

**Bharat Electronics Ltd: Demonstrated Capability and Strong Growth Visibility****BUY****Sector View:  
Positive****May 21, 2025 CMP: INR 364 | Target Price: INR 420****Expected Share Price Return: 15.5% | Dividend Yield: 1.7% | Potential upside: 17.2%**

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

**Company Info**

BB Code	BHE IN EQUITY
Face Value (INR)	1.0
52 W High/Low (INR)	373/230
Mkt Cap (Bn)	INR 2,654 / \$31.1
Shares o/s (Mn)	7,309.8
3M Avg. Daily Volume	2,53,17,241

**Change in CEBPL Estimates**

	FY26E			FY27E		
INR Bn	New	Old	Dev. (%)	New	Old	Dev. (%)
Revenue	280.5	279.5	0.3	333.8	332.7	0.3
EBITDA	80.2	72.1	11.2	96.8	86.5	11.9
EBITDAM %	28.6	25.8	280bps	29.0	26.0	300bps
PAT	63.8	59.4	7.4	76.8	71.6	7.4
EPS	8.7	8.1	7.4	10.5	9.8	7.4

**Actual vs Consensus Estimates**

INR Bn	Q4FY25	Consensus Est.	Dev. (%)
Revenue	91.5	88.9	2.9
EBITDA	28.2	22.2	27.1
EBITDAM %	30.8	24.9	585bps
PAT	21.2	17.5	21.0

**Key Financials**

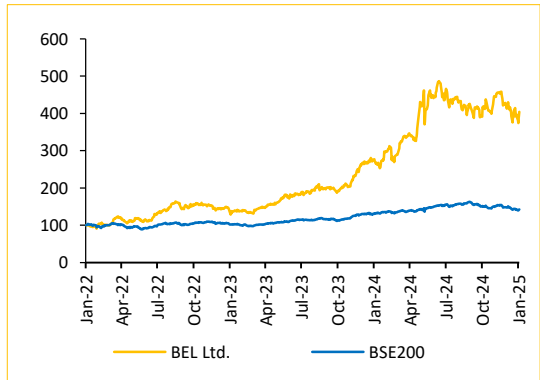
INR Bn	FY23	FY24	FY25	FY26E	FY27E
Revenue	177.3	202.7	237.7	280.5	333.8
YoY Growth (%)	15.4	14.3	17.3	18.0	19.0
EBITDA	40.9	50.5	68.3	80.2	96.8
EBITDAM (%)	23.0	24.9	28.8	28.6	29.0
Adjusted PAT	29.4	39.4	52.9	63.2	76.2
EPS	4.1	5.5	7.3	8.7	10.5
ROE %	22.5	26.1	29.4	30.4	33.3
ROCE %	28.0	30.5	35.0	35.8	39.5
PE(x)	91	68	50	42	35
Price to BV (x)	19.4	16.4	13.4	12.2	11.1

**Shareholding (%)**

	Mar-25	Dec-24	Sep-24
Promoters	51.14	51.41	51.14
FII's	17.55	17.34	17.27
DII's	20.87	20.94	20.22
Public	10.43	10.58	11.37

**Relative Performance (%)**

YTD	3Y	2Y	1Y
BSE 200	64.6	45.1	8.4
BEL	379.2	239.6	40.4



- QR-SAM\* – Quick reaction Surface to Air Missile
- NGC\* – Next generation Corvette

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**Demonstrated Capability and Strong Growth Visibility**

BEL's platforms demonstrated exceptional performance during Operation Sindoor, with extensive deployment in the India-Pakistan conflict. This success has reinforced the Indian armed forces' confidence in BEL's capabilities while showcasing its ability to deliver complex, mission-critical systems an expertise now gaining recognition in international markets. With the Ministry of defense announcing an emergency procurement program worth INR 400-500Bn, BEL is well-positioned to emerge as a key beneficiary. The company's robust order book of over INR 710Bn, combined with high-visibility projects such as the INR 300+ Bn QRSAM, INR 270Bn in assured orders in FY26E, and strategic programs like NGC subsystems, LCA upgrades, and radar and EW systems, provides strong revenue growth momentum and cements BEL's leadership in the sector.

