

Q2FY25 Financial Performance: BDL reported decent set of numbers with better than our expectations on revenue front. Revenue for the quarter de-grew by 12.2% YoY and improved +185.2% on QoQ basis to Rs 5.4bn (Our estimates Rs 4.3bn) Vs last Rs 6.1bn in Q2FY24, led by robust topline executions. Gross profit is de-grew by -7% YoY and improved +102% QoQ basis to stood Rs 3.2bn vs CEBPL estimates Rs 2.6bn. Gross margin improved by 350bps YoY to 60.0% vs our estimates 59.7%. EBIDTA came at Rs 0.988bn to -26% YoY (vs our estimates Rs 0.735bn), Margin improved significantly on sequential basis at 18.5% vs our estimates of 17.2%. Margins are improved because cost control measures. APAT came at Rs 1.22bn (de-grew -16.7% YoY, and significantly improved in sequential basis to 1598% QoQ) (vs our estimates Rs 1.1bn) and led by higher other income.

- **Empowering India's defense with indigenously developed missile systems:** Bharat Dynamics Limited (BDL) plays a vital role in India's defense sector, particularly as the primary producer of guided weapon systems for the Indian Armed Forces. It is the exclusive supplier of indigenously developed missile systems like the Akash surface-to-air and Konkur anti-tank guided missiles, making it central to the Government of India's (GoI) push for self-reliance in defense production under its Atmanirbhar Bharat initiative. BDL benefits from strong government support, with consistent order flow and financial backing, reflected in its , as of April 1st, 2024 oderbook stands Rs 195bn unexecuted order book which translate to ~8.2x of FY24 revenue. The company has also built a robust vendor network, enabling the indigenization of nearly 90% of major missile systems. This high level of indigenization, along with BDL's established market position, ensures sustained demand for its products, reinforcing its strategic importance to India's defense capabilities.
- **Rising Export Opportunity:** Bharat Dynamics Limited (BDL), with over five decades of manufacturing expertise, has expanded its wings into the international defense market. The company offers a diverse range of advanced weapons systems, including the Akash Surface-to-Air Missile, Astra Air-to-Air Missile, Smart Anti-Airfield Weapon, Helina Air-to-Surface Weapon, and various torpedoes and anti-tank guided missiles like Nag, Konkurs-M, and Milan-2T. Having successfully exported Light Weight Torpedoes, BDL is now attracting global interest for its other advanced products, showcasing its growing role in international defense supply and its capability to meet diverse global defense needs. In recent times the company has signed a contact with Armenia to supply Akash Air Missile Systems with worth of INR 50-60bn, and also the company receives interest from friendly countries etc.
- **Huge order inflow to pick up from H2FY25-FY26:** BDL is inline with capability building to carter future growth. We expect order execution to pick up from H2FY25 onwards led by various order execution such as in the near term, the company expects execution of program such as Astra Mk-1, SAAW, ULPGM, Drone fired Bombs, SPIKE ER, 70MM LGR orders by FY25, and QRSAM, NAG ATGM, Advanced Torpedo, MIGM, GRAD Rockets by FY26. Post that the company expects Akash NG, VLRSAM, MPATGM, Heavy weight Torpedo, AMOGHA III ATGM, MISTRAL, ASRAAM orders in FY27, supported by association with DRDO and in House R&D and Foreign Collaboration.
- **View & Valuation:** We have a positive outlook on BDL, as it is catering the strategic needs of the MoD & Indian defence forces, supported by 1) Sole supplier of offensive, as well as defensive systems domestically, 2) Upcoming big-ticket project are in the pipeline & it is expected to materialize from H2FY25 onwards, 3) increasing exports opportunity, talks are under way with 4-5 friendly countries, 4) Diversified product portfolio across armed forces, 5) The company's humongous order book, which stood at ~Rs. 195bn as on 1st April 2024 (~8.2x of FY24 revenue) will support the the growth story of the company. We expect BDL to registered a healthy revenue/EBIDTA/PAT growth of 28/31/24% CAGR over FY24-27E. We ascribe a multiple of 45x on FY27E EPS to arrive at a TP of Rs 1445 with a rating of "BUY".

