

Bharat Dynamics

Estimate change



TP change



Rating change



Bloomberg	BDL IN
Equity Shares (m)	367
M.Cap.(INRb)/(USDb)	544.7 / 6.2
52-Week Range (INR)	2097 / 890
1, 6, 12 Rel. Per (%)	-17/24/10
12M Avg Val (INR M)	2992

Financials Snapshot (INR b)

Y/E March	2026E	2027E	2028E
Sales	45.8	61.0	81.5
EBITDA	10.9	15.1	20.8
Adj. PAT	10.4	13.9	19.1
Adj. EPS (INR)	28.2	37.8	52.0
EPS Gr. (%)	88.4	34.0	37.4
BV/Sh.(INR)	131.6	162.5	206.5

Ratios

RoE (%)	21.5	23.3	25.2
RoCE (%)	22.1	23.8	25.6
Payout (%)	21.4	18.4	15.4

Valuations

P/E (x)	52.6	39.3	28.6
P/BV (x)	11.3	9.1	7.2
EV/EBITDA (x)	44.6	31.1	21.3
Div. Yield (%)	0.4	0.5	0.5

Shareholding pattern (%)

As On	Jun-25	Mar-25	Jun-24
Promoter	74.9	74.9	74.9
DII	10.1	9.5	9.5
FII	3.8	3.3	3.1
Others	11.2	12.4	12.5

FII Includes depository receipts

CMP: INR1486 TP: INR1900 (+28%) Upgrade to Buy

Valuation turning reasonable

Bharat Dynamics delivered strong 30% YoY growth in execution in 1QFY26 on a strong order book and the easing of supply chain issues as compared to last year. EBITDA margins were negative on account of negative operating leverage in a seasonally weak quarter. EBITDA loss, though, declined YoY. PAT performance was ahead of the consensus estimates. With a strong order book of nearly INR233b, we expect execution to scale up further in the coming quarters, particularly from Akash, Astra Mk1, MRSAM and armament projects. We expect BDL to benefit from a strong prospect pipeline of nearly INR500b and an emergency procurement program. We had initiated coverage on BDL in Jul'25 with Neutral recommendation due to high valuations of 52x/38x FY27E/FY28E EPS then. Since then, the stock has come down by 25% and is now trading at reasonable valuations of 39x/29x FY27E/FY28E EPS. We maintain our estimates and expect execution and margins to scale up in the coming quarters. We, thus, upgrade the stock to BUY from Neutral with an unchanged TP of INR1,900, based on 42x Sep'27E EPS.

Strong execution, weak margins

Revenue was broadly in line with consensus at INR2.5b, up 30% YoY. Gross margin contracted 700bp YoY to 76.1%. Absolute EBITDA loss of INR504m was 10% better than consensus. EBITDA margin improved to -18.3% in 1QFY26 from -27.4% in 1QFY25. Historically, BDL has recorded negative EBITDA in 1Q. PAT increased 154% YoY to INR183m, which was 8% above consensus of INR170m, aided by a lower tax rate of 20.7% in 1QFY26 vs. 35.8% in 1QFY25.

Strong TAM and emergency procurement to enhance revenue visibility

We expect BDL to benefit from a total addressable market size of ~INR500b and an emergency procurement program. BDL can participate in various missile procurement programs for new naval, airborne, and army platforms, such as Project 75I Submarines, LCA Tejas Mk1A, Su30-Mk1, LCH Prachand, ALH Dhruv, QRSAM, MRSAM, NAG, and VSHORAD, along with the emergency procurement programs. From the recent DAC approval of INR670b, BDL can also benefit from acquisition plans for modernization, covering maintenance of the S-400 air defense system, BrahMos and other missiles. Further, DAC has given a nod for the INR19.8b fast-tracked counter-terror acquisition program, where the Army will procure systems like VSHORADS, loitering munitions, and drone detection solutions from Indian firms – areas where BDL could participate. The INR540b capital acquisition approvals given earlier in Mar'25 include Varunastra torpedoes, directly boosting BDL's order book, while a pending INR20b-30b order for Invar ATGMs for T-90 tanks would further strengthen revenue visibility. Under emergency procurement too, we expect BDL to target order wins worth INR20-30b.