We expect in response to rising geopolitical tensions, BEL is accelerating project execution for replenishment order, supported by a strong MSME vendor ecosystem contributing ~35% to project execution. This is expected to drive faster revenue recognition, while its in-house designed, supports healthy margin expansion. Furthermore, BEL is tapping into growing export opportunities, particularly in Europe, and is actively investing in emerging tech such as drone warfare and AI-integrated solutions. These initiatives enhance BEL's future earnings visibility and positioned the company for sustained long-term growth.

**Big-beat on market expectations**

- Revenue for Q4FY25 up by 6.8% YoY & up by 58.6% QoQ at INR 91.5Bn (vs consensus est. INR 88.9Bn).
- EBITDA for Q4FY25 up by 23.1% YoY and up 68.7% QoQ at INR 28.2Bn (vs consensus est. INR 22.2Bn). The EBITDA Margin stood at 30.8%, improved by 407bps YoY (vs consensus est. of 24.9%).
- PAT up by 18.8% YoY and up 63.0% QoQ at INR 21.2Bn (vs consensus est. INR 17.5Bn). PATM improved by 233bps YoY, reaching 23.2%.

**Robust Order Book and Strong Project Pipeline:** BEL's current order book stands at INR 716.5Bn (3.0x FY25 Sales). We believe the companies order inflow will gain traction due to emergency procurement and speeding up the existing projects, supported by marquee upcoming projects such as the INR 300+Bn QRSAM order and the INR 400Bn Project Kusha. The company's diversified pipeline, including NGC subsystems, additional LCA orders, and critical defense systems like LRSAM and radar solutions, positions it well for sustained revenue growth and market leadership.

**View & Valuation:** We maintain a positive outlook on BHE given its strong long-term growth prospects, supported by a robust order backlog and pipeline, driven by the government's emphasis on defense indigenization. The company's strong financials and return ratios, along with consistent margin improvement, reinforce our confidence in its financial performance. We revise our estimates of FY26/27 EPS estimates by 7.3%/7.4% and maintain our rating to 'BUY' with a revised TP of INR 420 (earlier the TP was at INR 370), valuating it at 40x of FY27E EPS.

Particulars	Q3FY25	Q3FY24	YoY (%)	Q2FY25	QoQ (%)
Net Sales (incl OI)	91,496	85,641	6.8	57,707	58.6
Material Exp	47,489	44,109	7.7	29,814	59.3
Gross Profit	44,007	41,532	6.0	27,893	57.8
Employee Exp	7,661	6,374	20.2	6,720	14.0
Other Exp	8,185	12,286	(33.4)	4,479	82.8
<b>EBITDA</b>	<b>28,161</b>	<b>22,872</b>	<b>23.1</b>	<b>16,695</b>	<b>68.7</b>
Depreciation	1,376	1,185	16.1	1,109	24.0
EBIT	26,785	21,687	23.5	15,586	71.9
Other Income	1,946	2,254	(13.7)	1,864	4.4
Interest Cost	59	41	44.7	13	343.9
PBT	28,673	23,901	20.0	17,436	64.4
Tax	7,463	6,044	23.5	4,424	68.7
RPAT	21,210	17,857	18.8	13,013	63.0
APAT	21,210	17,857	18.8	13,116	61.7
<b>Adj EPS (Rs)</b>	<b>2.9</b>	<b>2.4</b>	<b>18.8</b>	<b>1.8</b>	<b>61.7</b>

Margin Analysis	Q3FY25	Q3FY24	YoY (bps)	Q2FY25	QoQ (bps)
Gross Margin (%)	48.1	48.5	(39.9)	48.3	(24.0)
Emp. % of Sales	8.4	7.4	93.0	11.6	(327.2)
Other % of Sales	8.9	14.3	(540.0)	7.8	118.5
<b>EBITDA Margin (%)</b>	<b>30.78</b>	<b>26.7</b>	<b>407.1</b>	<b>28.9</b>	<b>184.7</b>
Tax Rate (%)	26.0	25.3	73.8	25.4	65.7
<b>APAT Margin (%)</b>	<b>23.2</b>	<b>20.9</b>	<b>233.1</b>	<b>22.7</b>	<b>45.3</b>

## Management Call - Highlights

### Geopolitical Commentary & Operations

- BEL's C4I and weapon systems played a critical role in forward areas.
- BEL is actively engaged in ongoing emergency procurement (EP) discussions, with 8-10+ line items expected under current engagements.
- Execution pace to increase due to recent border tensions.