Quarterly performance

Particulars	Q2FY25	Q2FY24	YoY (%)	Q1FY25	QoQ (%)
Net Sales (incl OOI)	5,448	6,158	(11.5)	1,912	185.0
Material Exp	2,237	2,715	(17.6)	322	593.7
Gross Profit	3,210	3,444	(6.8)	1,589	102.0
Employee Exp	1,419	1,292	9.9	1,471	(3.5)
Other Exp	803	811	(1.0)	642	25.1
EBITDA	988	1,340	(26.3)	-523	(288.9)
Depreciation	177	174	1.4	157	12.8
EBIT	812	1,166	(30.4)	-680	(219.4)
Other Income	860	783	9.9	804	7.0
Interest Cost	7	8	(6.7)	12	(36.7)
PBT	1,665	1,941	(14.2)	112	1,381.9
Tax	439	470	(6.6)	40	993.8
RPAT	1,225	1,471	(16.7)	72	1,598.0
APAT	1,225	1,471	(16.7)	53	2,231.1
Adj EPS (Rs)	3.3	4.0	(16.7)	0.1	2,231.1

Margin Analysis	Q2FY25	Q2FY24	YoY (bps)	Q1FY25	QoQ (bps)
Gross Margin (%)	58.9	55.9	301	83.1	-2,420
Employee Exp. % of Sales	26.1	21.0	507	76.9	-5,089
Other Op. Exp % of Sales	14.7	13.2	156	33.6	-1,882
EBITDA Margin (%)	18.14	21.8	-362	-27.4	4,551
Tax Rate (%)	26.4	24.2	217	35.8	-937
APAT Margin (%)	22.5	23.9	-139	2.7	1,974

Source: Company, CEBPL

	Nov 16 th , 2024
CMP (Rs)	990
Target Price (Rs)	1445
Potential Upside (%)	45.9

*CMP as on 14th Nov 2024

Company Info

BB Code	BDL IN EQUITY
ISIN	INE171Z01026
Face Value (Rs.)	5.0
52 Week High (Rs.)	1794.7
52 Week Low (Rs.)	534.0
Mkt Cap (Rs bn.)	362.8
Mkt Cap (\$ bn.)	4.3
Shares o/s (Mn.)	366.6
Adj. TTM EPS (Rs)	15.1
FY27E EPS (Rs)	32.1

Shareholding Pattern (%)

	Sep-24	Jun-24	Mar-24
Promoters	74.93	74.93	74.93
FII's	2.94	3.06	02.95
DII's	8.46	9.52	12.39
Public	13.67	12.49	09.72

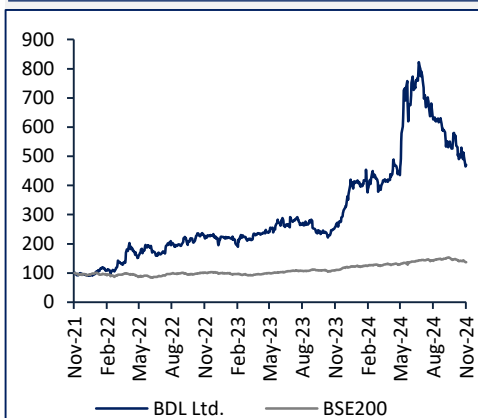
Relative Performance (%)

YTD	3Y	2Y	1Y
BSE 200	37.1	35.5	25.9
BDL	370.1	109.7	82.9

Year end March (INR bn)

Particular	FY25E	FY26E	FY27E
Revenue	28.0	36.4	49.2
Gross Profit	16.7	21.9	29.5
EBITDA	6.6	8.9	12.1
EBITDA (%)	23.5	24.5	24.5
EPS (INR)	19.6	25.0	32.1

