Choice Institutional Equities

Q4FY26 Result Update

Bharat Dynamics: Near-term Slippage; Low Base Underpins Recovery

May 29, 2026 | CMP: INR 1,282 | Target Price: INR 1,500

BUY

Expected Share Price Return: 17.0% I Dividend Yield: 0.4% I Potential upside: 17.4%

Sector View: Positive

Change in Estimates	✓
Change in Target Price	✓
Change in Recommendation	✗

Company Info	
BB Code	BDL IN EQUITY
Face Value (INR)	5.0
52-wk High/Low (INR)	2,096/1,086
Mkt Cap (Bn)	INR 472.5/$ 4.9
Shares o/s (Mn)	366.6
3M Avg. Daily Volume	1,524,174

Change in CIE Estimates

	FY27E			FY28E		
INR Bn	**New**	**Old**	**Dev. (%)**	**New**	**Old**	**Dev. (%)**
Revenue	37.0	75.4	(50.9)	61.0	90.5	(32.6)
EBITDA	7.0	15.1	(53.9)	11.5	19.0	(39.3)
EBITDAM %	18.8	20.0	(120) bps	18.9	21.0	(210) bps
PAT	8.3	16.4	(49.2)	13.7	20.5	(33.2)
EPS (INR)	22.7	44.7	(49.3)	37.4	56.0	(33.3)

Actual vs Bloomberg Estimates

INR Mn	**Q4FY26A**	**Bloomberg Est.**	**Dev.%**
Revenue	4,886	20,336	(76.0)
EBITDA	553	4,166	(86.7)
EBITDAM %	11.3	22.9	(1160) bps
PAT	1,132	3,604	(68.6)

Key Financials

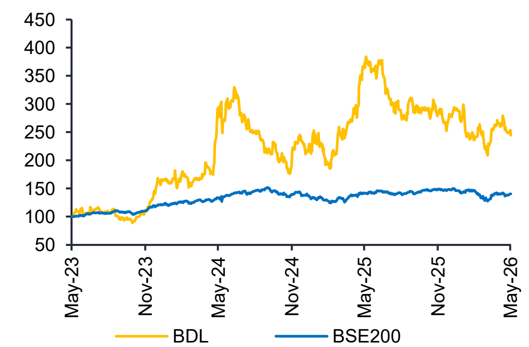
INR Mn	**FY25**	**FY26**	**FY27E**	**FY28E**	**FY29E**
Revenue	33,451	24,418	37,027	61,036	91,464
YoY Growth (%)	41.2	(27.0)	51.6	64.8	49.9
EBITDA	4,724	2,234	6,961	11,536	17,378
EBITDAM (%)	14.1	9.1	18.8	18.9	19.0
Adjusted PAT	5,496	4,203	8,313	13,694	20,545
EPS (INR)	15.0	11.5	22.7	37.4	56.0
ROE %	13.7	9.9	17.1	22.9	26.6
ROCE %	7.7	5.5	11.0	13.8	16.0
PE(x)	85.5	111.8	56.5	34.3	22.9
Price to BV (x)	11.7	11.1	9.7	7.9	6.1

Shareholding Pattern (%)

	Mar-26	**Dec-25**	**Sep-25**
Promoters	74.93	74.93	74.93
FIIs	2.02	2.29	2.43
DIIs	10.97	10.94	11.30
Public	12.10	11.83	11.34

Relative Performance (%)

YTD	**3Yr.**	**2Yr.**	**1Yr.**
BSE 200	40.9	5.3	(0.7)
BDL	144.5	(16.9)	(34.5)



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Near-term Slippage; Low Base Underpins Recovery

We believe BDL reported a weak set of numbers in Q4FY26, with a **sharp decline in revenue and profitability**, leading to a **~27% degrowth in the top line for the full year**. The miss appears largely due to **execution delays rather than demand weakness**, with project timelines getting pushed, thereby affecting revenue recognition during the year. Given the **absence of management commentary**, visibility on the exact reasons for the slowdown remains limited; however, we believe the nature of the business suggests **timing-related deferrals rather than structural issues**.

Despite the weak performance in FY26, we believe the underlying growth drivers remain intact, supported by a strong order pipeline across key missile programmes, such as **MRSAM, QRSAM, Astra and Akash, Akash-NG, VL-SRSAM, Nag, HELINA and MPATGM**. These programmes, along with increasing opportunities in exports and indigenisation, provide multi-year revenue visibility. Importantly, we expect execution to be driven by ramp-up across **MRSAM/LRSAM orders, initial production of QRSAM and continued deliveries in Astra and Akash-NG programmes**, which should support revenue conversion in the next two years. The decline in FY26 creates a low base and, as execution normalises, we expect a **sharp recovery in earnings over FY27–FY28E**, supported by order conversion and operating leverage.