Margin improvement through self-reliance

BDL's ongoing initiatives are strategically aligned to enhance profitability and improve margins. The establishment of its integrated radio frequency (RF) seeker facility at its Kanchanbagh Unit enables in-house production and testing of RF seekers, reducing dependence on costly imports and strengthening value addition within the company. At the same time, its capacity expansion for manufacturing surface-to-air missiles (SAMs), next-generation missiles, VSHORAD rockets, and propellants for anti-tank guided missiles (ATGMs) allows BDL to capture higher volumes and achieve better economies of scale. Over time, the company has also significantly lowered the share of imported raw materials and advanced indigenization efforts, with several platforms now achieving 80-90% local content. This combination of import substitution, higher in-house manufacturing, and scale efficiencies is expected to reduce input costs, improve supply chain control, and ultimately support sustained margin expansion.

Recent global announcement to support export growth

BDL is well placed to benefit from the wave of global developments aimed at boosting defense trade. NATO's recent decision to raise member nations' defense spending to 5 % of GDP by CY35 is expected to open up significant opportunities for suppliers that can deliver reliable and cost-effective solutions. This comes at a time when India's defense exports have already hit a record INR236b in FY25, up 12% YoY, and are expected to double in the next 2-3 years. Among its peers, BDL has been much faster in grabbing the export opportunities, with its export revenue surging from INR1.6b in FY24 to INR12b in FY25. BDL has already secured export contracts from several allied nations, and by aligning its products and capabilities with the needs of NATO countries and other global buyers, BDL can tap into this rising demand.

Financial outlook

We maintain our estimates and expect a CAGR of 35%/64% in revenue/EBITDA over FY25-28, primarily driven by a sharp scale-up in execution due to moderating supply chain issues. We expect EBITDA margin to remain strong at 23.8%/24.7%/25.5% in FY26/FY27/FY28, fueled by the various indigenization efforts taken by the company and lower provisions. With an estimated annual capex of INR2.0b/INR2.5b/INR3.0b in FY26/FY27/FY28 and comfortable working capital, we expect a 51% CAGR in PAT over FY25-28. With improving revenue and stable margins, we expect its RoE/RoCE to remain comfortable, reaching 25.2%/25.6% by FY28.

Valuation and view

The stock currently trades at 39.3x/28.6x P/E on FY26/FY27/FY28 estimates. We maintain our estimates and expect execution and margins to scale up in the coming quarters. The stock has corrected 25% since we initiated coverage in Jul'25. We thus **upgrade the stock to BUY** from Neutral with an **unchanged TP of INR1,900**, based on 42x P/E Sep'27E EPS.

Key risks and concerns

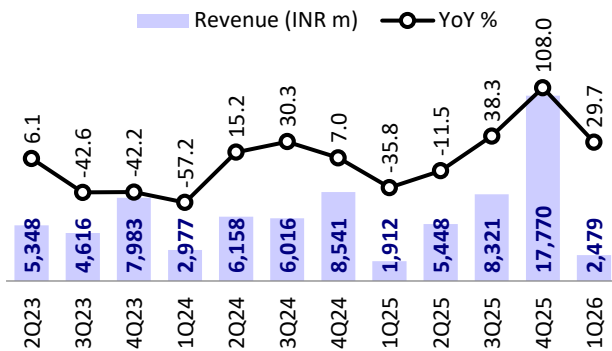
Key risks for the company include a decline or reprioritization of the Indian defense budget, termination of existing contracts or failure to succeed in tendering projects, changes in procurement rules and regulations of the MoD and the government, and supply-chain-related issues.

