

Bharat Electronics Ltd.

BUY

Sector: Defence Electronics

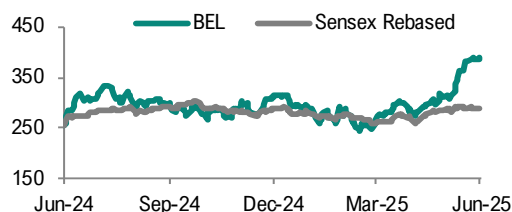
03rd June 2025

Key Changes	Target	▲	Rating	●	Earnings	▲	Target	Rs.441
Stock Type	Bloomberg Code	Sensex	NSE Code	BSE Code	Time Frame		CMP	Rs.388
Large Cap	BHE:IN	81,374	BEL	500049	12 Months		Return	+14%

Data as of: 02-06- 2025

Company Data			
Market Cap (Rs. cr.)	2,83,254		
52 Week High — Low (Rs.)	394 - 230		
Enterprise Value (Rs. cr)	2,82,631		
Outstanding Shares (Rs cr)	731		
Free Float (%)	49.0		
Dividend Yield (%)	0.57%		
6m average volume (cr)	2.3		
Beta	0.92		
Face value (Rs)	1.0		
Shareholding (%)	Q2FY25	Q3FY25	Q4FY25
Promoters	51.1	51.1	51.1
FII's	17.3	17.3	17.6
MFs/Institutions	20.2	20.9	20.9
Public	11.4	10.6	10.4
Total	100.0	100.0	100.0
Promoter Pledge	Nil	Nil	Nil
Price Performance	3 Month	6 Month	1 Year
Absolute Return	41.0%	24.2%	52.6%
Absolute Sensex	9.2%	-0.7%	12.6%
Relative Return	31.8%	24.9%	40.0%

*over or under performance to benchmark index



Y.E March (cr)	FY25A	FY26E	FY27E
Sales	23,658	28,071	32,759
Growth (%)	17.3	18.7	16.7
EBITDA	6,768	7,916	9,238
EBITDA Margin (%)	28.6	28.2	28.2
PAT Adjusted	5,288	6,414	7,667
Growth (%)	31.5	21.3	19.5
Adjusted EPS	6.7	8.8	10.5
Growth (%)	31.5	21.3	19.5
P/E	53.6	44.2	36.9
P/B	4.8	3.8	3.1
EV/EBITDA	41.8	35.6	30.3
ROE (%)	29.6	28.9	27.6
D/E	0.0	0.0	0.0

Author: Anil R - Sr. Research Analyst

A strong Q4, led by margin expansion

Bharat Electronics Ltd. (BEL) is a Navaratna enterprise with a 37% market share in Indian defence electronics. BEL's core capabilities are in radar & weapons systems, defence communication & electronic warfare.

- Revenue grew by 7% YoY in Q4FY25, while net profit recorded an 18% YoY increase, exceeding our expectations.
- EBITDA grew by 22.3% YoY, and margin was up by 380bps YoY to 30.6%, led by a better product mix and lower cost.
- FY25 order backlog was at Rs.71,650cr (3.0x FY26E sales), providing strong visibility for the next 3 years. Order intake for FY25 was at ~Rs.19,400cr, and was marginally lower than initial guidance.
- For FY26, management guided revenue growth of 15% YoY, EBITDA margins of 27% with an order inflow guidance at Rs.27,000cr.
- BEL's margin guidance appears achievable, supported by rising indigenous content. A strong order pipeline enhances the long-term outlook. We forecast earnings to grow at a 20% CAGR over FY25–27E.

