Defence Production and Exports Remains Intact

- **Domestic production expansion:** Indian defence production is projected to increase from INR 1,780 Bn in FY26 to INR 3,000 Bn by FY29E, implying ~19% CAGR
- **Export opportunity gains traction:** Defence exports are anticipated to increase from INR 384 Bn in FY26 to INR 600 Bn by FY29E, implying ~16% CAGR
- **Indigenisation supports long-term opportunity:** Rising domestic manufacturing capabilities and growing integration into global supply chains provide a structural growth opportunity for Indian defence manufacturers

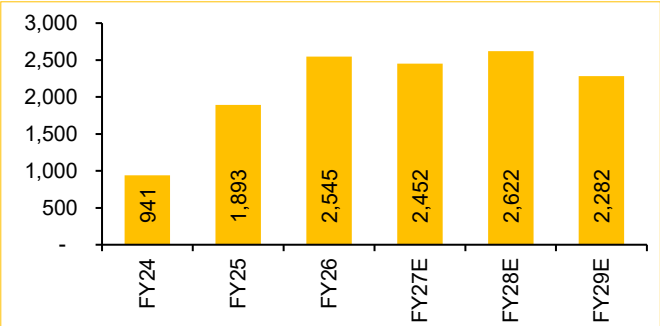
Key financial snapshot for the cover page

Particulars	YoY growth	Vs. our estimate
Revenue	+15.4%	+2.6%
EBITDA	+3.2%	(10.4%)
Adjusted PAT	+3.1%	(7.4%)
EBITDA margin	20.2%	(140) bps

Order Book Trends across Coverage Universe

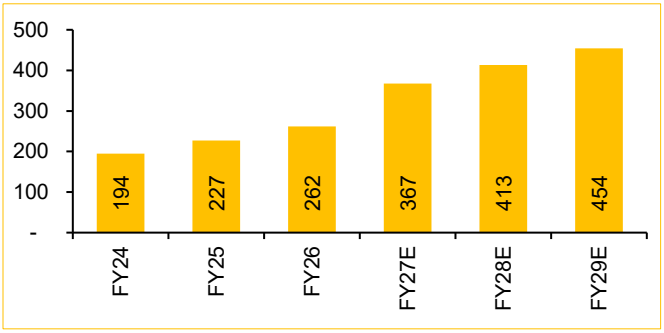
Order books across our defence coverage universe remain on a firm growth trajectory, underscoring strong demand visibility and sustained procurement momentum. **Public sector undertakings continue to anchor large, multi-year contracts backed by government spending, while private players are steadily capturing market share through faster execution** cycles and a sharper focus on high-value, technology-driven solutions. **Our forecast, based on a consistent book-to-bill assumption, aligned with historical trends and management commentary**, reflects a healthy order pipeline supported by rising defence budgets, policy tailwinds and the government's strategic push for indigenisation. **This combination positions the sector for a structurally robust growth cycle over the medium term.**

Hindustan Aeronautics Order Book (INR Bn)



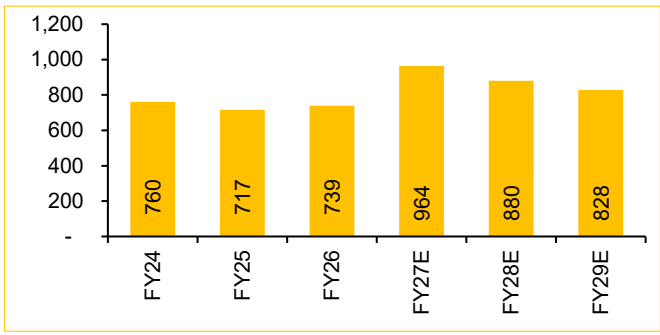
Source: HNAL, Choice Institutional Equities

Bharat Dynamics Order Book (INR Bn)