Quarterly performance (Standalone)
(INR m)

Income Statement		FY25				FY26E				FY25	FY26E
Y/E March		1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Net revenue		1,912	5,448	8,321	17,770	2,479	7,095	11,901	24,298	33,451	45,773
Change (%)		-35.8	-11.5	38.3	108.0	29.7	30.2	43.0	36.7	41.2	36.8
Expenses		2,435	4,459	7,053	14,780	2,933	5,676	8,926	17,356	28,727	34,890
EBITDA		-523	988	1,269	2,990	-454	1,419	2,975	6,942	4,724	10,883
As of % Sales		-27.4	18.1	15.2	16.8	-18.3	20.0	25.0	28.6	14.1	23.8
Depreciation		157	177	177	197	177	187	196	216	707	776
Interest		12	7	7	7	7	8	8	10	33	33
Other Income		804	860	844	996	869	989	1,036	1,139	3,504	4,033
PBT		112	1,665	1,929	3,782	231	2,212	3,807	7,856	7,488	14,106
Tax		40	439	458	1,054	48	575	990	2,139	1,991	3,751
Effective Tax Rate (%)		35.8	26.4	23.7	27.9	20.7	26.0	26.0	27.2	26.6	26.6
Extra-ordinary Items		0	0	0	0	0	0	0	0	0	0
Reported PAT		72	1,225	1,471	2,728	183	1,637	2,817	5,718	5,496	10,355
Adj PAT		72	1,225	1,471	2,728	183	1,637	2,817	5,718	5,496	10,355
Change (%)		-82.7	-16.7	9.0	-5.5	154.3	33.6	91.4	109.6	-10.3	88.4
As of % Sales		3.8	22.5	17.7	15.4	7.4	23.1	23.7	23.5	16.4	22.6