Outlook & Valuation

We maintain a positive outlook on Bharat Electronics Limited (BEL), supported by the government's strong emphasis on domestic manufacturing, the growing contribution of electronics in defense applications, BEL's established market leadership, a robust order backlog, and a consistently healthy margin profile. Considering the upgrade in our earnings estimates and potential large order inflow in FY26, **we value BEL at a P/E of 42x FY27E EPS and maintain a BUY rating, with a target price of Rs.441.**

Quarterly Financials standalone

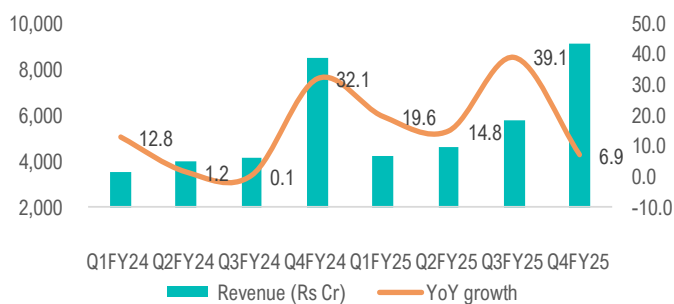
Rs.cr	Q4FY25	Q4FY24	YoY (%)	Q3FY25	QoQ (%)	FY25	FY24	YoY (%)
Sales	9,120	8,529	6.9	5756	58.4	23,658	20,169	17.3
EBITDA	2,789	2,280	22.3	1653	68.7	6,768	4,998	35.4
Margin %	30.6	26.7	385bps	28.7	186bps	28.6	24.8	382bps
EBIT	2,659	2,169	22.6	1550	71.5	6,332	4,586	38.1
PBT	2,848	2,386	19.4	1754	62.3	7,090	5,335	32.9
PAT	2,105	1,784	18.0	1316	59.9	5,288	4,020	31.5
Adj. PAT	2,105	1,784	18.0	1316	59.9	5,288	4,020	31.5
EPS (Rs)	2.9	2.4	18.0	1.8	59.9	7.2	5.5	31.5



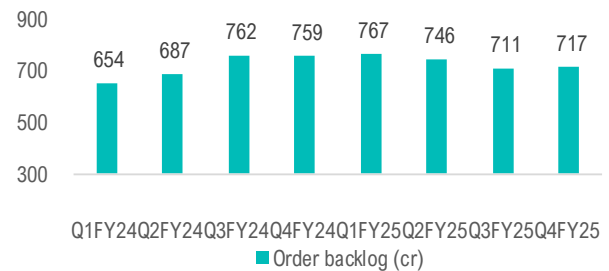
Key Concall Highlights

- QRSAM (quick reaction surface-to-air missile) orders worth Rs.30,000cr are anticipated to materialise in Q4FY26 or Q1FY27.
- The order book could see a further boost if some of the emergency procurement fructifies. The government has earmarked Rs.40,000cr for this purpose.
- Revenue to grow by 15% YoY and EBITDA margins to be in the range of 27%, led by indigenous content.
- BEL anticipates a significant order under the indigenous S-400 alternative (project Kusha), currently in development in collaboration with DRDO. Depending on the number of system integrators involved, potential order inflows are estimated between Rs.20,000–Rs.40,000cr
- To secure Rs.6,000–Rs.10,000cr worth orders for subsystems under the Next generation corvette (NGC) program.
- CAPEX plans for FY26 planned amounts to Rs.1,000cr.