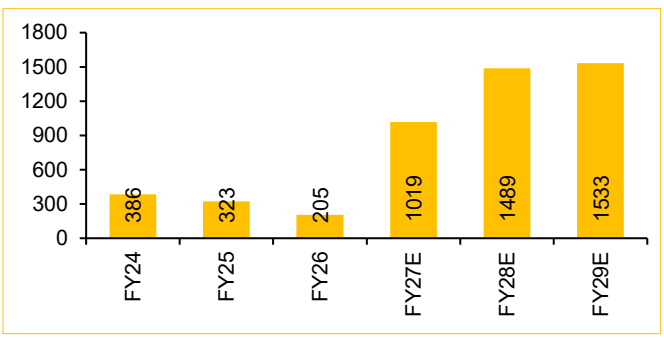
Source: BDL, Choice Institutional Equities

Bharat Electronics Order Book (INR Bn)



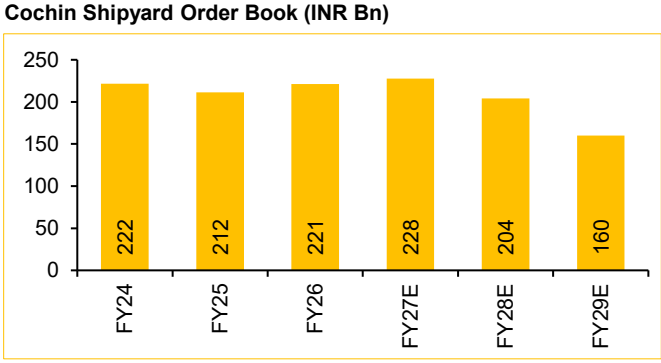
Source: BHE, Choice Institutional Equities

Mazagon Dock Order Book (INR Bn)



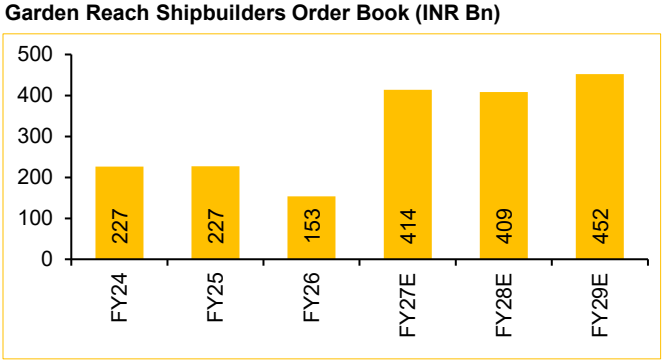
Source: MAZDOCKS, Choice Institutional Equities

Cochin Shipyard Order Book (INR Bn)



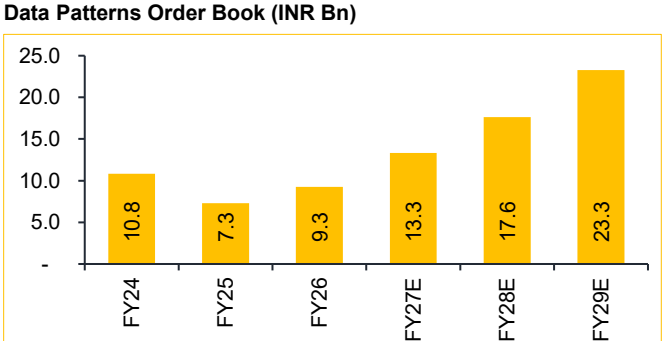
Source: COCHIN, Choice Institutional Equities

Garden Reach Shipbuilders Order Book (INR Bn)



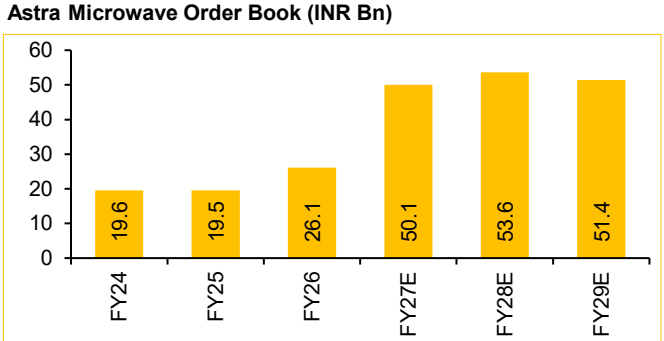
Source: GRSE, Choice Institutional Equities