### Order Pipeline & Outlook

- QRSAM: INR 300+Bn order expected; BEL is the designated production agency. QRSAM finalization likely by Q4 FY25 or Q1 FY26.
- FY26 order inflow target: INR 500+Bn with QRSAM; INR 270Bn assured without it.

### Key Projects in Pipeline

- NGC program: 10-12 subsystem orders expected; potential size INR 60-100Bn.
- Participation in Shatrughat & Samaghat (power weapon systems).
- Additional LCA subsystem orders expected via HAL.
- Continued inflow of spares/support orders (e.g., LRSAM, Shakti, Atulya Radar).

### Project Kusha (S-400 Alternative)

- Project potential: INR 400Bn; BEL's share could range between INR 200-400Bn.
- Prototype expected in 12-18 months; trials over the next 1-3 years.

### Exports & International Demand

- FY25 exports: \$106Mn; FY26 target: \$120Mn (~15% growth).
- Rising global interest due to combat-tested performance of BEL products.
- Export lead-to-order conversion takes 12-18 months.
- Revamped export strategy targeting Europe, especially fuses and ammunition electronics.

### Margins & Profitability

- YoY EBITDA margin improvement driven by scale and operational efficiency.
- Material costs stable (~55% of revenue).
- BEL entering a structurally higher-margin phase due to improved product mix.

### Counter-Drone & Emerging Technologies

- Counter-drone systems deployed across services; unit value INR 25-50 Cr. Ongoing development in AI-enabled drone warfare and swarm tech.
- BEL working on next-gen BrahMos subsystems with DRDO.

### Non-defense Business

- FY25 non-defense revenue: ~7%; historically rises to 12-15% during EVM cycles.
- Medium-term target: >10%; long-term target: >15%.

### Capex & R&D

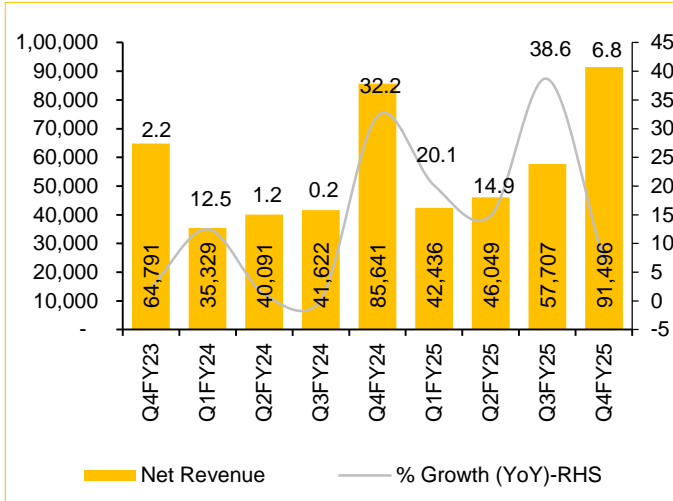
- Capex: INR 600+ Cr in FY24; INR 9000+Mn in FY25; INR 10,000+ Mn annually from FY26E.
- Investments aimed at new mega factories, support centers, and infra scale-up.
- R&D expansion includes hiring 700-1,000 engineers for large-scale internal development.

### MSME Ecosystem & Sourcing

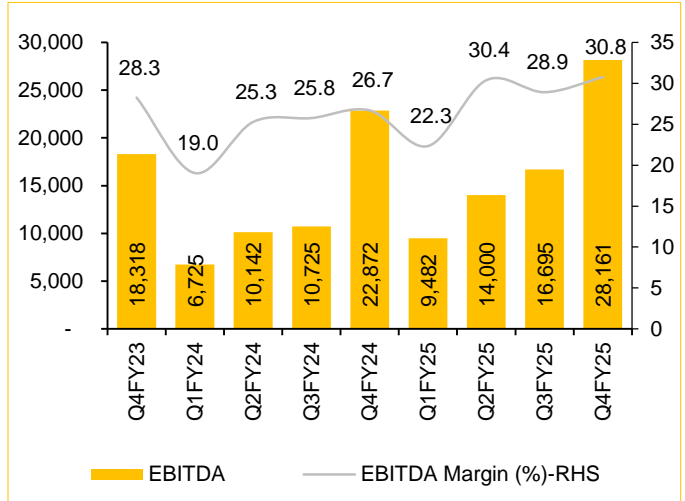
- BEL outsources ~35% of execution to MSMEs.
- MSMEs contribute ~30-35% of domestic procurement by value.