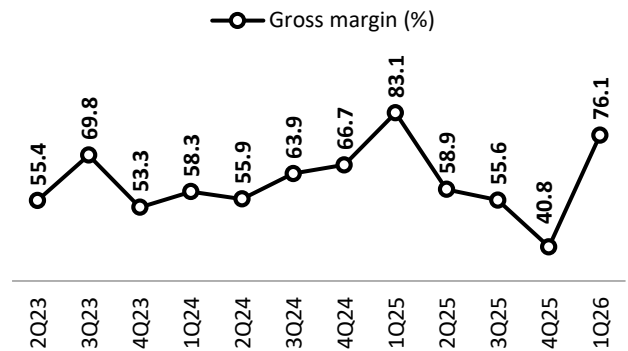
Key Exhibits

Exhibit 1: Revenue increased 30% YoY



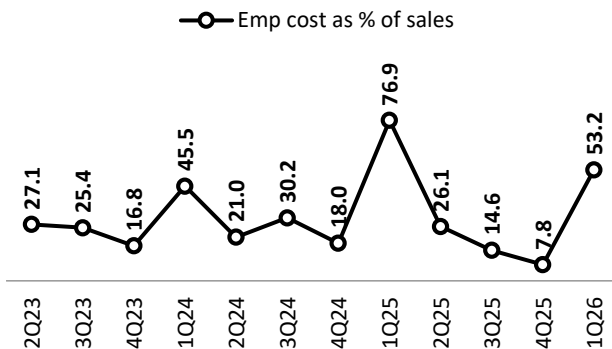
Source: MOFSL, Company

Exhibit 2: Gross margin was strong in 1QFY26



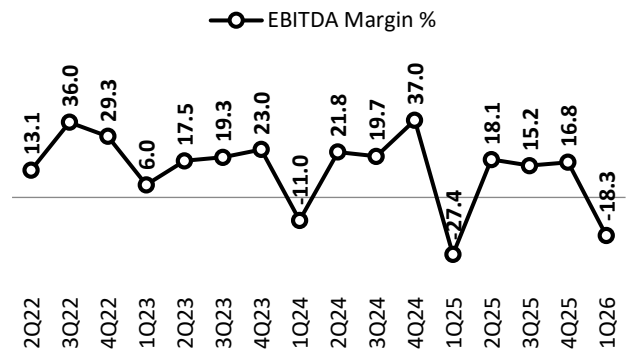
Source: MOFSL, Company

Exhibit 3: Employee costs as % of sales decreased YoY



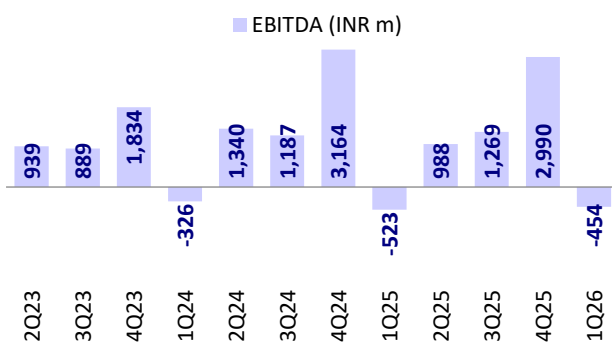
Source: MOFSL, Company

Exhibit 4: EBITDA margin was negative, albeit improved YoY



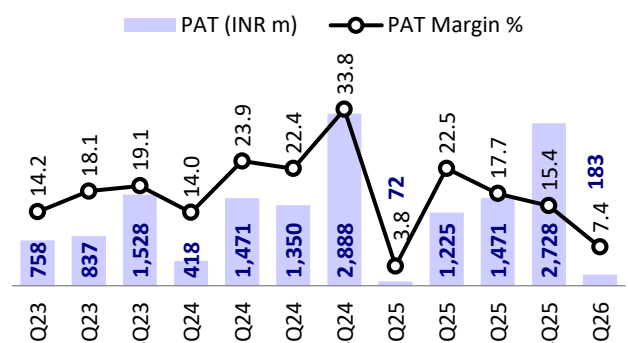
Source: MOFSL, Company

Exhibit 5: EBITDA loss improved 10% YoY



Source: MOFSL, Company

Exhibit 6: PAT increased 154% YoY



Source: MOFSL, Company

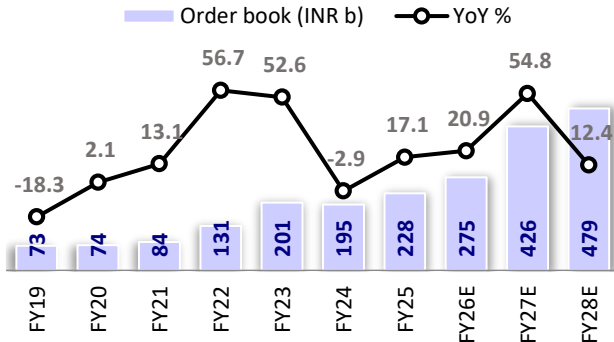
Exhibit 7: We expect an addressable market for BDL over the next few years at ~INR500b

Future programs expected	Category	Amount (INR b)	Expected year of order	Comments
In association with DRDO				
Base orders	Base orders	120	FY2026-29	Run rate of INR30b every year for next 3-4 years
MRSAM	surface-to-air	30	FY2024-25	Order received in Jan'25
Astra Mk1	air-to-air	29		Production clearance for 200 missiles to BDL has been given by IAF
QRSAM	surface-to-air	113	FY2025-26	Expected by 4QFY25 or 1QFY27
Akash NG SAM	surface-to-air		FY 2026-27	Testing done on 12th Jan'24. High altitude testing to be done soon.
Long Range Land Attack Cruise Missile (LRLACM)	surface-to-surface	140	FY 2027-28	Flight test done on 12th Nov'24. IAF/IA to procure missiles worth INR100b/40b once developed
VSHORAD	Very short range air defense system	19	FY2025-26	In January 2023, the Defence Acquisition Council led by Rajnath Singh gave the green light for procurement of DRDO's VSHORADS systems, at an estimated cost of INR19.20b
VLSRSAM	surface-to-air		FY 2026-27	Testing done on 26th Mar'25
Dhruvastra/Helina ATGM	air-to-surface	43	FY 2025-26	
NAG ATGM	surface-to-air	18	FY 2025-26	
Torpedoes			FY2026-28	In Mar'25, for the Navy, the DAC accorded AoN for the procurement of Varunastra Torpedoes (Combat) while cost is not disclosed
Overall TAM		511		