We have recalibrated our estimate to factor in the weaker base, while maintaining a **strong growth trajectory over the next two years**. Accordingly, we **revise our target price to INR 1,500**, based on **40x FY28E EPS**, reflecting continued confidence in the **long-term opportunity despite near-term volatility**. We maintain our **'BUY' rating** on the stock, with earnings recovery contingent on execution ramp-up over the next few quarters.

Q4 execution slippage affects earnings

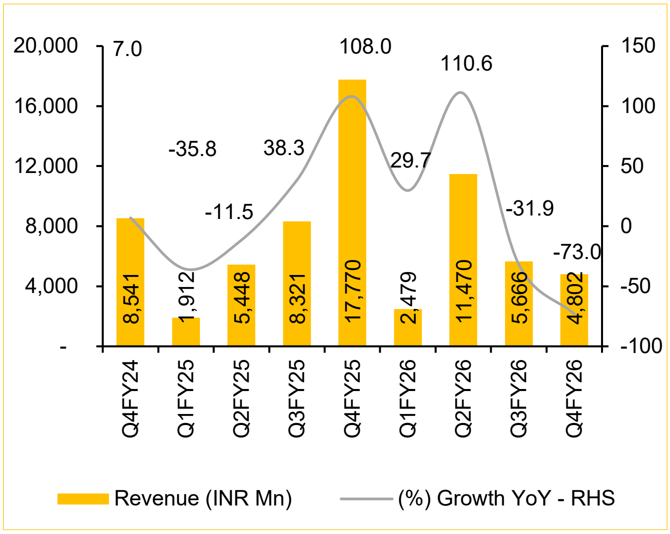
- Revenue for Q4FY26 was down by 72.9% YoY & down by 10.9% QoQ at INR 4,886 Mn (vs Consensus estimate of INR 20,336 Mn)
- EBITDA for Q4FY26 was down by 81.5% YoY but up by 112.8% QoQ at INR 553 Mn (vs Consensus estimate of INR 4,166 Mn). EBITDA margin contracted by 529 bps YoY and stood at 11.3% (vs Consensus estimate of 22.9%)
- PAT for Q4FY26 was down by 58.5% YoY but up by 55.3% QoQ at INR 1,132 Mn (vs Consensus est. INR 3,604 Mn). PAT margin expanded by 802 bps YoY, reaching 23.2% (vs Consensus estimate of 19.5%)

Particulars (INR Mn)	**Q4FY26**	**Q4FY25**	**YoY (%)**	**Q3FY26**	**QoQ (%)**
Revenue	4,802	17,770	(73.0)	5,666	(15.3)
Material Exp	1,806	10,522	(82.8)	3,315	(45.5)
Gross Profit	2,996	7,248	(58.7)	2,351	27.4
Employee Exp	1,035	1,379	(24.9)	1,377	(24.8)
Other Exp	1,408	2,879	(51.1)	714	97.1
EBITDA	**553**	**2,990**	**(81.5)**	**260**	**112.8**
Other Income	1,192	996	19.7	972	22.6
Depreciation	198	197	1.0	193	2.8
EBIT	1,546	3,789	(59.2)	1,039	48.9
Interest Cost	7	7	(6.4)	7	(0.9)
PBT	1,539	3,782	(59.3)	1,032	49.2
Tax	407	1,054	(61.4)	303	34.6
RPAT	1,132	2,728	(58.5)	729	55.3
Adj EPS (INR)	1,132	2,728	(58.5)	729	55.3

Margin Analysis	**Q4FY26**	**Q4FY25**	**YoY (bps)**	**Q3FY26**	**QoQ (bps)**
Gross Margin (%)	62.4	40.8	2,161	41.5	2,090
Emp. Exp. % of Sales	21.6	7.8	1,380	24.3	(275)
Other Exp % of Sales	29.3	16.2	1,312	12.6	1,672
EBITDA Margin (%)	**11.5**	**16.8**	**(531)**	**4.6**	**693**
Tax Rate (%)	26.4	27.9	(143)	29.3	(288)
APAT Margin (%)	23.6	15.4	823	12.9	1,071