Rebased Price Performance



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Change in estimates

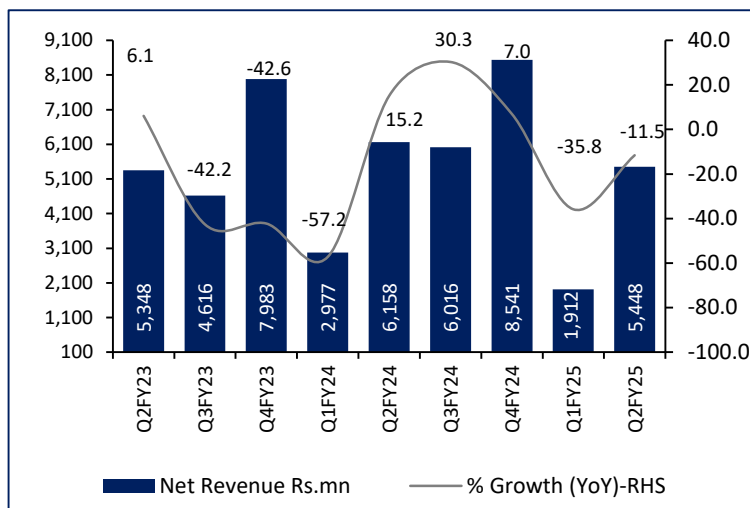
Particulars(Rs.Mn)	Actual	Choice Est.	Deviation(%)
Revenue	5,448	4,321	26.1
EBITDA	988	735	34.6
EBITDA Margins(%)	18%	17%	114bps
PAT	1,225	1,107	10.7

Source: Company, CEBPL

Income Statement (INR Mn.)	FY25E			FY26E			FY27E		
	New	Old	Dev. (%)	New	Old	Dev. (%)	New	Old	Dev. (%)
Net sales	27,999	28,413	(1.5)	36,424	38,306	(4.9)	49,191	49,191	-
EBITDA	6,580	6,012	9.4	8,924	8,743	2.1	12,052	12,052	-
EBITDAM %	23.5	21.2	234bps	24.5	22.8	168bps	24.5	24.5	-
APAT	7,195	6,836	5.3	9,176	9,168	0.1	11,769	11,769	-
EPS	19.6	18.6	5.3	25.0	25.0	0.1	32.1	32.1	-