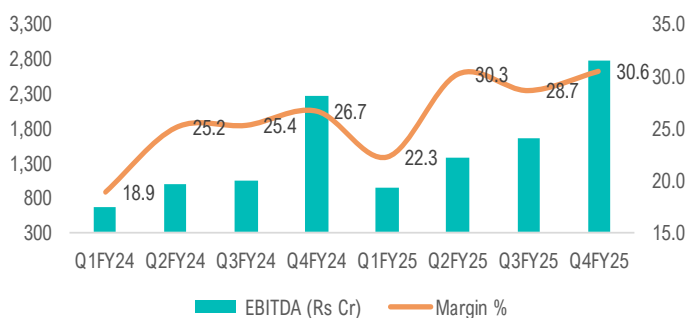
Revenue



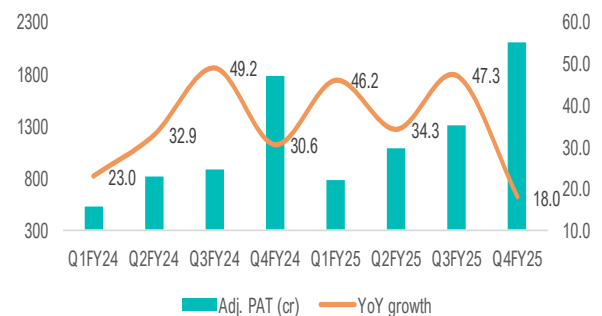
Order backlog



EBITDA



PAT



Change in Estimates

Year / Rs cr	Old estimates		New estimates		Change (%)	
	FY26E	FY27E	FY26E	FY27E	FY26E	FY27E
Revenue	27,889	32,136	28,071	32,759	0.7	2.0
EBITDA	7,293	8,452	7,916	9,238	8.5	9.3
Margins (%)	26.2	26.3	28.2	28.2	246bps	190bps
Adj. PAT	5,779	6,757	6,414	7,667	11.0	13.5
EPS	7.9	9.2	8.8	10.5	11.1	14.0



Standalone Financials

Profit & Loss

Y.E March (Rs cr)	FY23A	FY24A	FY25A	FY26E	FY27E
Sales	17,646	20,169	23,658	28,071	32,759
% change	15.2	14.3	17.3	18.7	16.7
EBITDA	4,048	4,998	6,768	7,916	9,238
% change	22.3	23.5	35.4	17.0	16.7
Depreciation	408	412	436	484	527
EBIT	3,640	4,586	6,332	7,432	8,711
Interest	15	7	10	5	6
Other Income	360	756	768	1,126	1,517
Share of profit	-	-	-	-	-
PBT	3,985	5,335	7,090	8,552	10,222
% change	26.2	33.9	32.9	20.6	19.5
Tax	978	1315	1802	2138	2556
Tax Rate (%)	24.5	24.6	25.4	25.0	25.0
Reported PAT	3,007	4,020	5,288	6,414	7,667
Adj.*	-	-	-	-	-
Adj. PAT	3,007	4,020	5,288	6,414	7,667
% change	28.0	33.7	31.5	21.3	19.5
No. of shares (cr)	731	731	731	731	731
Adj EPS (Rs)	4.1	5.5	7.2	8.8	10.5
% change	28.0	33.7	31.5	21.3	19.5
DPS (Rs)	1.7	2.0	2.0	2.0	2.0

Cash Flow

Y.E March (Rs cr)	FY23A	FY24A	FY25A	FY26E	FY27E
Net inc. + Depn.	3,007	4,020	5,288	6,414	7,667
Non-cash adj.	266	866	(74)	(636)	(984)
Changes in W.C	(2,118)	(238)	(4,734)	(4,352)	(2,991)
C.F. Operation	1,155	4,648	480	1,426	3,692
Capital exp.	(562)	(642)	(1,001)	(631)	(1,200)
Change in inv.	3,005	(5,775)	1,052	-	-
Other invest.CF	341	533	701	1,126	1,517
C.F - Investment	2,782	(5,889)	748	494	317
Issue of equity	-	-	-	-	-
Issue/repay debt	(70)	(13)	(16)	(25)	(26)
Dividends paid	(1,242)	(1,462)	(1,681)	(1,462)	(1,462)
Other finance.CF	(11)	(3)	(6)	-	-
C.F - Finance	(1,312)	(1,474)	(1,696)	(1,487)	(1,487)
Chg. in cash	2,625	(2,715)	(467)	433	2,521
Closing cash	3,864	1,149	682	1,115	3,636