### Long-Term Growth Outlook

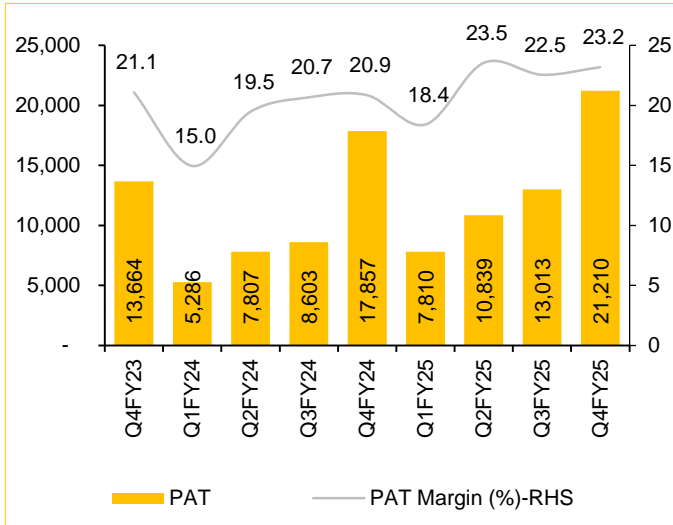
- Revenue CAGR guidance of 15-17.5% over the next 4-5 years remains unchanged.