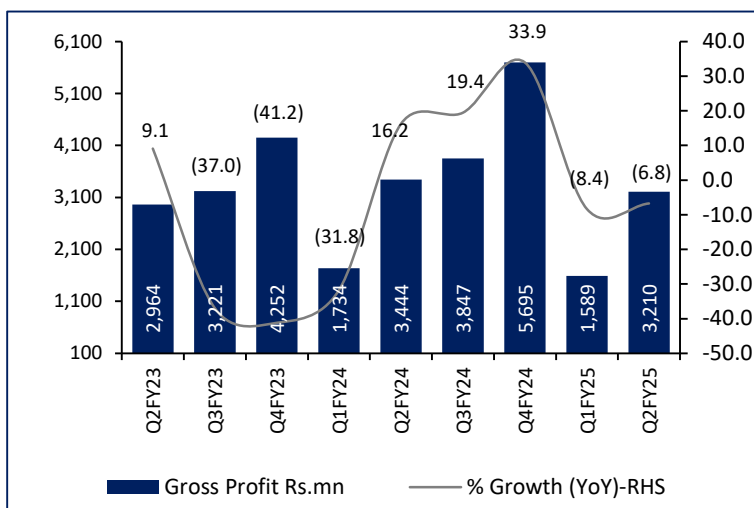
Source: Company, CEBPL

Revenue de-grew by 11.5% on YoY basis



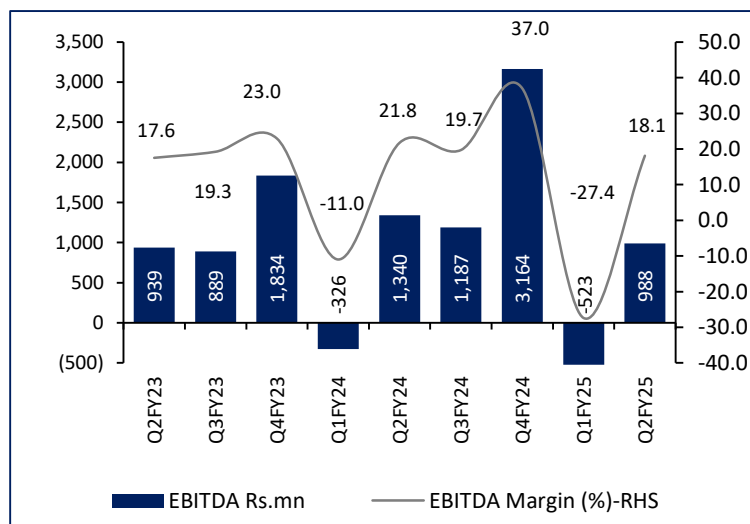
Source: Company, CEBPL

Gross profit trend



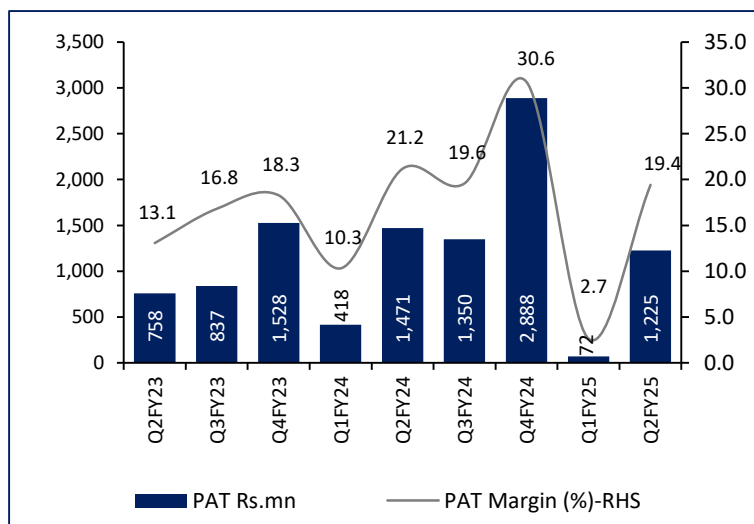
Source: Company, CEBPL

EBITDA margin improved significantly on sequential basis



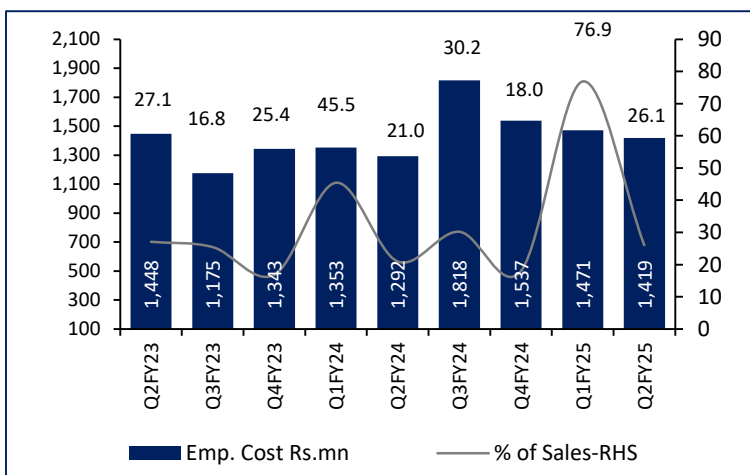
Source: Company, CEBPL

Massive PAT jumped by 1598% on sequential basis



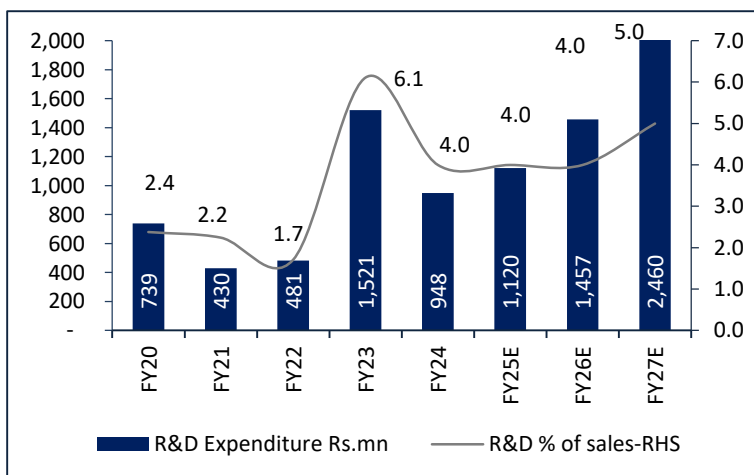
Source: Company, CEBPL

Decreased Emp. cost to improve margins further



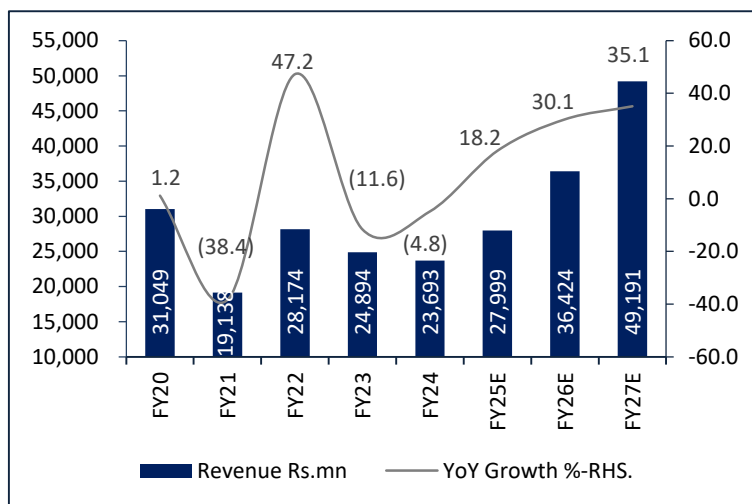
Source: Company, CMIE, CEBPL

R&D Expenditure Trend



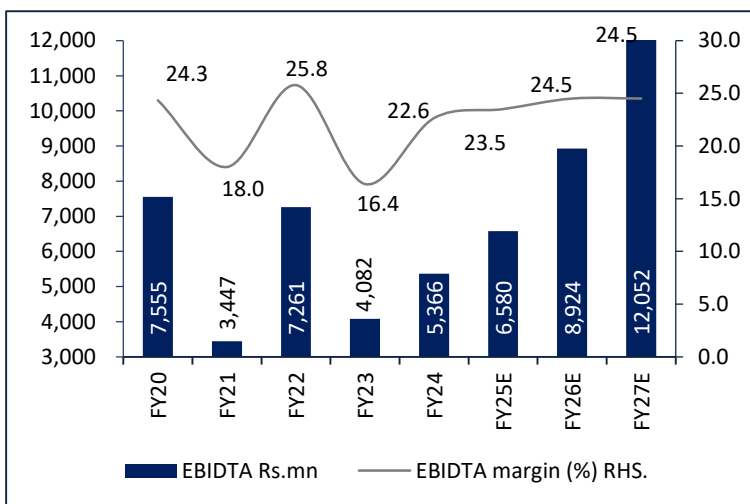
Source: Company, CMIE, CEBPL

Significant Revenue to grow over FY24-27E



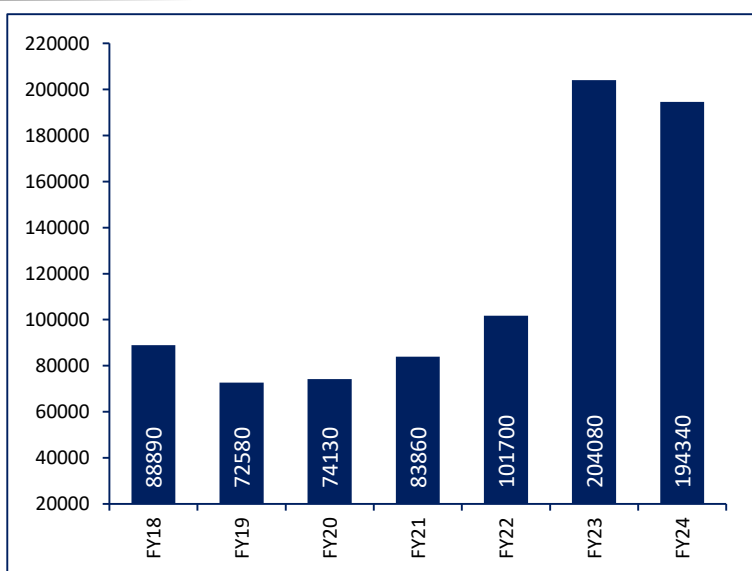