Data Patterns Order Book (INR Bn)



Source: DATAPATT, Choice Institutional Equities

Astra Microwave Order Book (INR Bn)



Source: ASTM, Choice Institutional Equities

Q4FY26: Key takeaways from management commentary (1/3)

Company Name	Key Takeaways
Astra Microwave	▪ FY27 revenue guidance stands at INR 1,300–1,350 Cr, implying ~15% growth, with EBITDA margin guidance of 26–28% ▪ Revenue target of INR 2,000 Cr by FY29, with a longer-term ambition to reach INR 3,000 Cr ▪ Consolidated order book stood at INR 4,708 Cr as of September 2026, including INR 251 Cr of service orders ▪ The management expects the order base to expand to INR 8,000–10,000 Cr over the next few years, excluding QRSAM order ▪ The management indicated potential consolidated order book of INR 5,500–5,600 Cr in FY28, with scope to cross INR 6,000 Cr ▪ Secured a landmark INR-1,844 Cr order from HAL for the Uttam AESA radar programme ▪ Astra has committed to delivery of two units of radar by March 2027 ▪ The company is scheduled to deliver 12 units by March 2028, followed by an initial ramp-up to ~25 units in FY29 and 33–34 units annually thereafter ▪ Sukhoi-30 radar prototype hardware has been delivered to DRDO, with software and firmware integration under way. The management indicated CY2029 as the likely timeframe for associated orders ▪ Astra has developed three key proprietary products: counter-drone system, bird detection radar and low-level lightweight radar ▪ Management is targeting a reduction in the cash conversion cycle to ~350 days, from ~370 days currently ▪ The space, meteorology & hydrology business is being demerged into ASTL. Shareholders will receive one ASTL share for every Astra share held, at no additional cost, subject to scheme completion ▪ Current space business order book is INR 220 Cr; the INR 900 Cr figure refers to the expected carry-forward order book at FY27-end ▪ ASTL targets cumulative revenue of INR 2,250–2,500 Cr over the next four years, with annual revenue of INR 800–900 Cr by FY31
Azad Engineering	▪ All six customer-dedicated facilities have been commissioned, covering 44,800 sq. m. for Mitsubishi Heavy Industries, GE Vernova, Siemens Energy and Baker Hughes ▪ The management indicated that the existing installed capacity can support an annual revenue run-rate of over INR 1,300 Cr by FY28, with further upside potential ▪ The management indicated that new capacities started contributing in Q3FY27, with revenue ramp-up expected from Q4FY27 onwards ▪ The management expects all six facilities to achieve full utilisation by H1FY28 ▪ Reiterated long-term annual revenue growth guidance of over 25% ▪ Current order book stands at over INR 6,500 Cr, covering requirements across segments over the next five to seven years ▪ Rolls-Royce: Qualification of two aero-engine programmes is in its final stage. The first qualification batch is expected shortly, with production supplies targeted from the next FY ▪ Pratt & Whitney and Safran: Qualification programmes are progressing, providing additional opportunities in aero-engine airfoils ▪ Mitsubishi Heavy Industries: Development of hot-section nozzle vane segments has commenced under an eight-year single-source contract ▪ GTRE: Following delivery of India's first indigenous turbojet engine, testing is ongoing ▪ The management expects aerospace and defence to contribute a larger share of revenue over time, with the energy and oil & gas contribution moderating to 55–60% by FY30–31 ▪ In H1 energy and oil & gas revenue grew 28.5% YoY to INR 290.5 Cr ▪ Baker Hughes' supply agreement with Nuovo Pignone has been extended until 2030 ▪ The dedicated Baker Hughes oil & gas facility is expected to provide an additional growth lever from Q4FY27 ▪ The management indicated that the next phase of CapEx will depend on the successful qualification and production ramp-up of existing programmes ▪ The management indicated that further capacity expansion from FY29 onwards will be based on additional customer requirements and programme visibility