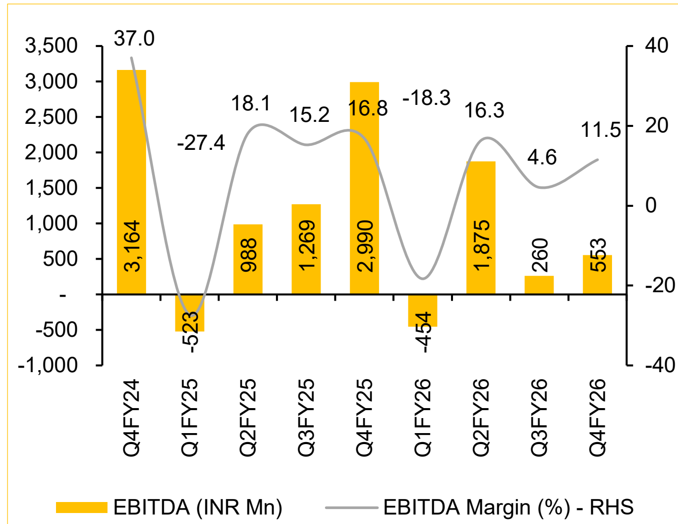
Source: BDL, Choice Institutional Equities

Revenue down ~72.9% on a YoY basis



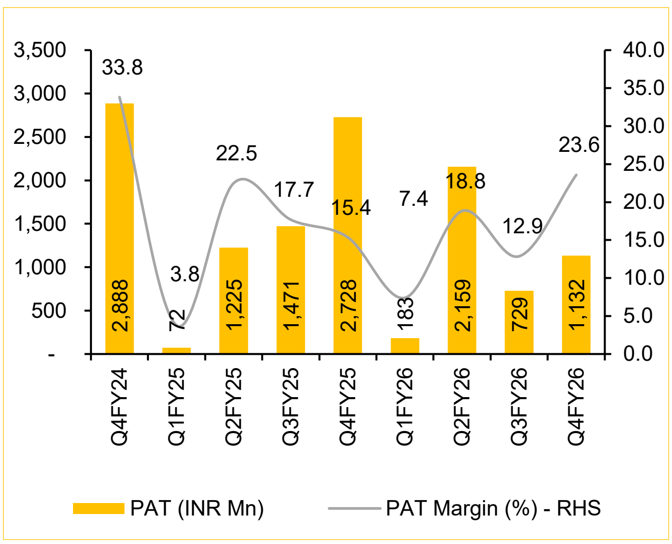
Source: BDL, Choice Institutional Equities

EBITDA down 81.5% on a YoY basis



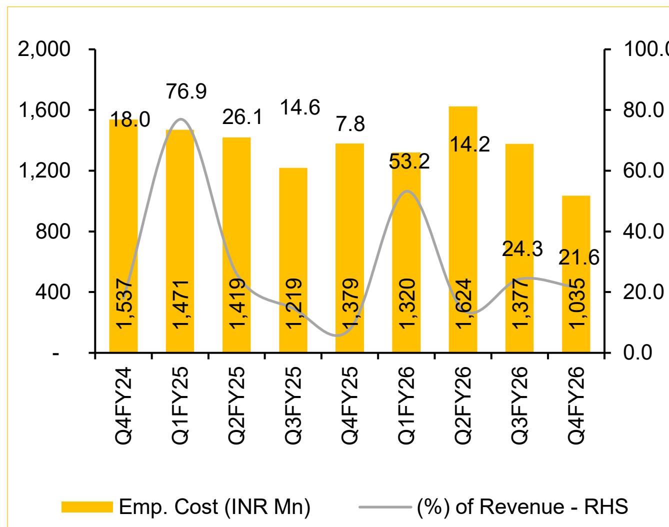
Source: BDL, Choice Institutional Equities

PAT down 58.5% on a YoY basis



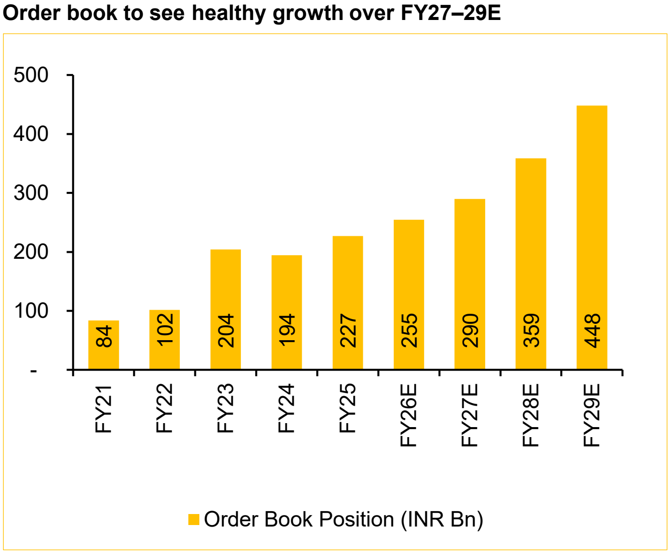
Source: BDL, Choice Institutional Equities