Source: Company, CEBPL

EBIDTA margin to improve led by better mix



Source: Company, CEBPL

Robust Order Book



Source: Company, CEBPL

1 Year Forward PE Band



Source: Company, CEBPL

Income statement (Standalone in INR Mn.)

Particular	FY23	FY24	FY25E	FY26E	FY27E
Revenue	24,894	23,693	27,999	36,424	49,191
Gross profit	12,981	14,719	16,659	21,855	29,515
EBITDA	4,082	5,366	6,580	8,924	12,052
Depreciation	773	670	799	859	919
EBIT	3,309	4,695	5,781	8,065	11,133
Interest expense	45	31	35	40	41
Other Income (Including EO Items)	1,554	3,618	3,980	4,378	4,816
Reported PAT	3,522	6,127	7,195	9,176	11,769
Minority Interest	-	-	-	-	-
Adjusted PAT	3,522	6,127	7,195	9,176	11,769
EPS (Rs)	9.6	16.7	19.6	25.0	32.1
NOPAT	2,419	3,473	4,277	5,966	8,236

Balance sheet (Standalone in INR Mn.)

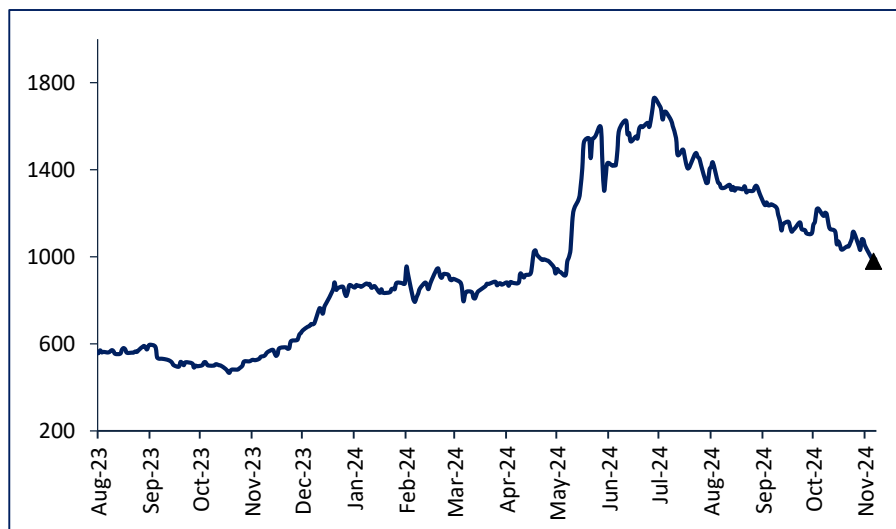
Particular	FY23	FY24	FY25E	FY26E	FY27E
Net worth	32,115	36,368	41,247	47,644	56,077
Total debt	-	-	-	-	-
Other liabilities & provisions	32,550	36,975	38,832	43,269	53,546
Total Net Worth & liabilities	64,665	73,343	80,079	90,913	1,09,623
Net Fixed Assets	8,085	8,236	8,437	8,778	9,059
Capital Work in progress	743	729	150	151	152
Investments	-	-	-	-	-
Cash & bank balance	38,589	42,285	44,972	45,326	48,189
Loans & Advances & other assets	1,894	2,045	2,395	3,113	4,202
Net Current Assets	53,942	62,333	69,097	78,871	96,209
Total Assets	64,665	73,343	80,079	90,913	1,09,623
Capital Employed	32,115	36,368	41,247	47,644	56,077
Invested Capital	(6,474)	(5,917)	(3,724)	2,318	7,888
Net Debt	(38,589)	(42,285)	(44,972)	(45,326)	(48,189)
FCFF	20,220	3,311	3,938	2,741	6,653