Source: Choice Institutional Equities

Q4FY26: Key takeaways from management commentary (2/3)

Company Name	Key Takeaways
Apollo Micro Systems	▪ The management reiterated 40–45% revenue CAGR over the next 2–3 years at both, standalone and consolidated, levels ▪ The management indicate margin to sustain its momentum across both businesses, although it did not provide a specific margin target ▪ Combining Apollo's weapons electronics with Premier's propellant and warhead capabilities is to reduce third-party dependence ▪ IDL turned PAT-positive in Q1 FY27, following EBITDA breakeven in Q4 FY26. Lower overheads, in-house accessory manufacturing and a better revenue mix are anticipated to support a full turnaround in FY28 ▪ The management is evaluating 2–3 acquisitions to address technology and capability gaps, with MoUs anticipated to be signed in the next couple of months ▪ The group order book stands at INR 1,765 Cr., comprising ~INR 1,300 Cr. standalone and ~INR 465 Cr. at IDL ▪ The management expects to sign a INR 2,500–3,000 Cr. contract by end-FY27, potentially taking the consolidated backlog to INR 3,500–4,000 Cr ▪ MIGM offers a sizeable opportunity: Apollo expects to secure around 70%, or INR 2,450 Cr., of the Navy's INR 3,500 Cr., 1,000-unit cruise missile programme. The purchase order is expects by December 2026–January 2027, with execution spread over three years ▪ QRSAM production assumes next fiscal: Apollo has developed five critical subsystems, with content exceeding INR 1.0 Cr. per missile. Production is supposed to begin next fiscal, subject to BDL receiving its anticipated INR 11,000–12,000 Cr. order ▪ Negotiations are complete for 2,000 Pinaka rockets, with Apollo's content at INR 85 lac. per rocket. Its content in Akash NG exceeds INR 1.0 Cr. per missile ▪ Unit 3 commissioning on track: Trial production has started, with full commercial production anticipate before March 2027 ▪ Apollo plans to pursue direct exports to friendly foreign countries once Unit 3 is fully operational. Meaningful export revenue is expected from FY28 and is not included in the 40–45% revenue CAGR guidance
Bharat Electronics	▪ The management maintained FY27 revenue growth guidance of 15–20% and EBITDA margin guidance of ~28%, indicating confidence in sustaining operational momentum ▪ R&D investment is guided at INR 2,200+ Cr, with capex of ~INR 1,200 Cr, reflecting continued focus on technology development, indigenisation and capacity expansion ▪ Order book stood at INR 68,717 Cr as of Oct 1, 2026, with FY27 YTD inflows of INR 7,334 Cr ▪ The management retained FY27 order inflow guidance of INR 25,000 Cr (excluding QRSAM) and INR 55,000 Cr (including QRSAM), with confidence in achieving or exceeding the targets ▪ QRSAM order worth ~INR 30,000 Cr remains the key near-term catalyst. ▪ NGC programme offers significant order potential, with BEL expecting ~INR 20,000 Cr in electronics orders from GRSE and GSL. Orders are likely to be staggered across multiple line items, with some potentially extending into April 2027 ▪ Shatrughat, Samagat & Hammer are among the other major order expected before FY27-end ▪ P-75(I) remains a potential opportunity, although order finalisation may extend into FY28 ▪ Drones and counter-drone systems are emerging as major growth areas. BEL is developing capabilities across surveillance, kamikaze, long-range and counter-drone applications, while collaborating with 6–8 start-ups ▪ AMCA programme remains a strategic opportunity, with BEL–L&T consortium having submitted its bid. Technical evaluation is expected over the next 2–3 months

Source: Choice Institutional Equities

Q4FY26: Key takeaways from management commentary (2/3)