Source: Company, Industry, MOFSL

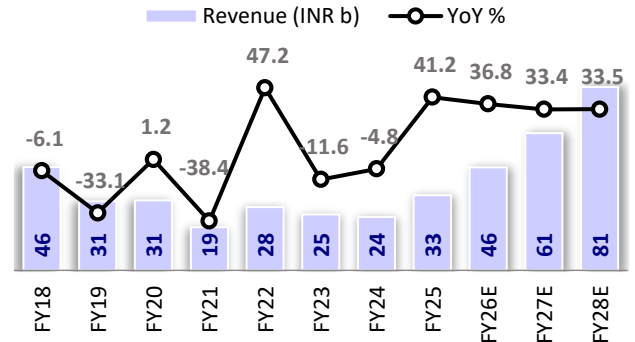
Financial outlook

Exhibit 8: We expect a CAGR of 28% in order book over FY25-28E



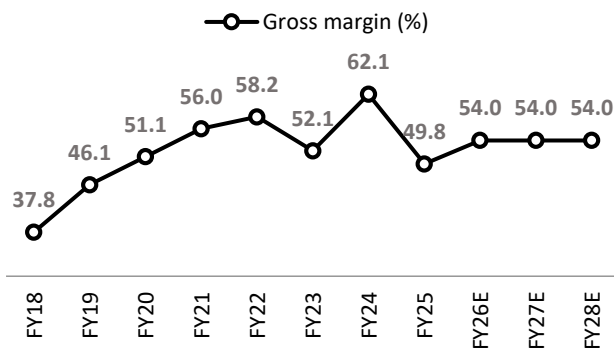
Source: Company, MOFSL

Exhibit 9: We expect revenue to clock a CAGR of 35% over FY25-28E



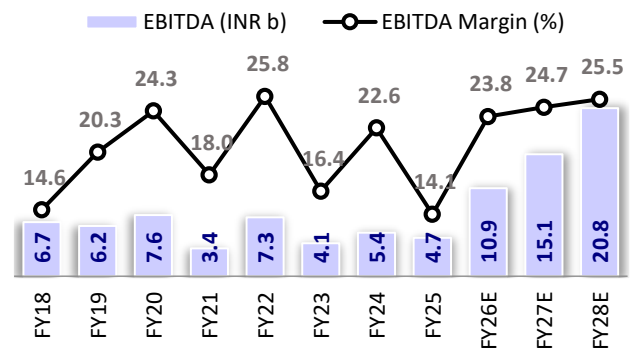
Source: Company, MOFSL

Exhibit 10: We expect gross margin of around 54%



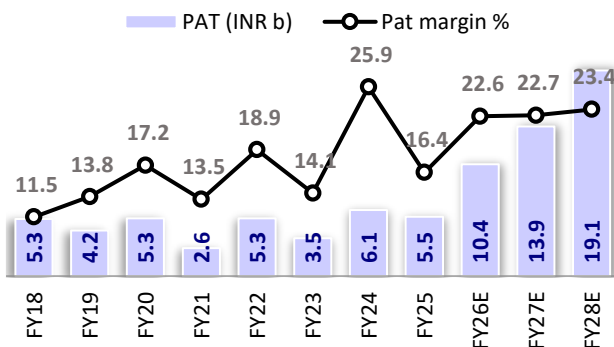
Source: Company, MOFSL

Exhibit 11: EBITDA margin is expected to be in 24-26% range



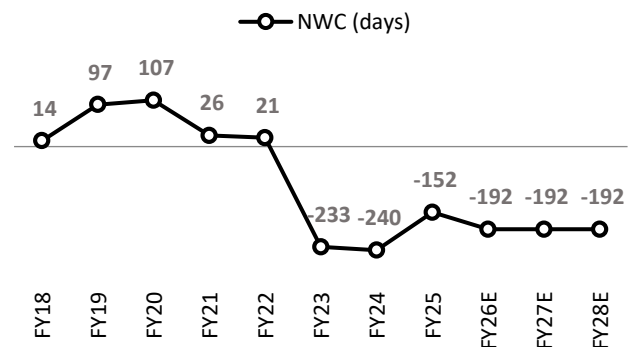
Source: Company, MOFSL

Exhibit 12: PAT to clock 51% CAGR over FY25-28E



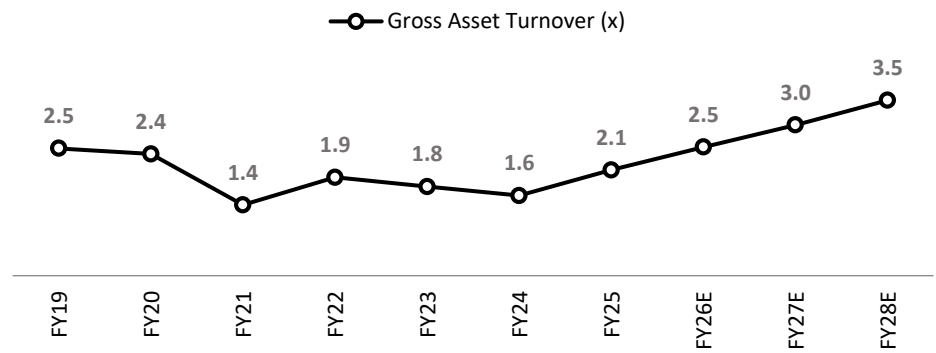
Source: MOFSL, Company

Exhibit 13: NWC at comfortable levels



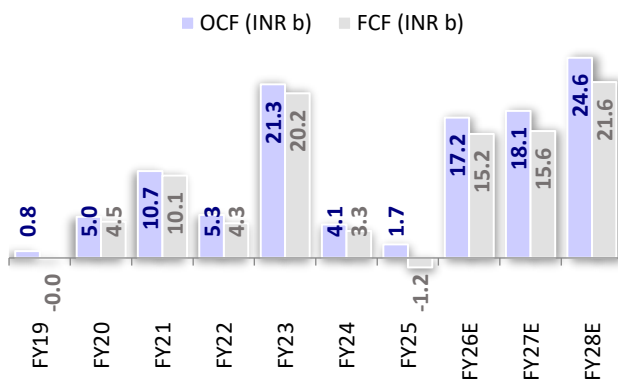
Source: MOFSL, Company

Exhibit 14: BDL's gross asset turnover is likely to improve on improved execution



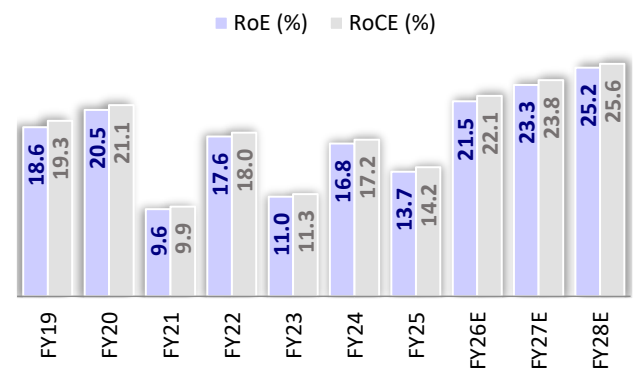
Source: Company, MOFSL

Exhibit 15: OCF and FCF to improve going forward



Source: MOFSL, Company

Exhibit 16: RoE and RoCE to remain comfortable at 22-25%



Source: MOFSL, Company

Financials and valuation

Income Statement (Standalone)							(INR m)		