Employee cost trend



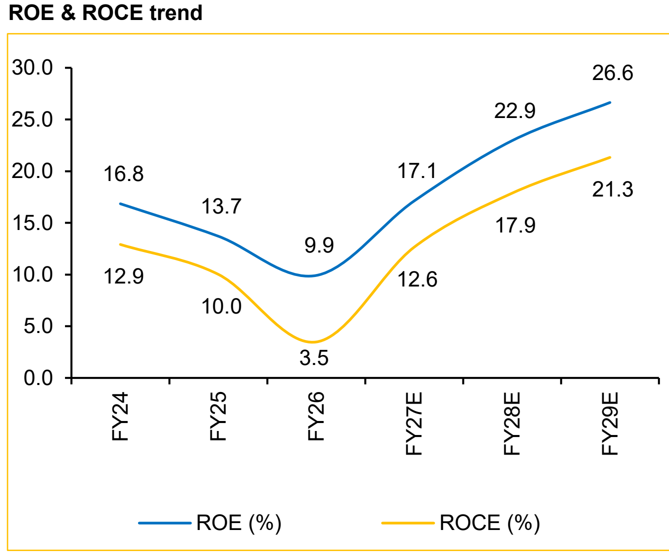
Source: BDL, Choice Institutional Equities

Order book to see healthy growth over FY27–29E



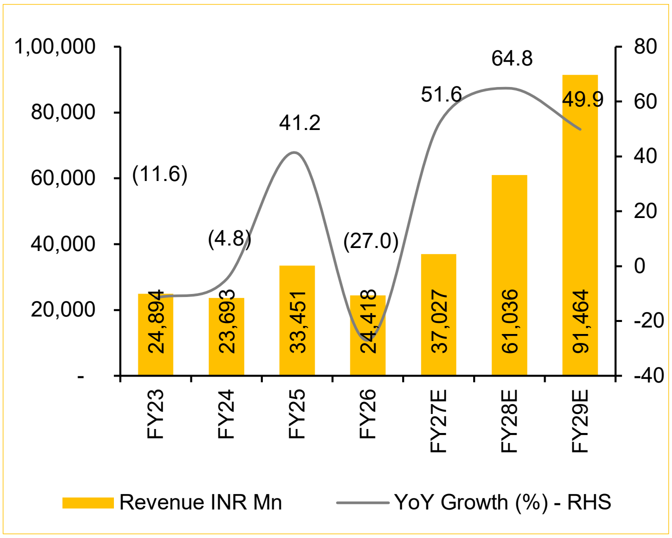
Source: BDL, Choice Institutional Equities

ROE & ROCE trend



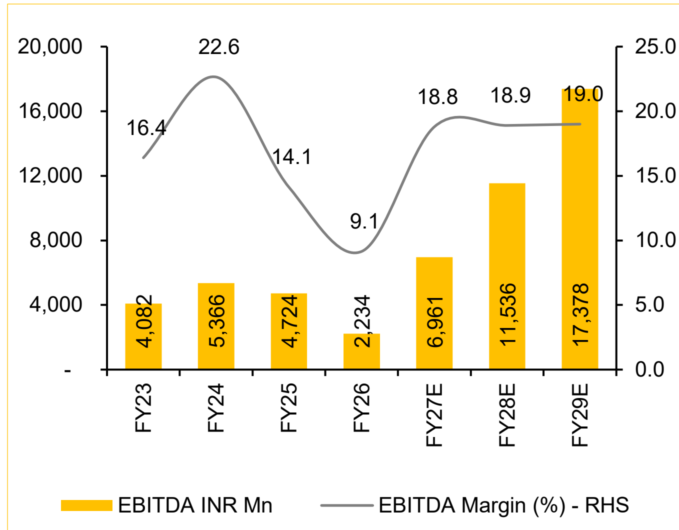
Source: BDL, Choice Institutional Equities