Company Name	Key Takeaways
Centum Electronics	▪ The order book stood at ~INR 2,000 Cr as of September 2026, registering 38% YoY growth. BTS order book increased 47% YoY to INR 959 Cr, while EMS order book grew 30% YoY ▪ The management reiterated its medium-term revenue growth target of 25–30% and indicated that both BTS and EMS businesses have the potential to grow above this level ▪ The management expects H2FY27 to be stronger than H1FY27, supported by improved execution and ramp-up across existing and new programmes ▪ The management indicated BTS segment margin of ~20–22%, while targeting consolidated EBITDA margin of 12.5–13% in the near term, with an aspiration to reach 14–15% over the next 3–4 years ▪ BTS margin could fluctuate QoQ depending on programme mix and execution milestones ▪ The company received a repeat order worth ~INR 51 Cr for tactical air navigation systems, following an earlier order of ~INR 30 Cr, reflecting continued traction in the product segment ▪ Centum secured an export order worth ~INR 30 Cr for advanced electronic warfare subsystems, with the management highlighting opportunities for repeat and deployment across multiple platforms ▪ The company continues to expand its presence in space electronics, with over 200 Centum subsystems and modules deployed on the EOS-5 mission ▪ The management is planning a new BTS facility with enhanced system-level integration and testing capabilities, including satellite Assembly, Integration and Testing (AIT) infrastructure, supporting its long-term ambition to undertake complete satellite solutions ▪ EMS revenue grew 41% YoY in Q2FY27, supported by strong semiconductor demand and ramp-up of customer programmes ▪ The management indicated that semiconductor equipment revenue run-rate could increase to ~USD 45–50 Mn over the next two years, largely driven by the existing anchor customer ▪ The company has secured new customer engagements across defence, transportation and industrial segments, including a Tier-1 transportation customer, a German industrial machinery player and a Middle Eastern drone manufacturer ▪ The management indicated that each of the new customer programmes has the potential to reach an annual revenue run-rate of at least US$10 Mn, subject to qualification and ramp-up over 2–3 yrs
Data Patterns	▪ Secured fresh order inflows of INR 1,046 Cr in H1FY27, including INR 929 Cr in Q2FY27 ▪ Firm order book stood at INR 1,742 Cr, with another INR 956 Cr of negotiated orders awaiting formal purchase orders ▪ FY27 guidance remains unchanged at 20–25% revenue growth and 35–40% EBITDA margin ▪ The business remains project-driven and Q4-weighted, with execution largely dependent on customer delivery schedules ▪ A significant portion of the existing order book is scheduled for execution over FY28–FY29 ▪ Counter-Drone Systems: Active radar, passive RF detection and jamming solutions are under development, with demonstrations scheduled over the next 1–2 months ▪ Electronic Warfare: Development of the indigenous jammer pod is progressing well, with platform trials planned over the next few months ▪ Communication systems: Indigenous software-defined radios are being developed for Army, Navy and Air Force applications ▪ Satellite systems: Development of complete satellites and payloads has commenced. This remains an early-stage, long-term opportunity ▪ BrahMos Seeker: Qualification testing is currently under way, with production orders contingent on successful completion of the qualification process ▪ Management indicated planned investments of at least INR 150 Cr over the next two years ▪ Investments will cover product development, mfg. infrastructure, testing and a new factory ▪ International order book stood at INR 32 Cr as of September 2026 ▪ Pursuing export opportunities across radar systems, electronic warfare, avionics and sensors ▪ The management highlighted potential radar opportunities in Europe and ongoing engagements with international customers ▪ Export growth remains dependent on product qualification and order conversion ▪ Acquired a 100% stake in HD Advanced Composite Pvt Ltd, effective September 17, 2026

Source: Choice Institutional Equities

Q4FY26: Key takeaways from management commentary (2/3)