Y/E March	2020	2021	2022	2023	2024	2025	2026E	2027E	2028E
Net Sales	31,049	19,138	28,174	24,894	23,693	33,451	45,773	61,040	81,458
Change (%)	1.2	-38.4	47.2	-11.6	-4.8	41.2	36.8	33.4	33.5
Raw Materials	15,178	8,412	11,790	11,913	8,973	16,779	21,056	28,078	37,471
Staff Cost	5,340	5,011	5,707	5,325	6,000	5,488	5,935	7,665	9,900
Other Expenses	2,976	2,268	3,417	3,574	3,354	6,460	7,899	10,229	13,325
EBITDA	7,555	3,447	7,261	4,082	5,366	4,724	10,883	15,067	20,763
Margin %	24.3	18.0	25.8	16.4	22.6	14.1	23.8	24.7	25.5
Depreciation	964	945	904	773	670	707	776	879	1,005
Interest	47	39	34	45	31	33	33	33	33
Other Income	881	946	1,112	1,554	3,618	3,504	4,033	4,744	6,235
PBT	7,425	3,409	7,435	4,818	8,282	7,488	14,106	18,899	25,960
Tax	2,076	831	2,100	1,296	2,155	1,991	3,751	5,026	6,903
Tax Rate (%)	28.0	24.4	28.2	26.9	26.0	26.6	26.6	26.6	26.6
Extra-ordinary Inc.(net)	0	0	-336	0	0	0	0	0	0
Reported PAT	5,349	2,578	4,999	3,522	6,127	5,496	10,355	13,873	19,056
Change (%)	26.6	-51.8	93.9	-29.6	74.0	-10.3	88.4	34.0	37.4
Adjusted PAT	5,349	2,578	5,335	3,522	6,127	5,496	10,355	13,873	19,056
Change (%)	26.6	-51.8	107.0	-34.0	74.0	-10.3	88.4	34.0	37.4
Margin %	17.2	13.5	18.9	14.1	25.9	16.4	22.6	22.7	23.4