Revenue expected to expand ~54.8% CAGR over FY26–29E



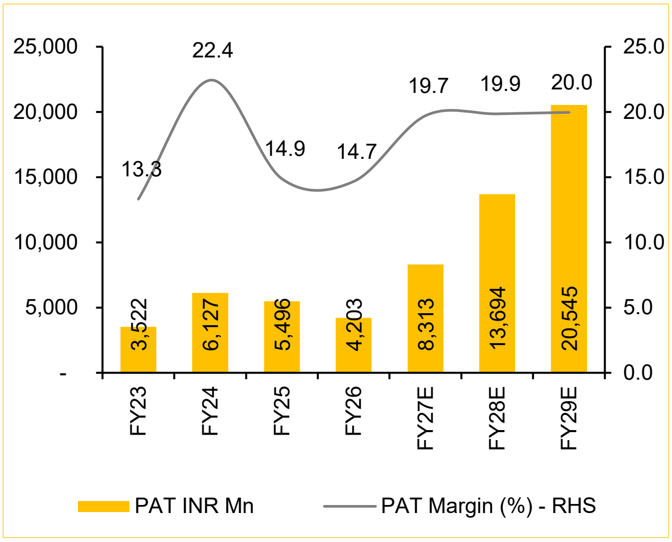
Source: BDL, Choice Institutional Equities

EBITDA margin anticipated to improve significantly



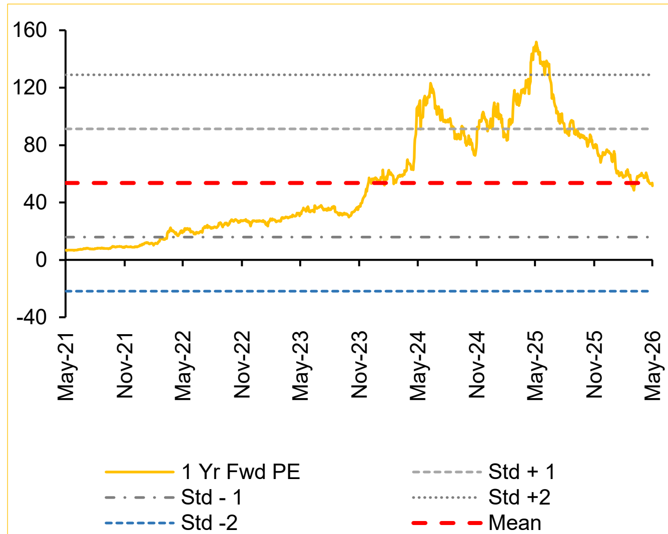
Source: BDL, Choice Institutional Equities

PAT anticipated to expand 69.7% CAGR over FY26–29E



Source: BDL, Choice Institutional Equities

One-year forward PE band



Source: BDL, Choice Institutional Equities

Income Statement (Consolidated – INR Mn)

Particulars	FY26	FY27E	FY28E	FY29E
Revenue	24,418	37,027	61,036	91,464
Gross Profit	12,193	20,624	33,936	50,762
EBITDA	**2,234**	**6,961**	**11,536**	**17,378**
Other Income	4,238	5,147	7,935	11,433
Depreciation	759	819	874	929
EBIT	2,200	6,906	11,444	17,259
Interest Expense	34	56	92	119
PBT	5,678	11,234	18,505	27,763
Reported PAT	4,203	8,313	13,694	20,545
EPS (INR)	**11.5**	**22.7**	**37.4**	**56.0**

Source: BDL, Choice Institutional Equities

Ratio Analysis	FY26	FY27E	FY28E	FY29E
Growth Ratios				
Revenue (%)	(27.0)	51.6	64.8	49.9
EBITDA (%)	(52.7)	211.6	65.7	50.6
PAT (%)	(23.5)	97.8	64.7	50.0
Margin Ratios				
EBITDA Margins (%)	9.1	18.8	18.9	19.0
PAT Margins (%)	14.7	19.7	19.9	20.0
Performance Ratios				
OCF/EBITDA (x)	2.7	0.8	0.2	0.3
ROE (%)	9.9	17.1	22.9	26.6
ROCE (%)	5.3	10.6	13.4	15.6
Turnover Ratio (Days)				
Inventory	691	330	320	310
Debtors	63	65	60	55
Payables	424	165	160	155
Cash Conversion Cycle (Days)	**331**	**230**	**220**	**210**
Leverage Ratio				
Net Debt to Equity (x)	(1.1)	(0.8)	(0.8)	(0.8)
Valuation Metrics				
Outstanding Shares (Mn)	366.6	366.6	366.6	366.6
Price (INR)	1282.2	1282.2	1282.2	1282.2
Market Cap (INR Bn)	470.1	470.1	470.1	470.1
PE (x)	111.8	56.5	34.3	22.9
EV (INR Bn)	423.0	429.3	420.8	409.4
EV/EBITDA (x)	189.4	61.7	36.5	23.6
Book Value (INR/Share)	115.7	132.5	162.8	210.4
Price/BV (x)	11.1	9.7	7.9	6.1