Company Name	Key Takeaways
Garden Reach Shipbuilders	▪ Order book stood at **INR 12,978 Cr as of September 2026**, which increased substantially to **INR 44,846 Cr following the signing of the INR 32,308 Cr NGC contract** ▪ The company secured four orders during the period, including four Platform Supply Vessels (PSVs) from ONGC, an electric tug, passenger ferries and the NGC contract ▪ P17 Alpha: Two of the three vessels have been delivered ahead of schedule, while the third vessel is undergoing final stage for delivery ▪ ASW-SWC: 5 of 8 vessels have been delivered, with the sixth vessel nearing completion. The project is expected to conclude in H1CY27 ▪ NGOPV: 3 of 4 vessels have been launched, with project completion expected by FY29 ▪ Management indicated that **FY26 and FY27 represent peak execution years**, with some moderation expected as existing projects approach completion ▪ The INR 32,308 Cr NGC contract involves construction of 5 corvettes over ~9 years ▪ Design and procurement activities have commenced, with the 1st vessel scheduled for delivery in H2CY32 & the 5th vessel by 2035–36 ▪ Revenue recognition is expected to commence moderately from FY28, with ~7.5–8% of the project value attributable to initial design and procurement activities ▪ Revenue contribution is expected to increase meaningfully from FY29 as the project progresses into the construction phase ▪ GRSE has submitted bids for four projects aggregating ~INR 25,000 Cr, including: 22 Interceptor Boats for the Indian Coast Guard: INR 1,000–1,100 Cr, 31 Waterjet Fast Attack Crafts: INR 15,000 Cr, 120 Fast Interceptor Crafts: INR 4,500–5,000 Cr, Six Next Generation OPVs: INR 3,500 Cr. ▪ Additionally, three major opportunities are in the pipeline: P17 Bravo: AoN value of ~INR 70,000 Cr, Landing Platform Dock (LPD): INR 33,000 Cr, Mine Countermeasure Vessels (MCMV): INR 44,000 Cr. ▪ The overall identified warship opportunity pipeline stands at **~INR 1.72 lakh Cr**, excluding certain other naval programmes ▪ Management expects the L1 declaration for P17 Bravo during the current financial year, with contract conclusion potentially by Q4FY28 under a conservative timeline ▪ Existing shipbuilding capacity is expected to increase from 28 to 32 concurrently constructed platforms by the end of CY26 ▪ The company is expanding beyond its existing Kolkata facility through: Timber Pond: Investment of ~INR 100 Cr, Howrah facility: Investment of ~INR 70 Cr, Raichak facility: Major expansion involving ~INR 2,900 Cr ▪ Raichak facility is to support construction of larger commercial vessels of up to 60,000 DWT ▪ West Coast expansion is also under evaluation, with DPR and partnership activities underway. ▪ The major expansion projects are expected to take ~3.5–4 years to complete
Zen Technologies	▪ The management remains comfortable with FY27 revenue guidance of **INR 1,200–1,300 Cr**, implying a substantial H2 execution ramp-up ▪ The earlier **INR 4,000 Cr cumulative revenue aspiration for FY27–FY28 remains conditional on order inflows and execution**, rather than a firm commitment ▪ Order inflows in Q2 stood at **INR 4,820 Mn** , exceeding quarterly execution of INR 345.1 Cr. Consolidated order book increased to **INR 1,375.7 Cr** as of September 2026, comprising equipment orders of INR 994 Cr and EMC orders of INR 380.7 Cr ▪ **CUAS remains the key near-term order opportunity.** Fast-track Procurement-related RFPs could begin flowing over the next 1–2 months, with procurement potentially concluding by March 2027, subject to tender timelines ▪ Around **INR 400 Cr of simulator opportunities** are under discussion, with order awards potentially beginning in Q4FY27 ▪ **Robotics:** Through Bhairava Robotics, the company is expanding into autonomous defence systems and robotics, with investments focused on emerging defence applications ▪ **US market:** ZEN is progressing through the required compliance process and engaging with large defence primes to access the US simulator market ▪ **Europe & Exports:** The company is exploring opportunities across Europe, the Middle East, CIS and Southeast Asia ▪ **R&D:** Continued investments in AI, robotics, anti-drone systems and next-generation defence technologies remain a priority. FY27 R&D spending is expected to remain ~12% of revenue ▪ **~**INR 150 Cr of capex for FY27, with a similar amount planned for FY28

Source: Choice Institutional Equities

Q4FY26: Key takeaways from management commentary (2/3)