Balance Sheet (Standalone)							(INR m)		
Y/E March	2020	2021	2022	2023	2024	2025	2026E	2027E	2028E
Share Capital	1,833	1,833	1,833	1,833	1,833	1,833	1,833	1,833	1,833
Reserves	24,235	25,015	28,473	30,282	34,535	38,257	46,396	57,721	73,846
Net Worth	26,068	26,847	30,306	32,115	36,368	40,090	48,228	59,554	75,679
Loans	22	0	0	0	0	0	0	0	0
Deferred Tax Liability	-542	-477	-571	-564	-707	-1,227	-1,227	-1,227	-1,227
Capital Employed	25,547	26,370	29,735	31,551	35,661	38,862	47,001	58,326	74,452
Gross Fixed Assets	12,914	13,685	14,511	14,157	14,965	16,007	18,007	20,507	23,507
Less: Depreciation	3,590	4,535	5,772	6,071	6,729	7,436	8,212	9,092	10,096
Net Fixed Assets	9,324	9,150	8,738	8,085	8,236	8,571	9,794	11,415	13,411
Capital WIP	421	215	407	743	729	2,303	2,303	2,303	2,303
Investments	39	45	0	0	0	39	39	39	39
Curr. Assets	46,527	49,730	55,922	77,331	93,728	1,05,284	1,40,798	1,85,833	2,47,217
Inventory	8,565	13,970	16,545	18,224	19,825	26,451	31,352	41,808	55,793
Debtors	3,384	3,227	3,042	1,846	3,104	8,264	11,308	15,079	20,123
Cash & Bank Balance	6,635	15,610	18,995	38,589	42,285	41,904	58,912	76,637	1,01,494
Loans & Advances	54	45	39	38	37	57	78	104	138
Other Current Assets	27,889	16,879	17,302	18,635	28,477	28,609	39,149	52,206	69,669
Current Liab. & Prov.	30,763	32,770	35,333	54,609	67,032	77,335	1,05,933	1,41,265	1,88,518
Creditors	3,455	7,426	5,525	4,644	7,984	15,056	20,602	27,473	36,663
Other Liabilities	24,042	22,754	26,269	46,445	55,045	57,199	78,379	1,04,520	1,39,483
Provisions	3,265	2,590	3,540	3,521	4,003	5,081	6,952	9,271	12,372
Net Current Assets	15,764	16,960	20,589	22,722	26,696	27,949	34,864	44,569	58,699
Application of Funds	25,547	26,370	29,735	31,551	35,661	38,862	47,001	58,326	74,452