Source: Company, CEBPL

Cash Flows (INR Mn.)	FY23	FY24	FY25E	FY26E	FY27E
CFO	21,303	4,117	4,359	3,942	7,854
Capex	(1,083)	(807)	(421)	(1,201)	(1,201)
FCF	20,220	3,311	3,938	2,741	6,653
CFI	(11,710)	(7,224)	(421)	(1,201)	(1,201)
CFF	(1,714)	(426)	(2,351)	(2,819)	(3,376)
Ratio Analysis	FY23	FY24	FY25E	FY26E	FY27E
Growth Ratios (%)					
Revenue	-11.6	-4.8	18.2	30.1	35.1
EBITDA	-43.8	31.4	22.6	35.6	35.1
PAT	-32.7	74.0	17.4	27.5	28.3
Margin ratios (%)					
EBITDA	16.4	22.6	23.5	24.5	24.5
PAT	14.1	25.9	25.7	25.2	23.9
Performance Ratios (%)					
OCF/EBITDA (X)	5.2	0.8	0.7	0.4	0.7
OCF/IC	-329.1	-69.6	-117.0	170.0	99.6
RoE	11.0	16.8	17.4	19.3	21.0
ROCE	10.3	12.9	14.0	16.9	19.9
Turnover Ratios (Days)					
Inventory	267	305	240	250	255
Debtor	27	48	45	43	45
Other Current Assets (days)	254	419	415	414	414
Payables (days)	68	123	55	53	50
Other Current Liab & Provns (days)	255	340	328	316	305
Cash Conversion Cycle	225	309	317	339	359
Financial Stability ratios (x)					
Net debt to Equity	(1.2)	(1.2)	(1.1)	(1.0)	(0.9)
Net debt to EBITDA	(9.5)	(7.9)	(6.8)	(5.1)	(4.0)
Interest Cover	72.9	151.2	165.2	201.6	271.5
Valuation metrics					
Fully diluted shares (mn)	367	367	367	367	367
Price (Rs)	990	990	990	990	990
Market Cap(Rs. Mn)	3,62,861	3,62,861	3,62,861	3,62,861	3,62,861
PE(x)	103	59	50	40	31
EV (Rs.mn)	3,24,272	3,20,576	3,17,889	3,17,535	3,14,671
EV/EBITDA (x)	79	60	48	36	26
Book value (Rs/share)	88	99	113	130	153
Price to BV (x)	11	10	9	8	6
EV/OCF (x)	15	78	73	81	40

Source: Company, CEBPL

Historical recommendations and target price: Bharat Dynamics Ltd.



Bharat Dynamics Limited

1. 10-08-2023	OUTPERFORM,	Target Price Rs.1,346
2. 09-11-2023	OUTPERFORM,	Target Price Rs.1,346
3. 26-01-2024	ADD,	Target Price Rs.1,792
4. 05-06-2024	BUY,	Target Price Rs.1,560
5. 12-08-2024	REDUCE,	Target Price Rs.1,501
6. 16-11-2024	BUY,	Target Price Rs.1,445

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HOLD	The security expected to show upside or downside returns by 14% to -5% overhead 24 months
SELL	The security expected to show Below -5% next 24 months

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