Company Name	Key Takeaways
Unimech Aerospace & Manufacturing	▪ The company is transitioning from short-cycle aerospace tooling orders to multi-year precision-component programmes, strengthening revenue visibility ▪ More than 250 parts are qualified, while over 340 additional parts remain in the qualification pipeline. Management anticipates exceeding 590 qualified parts by FY27-end ▪ Engaging with a Netherlands-based semiconductor OEM regarding its tooling requirements ▪ French Tier-1 programme: A USD 43 Mn programme, spread over ~10 years, the programme offers sustained visibility for components supplied to aircraft manufacturers ▪ Honeywell aerospace programme: A long-term contract secured by Unimech covers engine and control-system components for 10 years ▪ Unimech provides semiconductor capital-equipment manufacturers with machined metal and plastic components, as well as mechanical assemblies ▪ ~60 semiconductor-related parts are qualified, and several have already entered revenue-generating production ▪ Opportunities include data centre-related demand spans genset engines for data centres, turbine switchgear bellows, locomotive exhaust systems and other industrial uses ▪ The 48-kg thrust engine has progressed to an advanced stage. Development is also progressing across 20 kg, 40 kg, 50 kg and 100 kg thrust variants ▪ The company supplies 13–15 sub-assemblies and systems, while continuing to qualify additional products ▪ Expansion: Additional capacity creation could take ~18–24 months, reinforcing the importance of aligning capex with customer qualifications and confirmed demand ▪ The Saudi JV is advancing towards construction and commercial-manufacturing readiness, targeted for around March–April 2027 ▪ Management estimates that the JV facility and related requirements will involve an investment of ~INR 200–250 Cr. ▪ Working-capital days were ~110. Management expects them to rise to around 150–160 by FY27-end as the mix shifts towards longer-cycle aerospace and nuclear programmes ▪ Management indicated a potential equity fundraise in early CY27, subject to funding needs and market conditions ▪ Management reaffirmed its ambition to achieve INR 1,000 Cr in revenue

Source: Choice Institutional Equities

High-conviction Ideas

Key Financials					
INR Bn	**FY25**	**FY26**	**FY27E**	**FY28E**	**FY29E**
Revenue	33.5	24.5	46.5	69.6	91.8
YoY Growth (%)	41.2	-27.0	90.2	49.9	31.9
EBITDA	4.8	2.3	8.1	12.4	16.6
EBITDAM (%)	14.1	9.1	17.5	17.8	18.1
Adjusted PAT	5.5	4.2	8.5	12.6	16.6
EPS (INR)	15.0	11.5	23.1	34.3	45.2
ROE (%)	13.7	9.9	17.3	21.2	22.6
ROCE (%)	10.0	3.5	14.9	19.3	21.2
PE (x)	70.3	91.9	45.7	30.8	23.3
Price to BV (x)	9.6	9.1	7.9	6.5	5.3

Source: BDL, Choice Institutional Equities

Bharat Dynamics Ltd | Rating: BUY | Target Price – INR 1,600

Revenue Recovery Continues; Profitability Remains a Monitorable

BDL delivered a **strong revenue recovery in Q2FY27**, with revenue growing **45.1% YoY and 190.8% QoQ**. However, **operating profitability remained under pressure**, with EBITDA and PAT declining YoY.

In our view, **the next leg of growth will be driven by the execution and ramp-up of multiple missile programmes**, particularly Akash, ATGMs, MRSAM/LRSAM and Astra. The recent orders for SAT-SAAW (INR 811 Cr) and heavyweight torpedoes (INR 1,307 Cr) further strengthen medium-term revenue visibility, while QRSAM remains an important potential growth catalyst, subject to the requisite approvals.

We also see **exports emerging as an incremental growth driver**, with Akash gaining traction in international markets, including Armenia, Tajikistan and Turkmenistan. **A sizeable order book, a diversified missile programme pipeline and expanding export opportunities underpin BDL's strong medium-term growth prospects.** However, timely programme execution, conversion of the development pipeline into firm orders and recovery in operating margin remain key monitorables.