Source: BDL, Choice Institutional Equities

Balance Sheet (Consolidated – INR Mn)

Particulars	FY26	FY27E	FY28E	FY29E
Net Worth	42,410	48,567	59,674	77,115
Total Debt	-	-	-	-
Other Long-term Liab.	36,747	29,627	42,730	54,883
Trade Payables	28,348	16,738	26,755	38,841
Other Current Liabilities	35,110	32,584	51,270	73,171
Total Liabilities	**1,42,615**	**1,27,516**	**1,80,429**	**2,44,010**
Net Fixed Assets	7,495	7,676	7,802	7,874
Capital WIP	1,741	2,222	2,441	1,829
Intangible Assets	2,532	2,679	3,018	3,377
Other Non-curr. Asset	3,277	4,482	6,753	9,185
Inventories	46,256	33,477	53,511	77,681
Trade Receivables	4,229	6,594	10,033	13,782
Cash & Bank Balance	47,093	40,733	49,212	60,692
Other Current Assets	29,991	29,653	47,659	69,589
Total Assets	**1,42,615**	**1,27,516**	**1,80,429**	**2,44,010**
Capital Employed	79,157	78,194	1,02,404	1,31,998
Net Debt	(47,093)	(40,733)	(49,212)	(60,692)
FCFF	3,753	4,805	883	4,729

Source: BDL, Choice Institutional Equities

Cash Flow Statement (Consolidated – INR Mn)

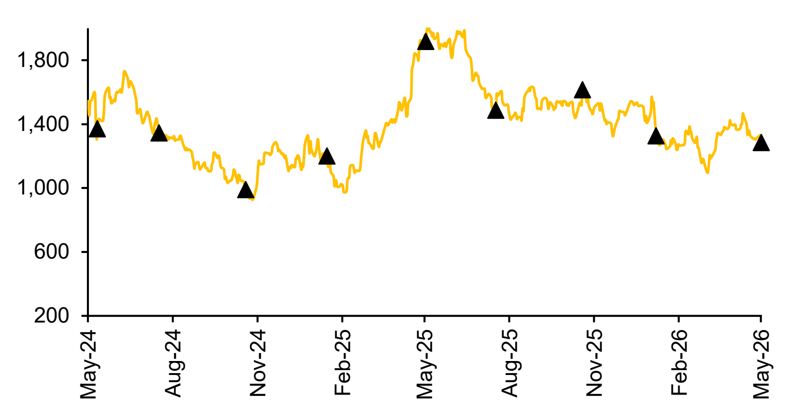
Particulars	FY26	FY27E	FY28E	FY29E
Cash Flows from Operations	6,040	5,805	1,883	5,729
Cash Flows from Investing	3,196	(2,833)	(3,829)	(3,179)
Cash Flows from Financing	(1,942)	(9,332)	10,425	8,930

Source: BDL, Choice Institutional Equities

DuPont Analysis	FY26	FY27E	FY28E	FY29E
Tax Burden	74.0%	74.0%	74.0%	74.0%
Interest Burden	258.1%	162.7%	161.7%	160.9%
EBIT Margin	9.0%	18.7%	18.8%	18.9%
Asset Turnover	0.2	0.3	0.3	0.4
Equity Multiplier	3.4	2.6	3.0	3.2
ROE	**9.9%**	**17.1%**	**22.9%**	**26.6%**

Source: BDL, Choice Institutional Equities

Historical Price Chart: Bharat Dynamics Limited (BDL)



Date	Rating	Target Price
Jun 06, 2024	BUY	1,560
Aug 12, 2024	REDUCE	1,501
Nov 16, 2024	BUY	1,445
Feb 10, 2025	HOLD	1,190
May 28, 2025	REDUCE	1,785
Aug 12, 2025	BUY	1,965
Nov 14, 2025	BUY	1,965
Feb 01, 2026	BUY	1,965
May 29, 2026	BUY	1,500

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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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