Financials and valuation

Ratios

Y/E March	2020	2021	2022	2023	2024	2025	2026E	2027E	2028E
Basic (INR)	14.6	7.0	13.6	9.6	16.7	15.0	28.2	37.8	52.0
Adjusted EPS	14.6	7.0	14.6	9.6	16.7	15.0	28.2	37.8	52.0
Growth (%)	26.6	-51.8	107.0	-34.0	74.0	-10.3	88.4	34.0	37.4
Cash EPS	17.2	9.6	17.0	11.7	18.5	16.9	30.4	40.2	54.7
Book Value	71.1	73.2	82.7	87.6	99.2	109.4	131.6	162.5	206.5
DPS	4.2	4.6	4.0	4.6	4.0	5.9	6.0	7.0	8.0
Payout (incl. Div. Tax.)	34.9	65.6	27.2	47.4	23.7	39.4	21.4	18.4	15.4
Valuation (x)									
P/Sales	17.5	28.5	19.3	21.9	23.0	16.3	11.9	8.9	6.7
P/E (standalone)	101.8	211.3	102.1	154.7	88.9	99.1	52.6	39.3	28.6
Cash P/E	86.3	154.6	87.3	126.8	80.1	87.8	48.9	36.9	27.2
EV/EBITDA	71.2	153.5	72.4	124.0	93.6	106.4	44.6	31.1	21.3
EV/Sales	17.3	27.6	18.7	20.3	21.2	15.0	10.6	7.7	5.4
Price/Book Value	20.9	20.3	18.0	17.0	15.0	13.6	11.3	9.1	7.2
Dividend Yield (%)	0.3	0.3	0.3	0.3	0.3	0.4	0.4	0.5	0.5
Profitability Ratios (%)									
RoE	20.5	9.6	17.6	11.0	16.8	13.7	21.5	23.3	25.2
RoCE	21.1	9.9	18.0	11.3	17.2	14.2	22.1	23.8	25.6
RoIC	25.2	17.7	42.5	-34.4	-52.4	-95.7	-62.1	-56.8	-53.6
Turnover Ratios									
Debtors (Days)	40	62	39	27	48	90	90	90	90
Inventory (Days)	101	266	214	267	305	289	250	250	250
Creditors. (Days)	41	142	72	68	123	164	164	164	164
Asset Turnover (x)	1.2	0.7	0.9	0.8	0.7	0.9	1.0	1.0	1.1
Gross Asset Turnover (x)	2.4	1.4	1.9	1.8	1.6	2.1	2.5	3.0	3.5
Leverage Ratio									
Net Debt/Equity (x)	-0.3	-0.6	-0.6	-1.2	-1.2	-1.0	-1.2	-1.3	-1.3

Cash Flow Statement (Standalone)

Y/E March	2020	2021	2022	2023	2024	2025	2026E	2027E	2028E
PBT before EO Items	7,425	3,409	7,435	4,818	8,282	7,488	14,106	18,899	25,960
Add : Depreciation	964	945	904	773	670	707	776	879	1,005
Interest	47	39	34	45	31	33	33	33	33
Less : Direct Taxes Paid	1,736	778	2,034	2,181	1,560	2,031	3,751	5,026	6,903
(Inc)/Dec in WC	1,096	-7,756	983	-18,915	274	3,701	-10,093	-8,020	-10,727
Others	-560	-691	-59	-1,068	-3,033	-821	-4,033	-4,744	-6,235
CF from Operations	5,042	10,680	5,297	21,303	4,117	1,674	17,225	18,062	24,586
(Inc)/Dec in FA	-569	-565	-1,020	-1,081	-807	-2,827	-2,000	-2,500	-3,000
Free Cash Flow	4,473	10,115	4,276	20,222	3,310	-1,153	15,225	15,562	21,586
(Pur)/Sale of Investments	-117	-7,380	-5,305	-11,715	-8,287	-4,258	0	0	0
Others	354	608	595	1,085	1,870	3,014	4,033	4,744	6,235
CF from Investments	-332	-7,338	-5,730	-11,710	-7,224	-4,071	2,033	2,244	3,235
(Inc)/Dec in Net Worth	0	-11	-12	-13	-15	-16	0	0	0
(Inc)/Dec in Debt	0	0	0	0	0	0	0	0	0
Less : Interest Paid	33	25	20	31	17	19	33	33	33
Dividend Paid	1,867	1,691	1,453	1,669	1,452	2,167	2,216	2,548	2,930
Others	-9	0	0	0	0	0	0	0	0
CF from Fin. Activity	-1,909	-1,726	-1,485	-1,714	-1,484	-2,202	-2,249	-2,581	-2,964
Inc/Dec of Cash	2,802	1,616	-1,919	7,878	-4,590	-4,600	17,008	17,725	24,857
Add: Beginning Balance	3,833	13,994	20,914	30,710	46,875	46,504	41,904	58,912	76,637
Closing Balance	6,635	15,610	18,995	38,589	42,285	41,904	58,912	76,637	1,01,494

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NOTES

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