We remain positive on BDL's medium-term growth prospects, supported by its **strong order book of INR 262 Bn (10.7x FY26 revenue), expanding missile portfolio and multiple programmes transitioning towards volume production.** Improvement in revenue execution and recent order additions reinforce our confidence in the underlying growth opportunity. **We believe a recovery in operating profitability, alongside the ramp-up of key missile programmes, could drive drive a meaningful earnings recovery over FY27–29E.** We retain our **'BUY' rating and target price of INR 1,600**, valuing the stock at **40x average FY28E-FY29E EPS**.

Key Financials					
INR Mn	**FY25**	**FY26**	**FY27E**	**FY28E**	**FY29E**
Revenue	50.8	70.1	89.6	1,00.4	118.5
YoY Growth (%)	41.3	38.0	28.0	12.0	18.0
EBITDA	4.2	7.9	10.3	11.7	13.9
EBITDAM (%)	8.3	11.4	11.5	11.6	11.7
PAT	5.3	7.5	9.5	10.6	12.5
EPS	46.0	65.3	82.8	92.2	109.4
ROE %	28.1	31.8	32.1	28.9	28.0
ROCE %	32.4	36.8	36.0	32.9	32.1
PE(x)	48.3	34.1	26.9	24.1	20.3
Price to BV (x)	12.3	9.7	7.7	6.3	5.2

Source: GRSE, Choice Institutional Equities

Garden Reach Shipbuilders | Rating: BUY | Target Price – INR 3,500

Robust Order Book Strengthens Growth Visibility

GRSE reported a steady operating performance in Q2FY27, with revenue growing 8.9% YoY. We expect H2FY27 revenue momentum to improve, supported by the execution and delivery of the remaining ASW-SWC vessels, progress on the P-17 Alpha programme and continued construction across the NGOPV, research vessel and German MPV projects. **Progression of these programmes towards equipment integration and outfitting stages is expected to support a stronger execution run-rate in H2FY27**.

GRSE's order book provides strong medium-term revenue visibility. As of June 2026, the **order book stood at INR 13,596 Cr. (1.9x of FY26 revenue)**. Further strengthening its execution pipeline, the company signed a **INR 32,000 Cr. contract for five Next-Generation Corvettes** in November 2026. Including this contract, the pro-forma order book increases to **~INR 45,600 Cr. (6.5x of FY26 revenue)**, providing significant visibility for the coming years. Looking ahead, the execution of P-17 Alpha frigates, Next-Generation Corvettes, NGOPV and commercial shipbuilding programmes is expected to provide sustained revenue growth over FY28–FY29.

We remain positive on GRSE, supported by its **strong order book, expanding programme pipeline and improving execution opportunities**. We maintain our **BUY rating, with target price of INR 3,500**, valuing the company at 35x average FY28E–FY29E EPS.

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Large Cap*	
BUY	The security is expected to generate upside of 15% or more over the next 12 months
ADD	The security is expected to show upside returns from 5% to less than 15% over the next 12 months
REDUCE	The security is expected to show upside or downside returns by 5% to -5% over the next 12 months
SELL	The security is expected to show downside of 5% or more over the next 12 months
Mid & Small Cap*	
BUY	The security is expected to generate upside of 20% or more over the next 12 months
ADD	The security is expected to show upside returns from 5% to less than 20% over the next 12 months
REDUCE	The security is expected to show upside or downside returns by 5% to -10% over the next 12 months
SELL	The security is expected to show downside of 10% or more over the next 12 months
Other Ratings	
NOT RATED (NR)	The stock has no recommendation from the Analyst
UNDER REVIEW (UR)	The stock is under review by the Analyst and rating may change
Sector View	
POSITIVE (P)	Fundamentals of the sector look attractive over the next 12 months
NEUTRAL (N)	Fundamentals of the sector are expected to be in stasis over the next 12 months
CAUTIOUS (C)	Fundamentals of the sector are expected to be challenging over the next 12 months

***Large Cap: More Than INR 20,000 Cr Market Cap**
***Mid & Small Cap: Less Than INR 20,000 Cr Market Cap**

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