Balance Sheet

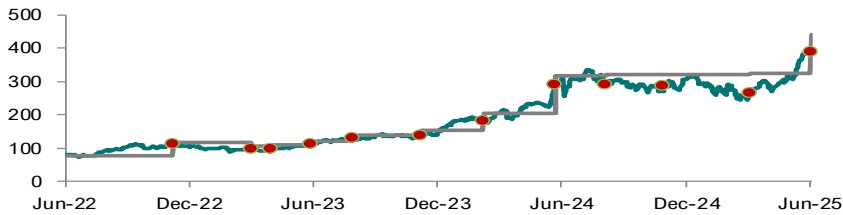
Y.E March (Rs cr)	FY23A	FY24A	FY25A	FY26E	FY27E
Cash	3,864	1,149	682	1,115	3,636
Accounts Receivable	7,022	7,362	9,092	11,151	13,014
Inventories	6,412	7,408	9,070	10,892	12,711
Other Cur. Assets	13,075	18,245	16,004	20,319	23,721
Investments	664	768	820	820	820
Gross Fixed Assets	4,958	5,434	6,295	7,145	8,345
Net Fixed Assets	2,596	2,699	3,124	3,490	4,164
CWIP	362	454	469	250	250
Intangible Assets	556	497	624	624	624
Def. Tax (Net)	503	574	534	534	534
Other Assets	-	-	-	-	-
Total Assets	35,054	39,156	40,418	49,195	59,473
Current Liabilities	4,923	5,287	4,683	5,545	6,471
Provisions	1,462	1,650	1,625	1,930	2,253
Debt Funds	59	60	59	39	19
Other Liabilities	15,028	16,076	14,354	17,031	19,875
Equity Capital	731	731	731	731	731
Reserves & Surplus	12,851	15,351	18,967	23,919	30,125
Shareholder's Fund	13,582	16,082	19,698	24,650	30,855
Total Liabilities	35,054	39,156	40,418	49,195	59,473
BVPS	56	66	81	101	127

Ratios

Y.E March	FY23A	FY24A	FY25A	FY26E	FY27E
Profitab & Return					
EBITDA margin (%)	22.9	24.8	28.6	28.2	28.2
EBIT margin (%)	20.6	22.7	26.8	26.5	26.6
Net profit mgn.(%)	17.0	19.9	22.4	22.9	23.4
ROE (%)	23.5	27.1	29.6	28.9	27.6
ROCE (%)	24.3	26.1	29.7	28.9	27.6
W.C & Liquidity					
Receivables (days)	135.7	130.2	126.9	131.6	134.6
Inventory (days)	222.9	238.7	246.9	252.0	255.3
Payables (days)	176.7	176.4	149.4	129.1	130.0
Current ratio (x)	4.8	4.9	5.5	5.8	6.1
Quick ratio (x)	2.2	1.6	2.1	2.2	2.6
Turnover & Leverage					
Gross asset T.O (x)	3.8	3.9	4.0	4.2	4.2
Total asset T.O (x)	0.5	0.5	0.6	0.6	0.6
Int. covge. ratio (x)	246.1	653.2	658.9	1376.3	1555.6
Adj. debt/equity (x)	0.0	0.0	0.0	0.0	0.0
Valuation					
EV/Sales (x)	15.8	14.0	11.9	10.1	8.5
EV/EBITDA (x)	69.0	56.5	41.8	35.6	30.3
P/E (x)	94.2	70.5	53.6	44.2	36.9
P/BV (x)	7.0	5.9	4.8	3.8	3.1



Recommendation Summary (last 3 years)



Dates	Rating	Target
07.Nov.22	HOLD	119
02.Mar.23	HOLD	107
31.Mar.23	BUY	112
30-May-23	BUY	123
31.July.23	HOLD	141
07.Nov.23	HOLD	152
08.Feb.24	BUY	204
24.May.24	HOLD	318
06.Aug.24	HOLD	320
30.Oct.24	BUY	323
05.Mar.25	BUY	324
03.June.25	BUY	441

Investment Rating Criteria

Ratings	Large caps	Midcaps	Small Caps
Buy	Upside is above 10%	Upside is above 15%	Upside is above 20%
Accumulate	-	Upside is between 10%-15%	Upside is between 10%-20%
Hold	Upside is between 0% - 10%	Upside is between 0%-10%	Upside is between 0%-10%
Reduce/sell	Downside is more than 0%	Downside is more than 0%	Downside is more than 0%


Not rated/Neutral


Definition:

Buy: Acquire at Current Market Price (CMP), with the target mentioned in the research note; **Accumulate:** Partial buying or to accumulate as CMP dips in the future; **Hold:** Hold the stock with the expected target mentioned in the note.; **Reduce:** Reduce your exposure to the stock due to limited upside.; **Sell:** Exit from the stock; **Not rated/Neutral:** The analyst has no investment opinion on the stock.

Symbols definition:

 Upgrade

 No Change

 Downgrade

To satisfy regulatory requirements, we attribute 'Accumulate' as Buy and 'Reduce' as Sell.

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Not rated/Neutral- The analyst has no investment opinion on the stock under review.

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