**Revenue up by 6.8% YoY basis**

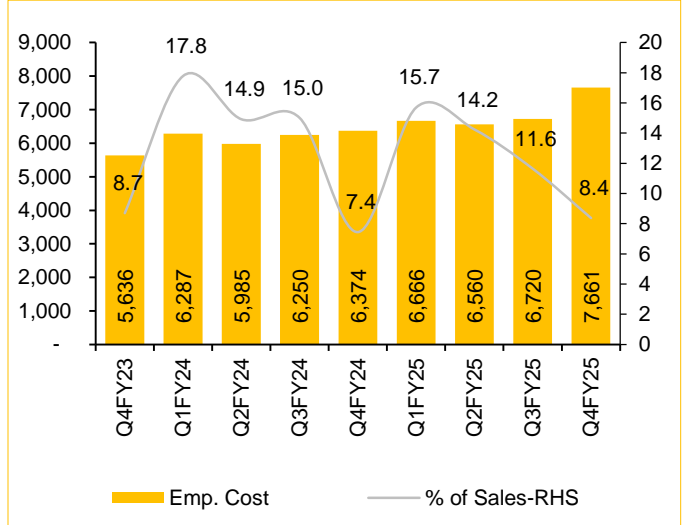
Source: Company, CEBPL

**EBITDA Margins improved by 407bps**

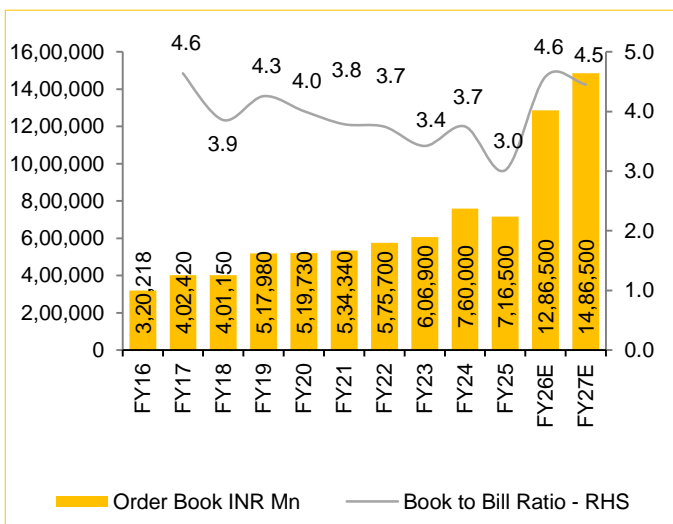
Source: Company, CEBPL

**Healthy PAT growth at 18.8% YoY**

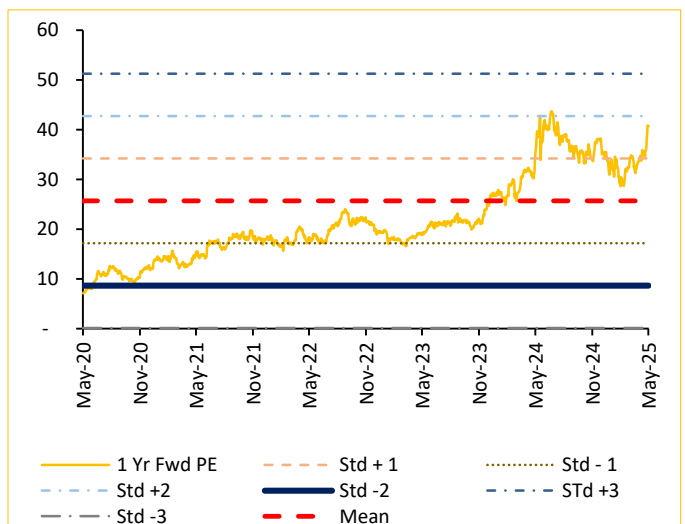
Source: Company, CEBPL

**Optimized employee cost**

Source: Company, CEBPL

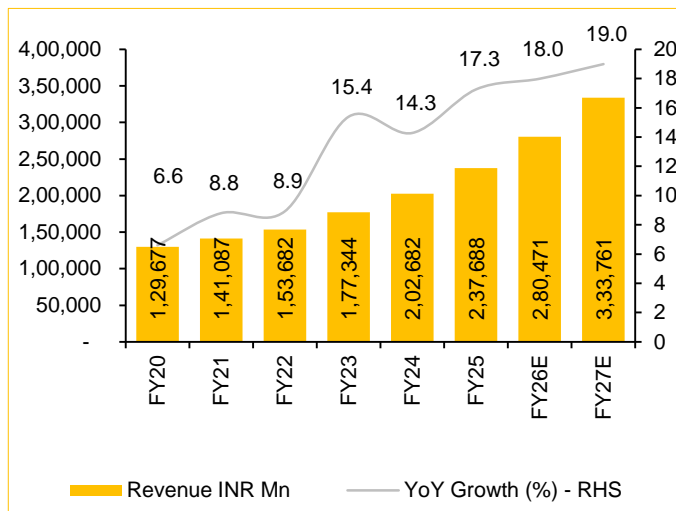
**Order book to remain solid**

Source: Company, CEBPL

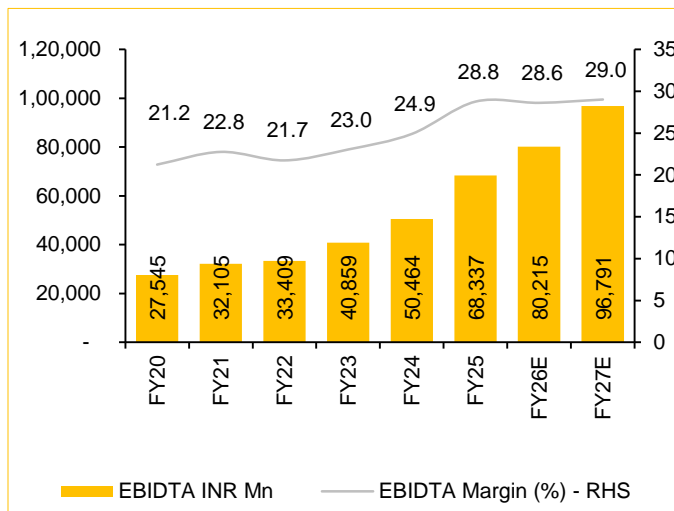
**One year forward PE band**

Source: Company, CEBPL

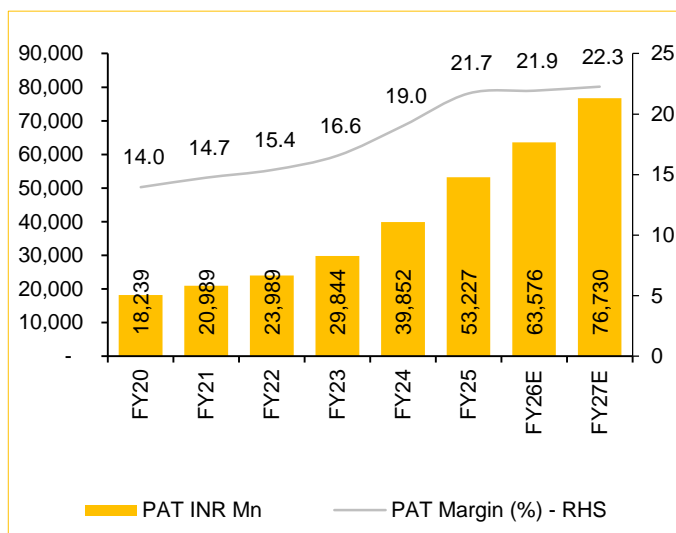
\*All figures are in INR Million

**Revenue expected to grow 17% CAGR FY24-27E**

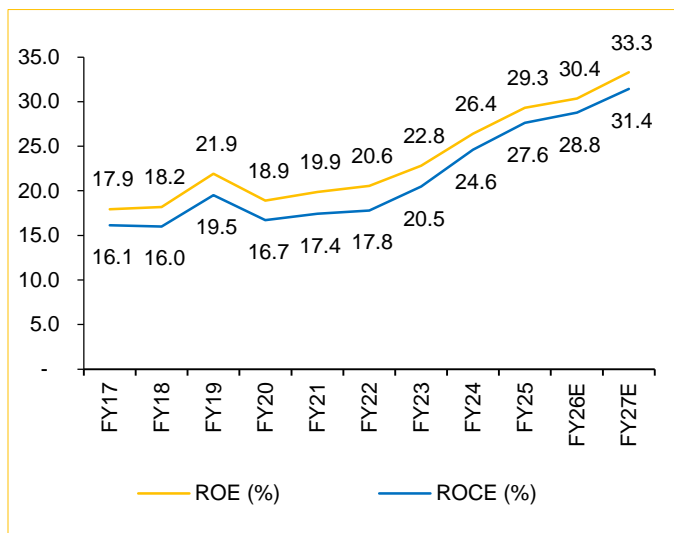
Source: Company, CEBPL

**EBITDA Margins to improve led by better mix**

Source: Company, CEBPL

**PAT growth to remain robust**

Source: Company, CEBPL

**ROE & ROCE trend**

Source: Company, CEBPL

Income statement (Consolidated in INR Bn)

Particular	FY23	FY24	FY25	FY26E	FY27E
Revenue	177.3	202.7	237.7	280.5	333.8
Gross Profit	79.1	96.9	115.8	135.7	162.2
EBITDA	40.9	50.5	68.3	80.2	96.8
Depreciation	4.3	4.4	4.7	5.1	5.7
EBIT	36.6	46.0	63.7	75.1	91.1
Other Income	2.8	6.7	7.4	9.3	10.7
Interest Expense	0.1	0.1	0.1	0.1	0.1
PBT	39.2	52.7	71.0	84.2	101.6
Reported PAT	29.4	39.4	52.9	63.2	76.2
EPS	4.0	5.4	7.3	8.7	10.5

Source: Company, CEBPL

Ratio Analysis	FY23	FY24	FY25	FY26E	FY27E
<b>Growth Ratios</b>					
Revenue (%)	15.4	14.3	17.3	18.0	19.0
EBITDA (%)	22.3	23.5	35.4	17.4	20.7
PAT (%)	24.9	34.1	35.4	19.4	20.5
<b>Margin Ratios</b>					
EBITDA margins (%)	23.0	24.9	28.8	28.6	29.0
PAT Margins (%)	16.6	19.5	22.5	22.7	23.0
<b>Performance Ratios</b>					
OCF/EBITDA (x)	0.4	0.9	0.2	1.0	1.0
OCF/IC (%)	29.1	88.1	15.5	71.6	73.6
ROE (%)	22.5	26.1	29.4	30.4	33.3
ROCE (%)	28.0	30.5	35.0	35.8	39.5
<b>Turnover Ratio (Days)</b>					
Inventory	133	134	140	135	134
Debtors	144	133	140	135	132
Payables	69	67	51	60	58
Cash Conversion Cycle (Days)	208	200	229	210	208
<b>Financial Stability Ratios</b>					
Net debt to Equity (x)	(0.6)	(0.7)	(0.5)	(0.5)	(0.5)
Net debt to EBITDA (x)	(2.0)	(2.2)	(1.4)	(1.3)	(1.2)
Interest Cover (x)	245	645	658	669	682
<b>Valuation Metrics</b>					
Fully diluted shares (Mn)	7,310	7,310	7,310	7,310	7,310
Price (INR)	364	364	364	364	364
Market Cap (INR Bn)	2,661	2,661	2,661	2,661	2,661
PE (x)	90.5	67.5	49.8	41.7	34.6
EV (INR Bn)	2,581	2,550	2,565	2,555	2,545
EV/EBITDA (x)	63	51	38	32	26
Book Value (INR/Share)	19	22	27	30	33
Price to BV (x)	19.2	16.3	13.3	12.1	11.0
EV/OCF (x)	152	55	158	32	27

Source: Company, CEBPL

Balance sheet (Consolidated in INR Bn)

Particular	FY23	FY24	FY25	FY26E	FY27E
Net worth	138.6	163.4	199.9	219.0	242.0
Deferred tax	-	0.1	1.0	1.2	1.4
Total debt	-	-	-	-	-
Other liabilities & provisions	10.6	11.5	9.8	11.6	13.8
<b>Total Net Worth &amp; liabilities</b>	149.2	175.0	210.8	231.8	257.3
Net Fixed Assets	26.8	27.9	32.0	37.9	43.2
Capital Work in progress	3.6	4.6	4.8	5.6	6.7
Investments	2.0	5.3	5.8	6.9	8.2
Cash & bank balance	80.0	110.6	95.5	106.2	116.1
Loans & Advances & other assets	22.0	16.9	17.1	20.2	24.0
Net Current Assets	94.8	120.4	151.1	161.2	175.2
<b>Total Assets</b>	149.2	175.0	210.8	231.8	257.3
Capital Employed	138.6	163.4	199.9	219.0	242.0
Invested Capital	58.6	52.9	104.5	112.8	125.9
Net Debt	-80.0	-110.6	-95.5	-106.2	-116.1
FCFF	11.1	40.1	7.4	69.8	81.7

Source: Company, CEBPL

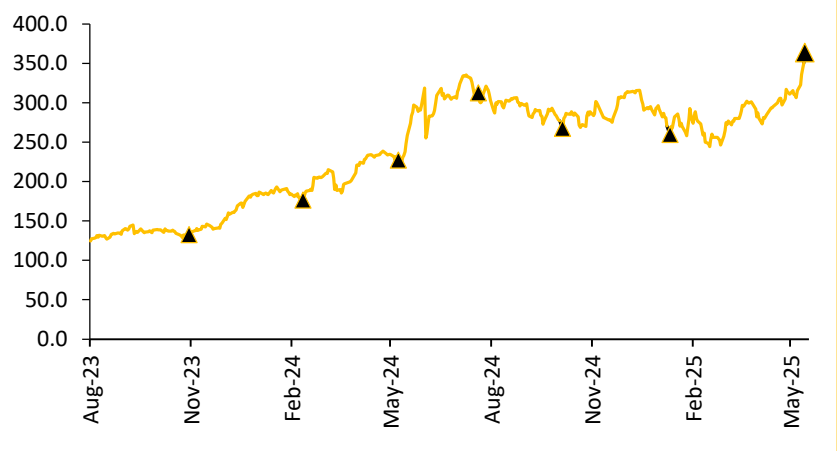
Cash Flows (INR Bn)	FY23	FY24	FY25	FY26E	FY27E
Cash Flows From Operations	17.0	46.6	16.2	80.8	92.7
Cash Flows From Investing	-5.9	-6.5	-8.8	-11.0	-11.0
Cash Flows From Financing	11.1	40.1	7.4	69.8	81.7

Source: Company, CEBPL

DuPont Analysis	FY23	FY24	FY25	FY26E	FY27E
ROE	22.5%	26.1%	29.4%	30.4%	33.3%
Net Profit Margin	16.6%	19.5%	22.5%	22.7%	23.0%
Asset Turnover	1.2	1.2	1.1	1.2	1.3
Financial Leverage	1.14	1.16	1.16	1.11	1.12

Source: Company, CEBPL

Historical Price Chart: Bharat Electronics Limited



Date	Rating	Target Price
Nov 01, 2023	ADD	151
Feb 01, 2024	ADD	196
May 23, 2024	BUY	308
Jul 30, 2024	BUY	346
Oct 29, 2024	BUY	350
Jan 31, 2025	BUY	370
May 19, 2025	BUY	420

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BUY	The security is expected to generate upside of 15% or more over the next 12 months
HOLD	The security is expected to show upside or downside returns by 14% to -5% over the next 12 months
SELL	The security is expected to show downside of 5% or more over the next 12 months

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