

BHARAT ELECTRONICS

RESULT UPDATE

KEY DATA

Rating	BUY
Sector relative	Outperformer
Price (INR)	364
12 month price target (INR)	430
52 Week High/Low	374/230
Market cap (INR bn/USD bn)	2,659/31.1
Free float (%)	48.9
Avg. daily value traded (INR mn)	7,802.8

SHAREHOLDING PATTERN

	Mar-25	Dec-24	Mar-24
Promoter	51.14%	51.14%	51.14%
FII	17.55%	17.34%	17.56%
DII	20.87%	20.94%	22.63%
Pledge	0%	0%	0%

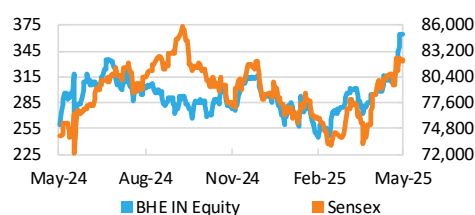
FINANCIALS

	(INR mn)			
Year to March	FY24A	FY25A	FY26E	FY27E
Revenue	2,01,694	2,36,580	2,77,073	3,28,531
EBITDA	49,982	67,676	76,195	90,346
Adjusted profit	40,200	52,882	59,423	69,974
Diluted EPS (INR)	5.5	7.2	8.1	9.6
EPS growth (%)	33.7	31.5	12.4	17.8
RoAE (%)	27.1	29.6	27.3	26.6
P/E (x)	66.9	50.9	45.3	38.4
EV/EBITDA (x)	51.6	38.4	33.4	27.8
Dividend yield (%)	0.6	0.6	0.7	0.8

CHANGE IN ESTIMATES

	Revised estimates		% Revision	
Year to March	FY26E	FY27E	FY26E	FY27E
Revenue	2,77,073	3,28,531	2.0%	1.3%
EBITDA	76,195	90,346	5.9%	3.2%
Adjusted profit	59,423	69,974	4.3%	(0.3%)
Diluted EPS (INR)	8.1	9.6	4.3%	(0.3%)

PRICE PERFORMANCE



Margin story taking shape

Bharat Electronics (BEL) positively surprised on OPM (30.6%, up 390bp YoY) in Q4 surpassing Street's headline numbers as revenue grew 6.9% YoY to INR91.2bn. FY25 OI at INR187bn fell short of INR250bn guidance but ~INR717bn backlog (~40% ascribed to top 12 projects) provides strong revenue visibility. **FY26 guidance:** OI at INR270bn (ex-QRSAM), ~15% revenue growth and ~27% OPM lend us comfort.

Retain 'BUY' as one of our sector top picks given sustained OPM beat versus Street/own guidance is highly under-appreciated. Higher localisation content, favourable product mix and cost/operational efficiencies to drive growth hereon. We are revising FY26E EPS by 4% assigning 45x PE (earlier 40x) to a TP of INR430 (earlier INR385).

Blockbuster performance; extending strength into next year

Revenue in Q4FY25 grew 6.9% YoY to INR91.2bn, whereas order inflows moderated to INR90bn due to high-base effect. FY25 revenue expanded 17.3% YoY to INR237bn (versus guidance of 15% growth). OPM for the quarter jumped to 30.6% versus 26.7% in Q4FY24 (**beating Street's expectations of 24.7%**) due to operating leverage and provisions reported in Q4FY24 (lower other opex). OPM for FY25 jumped 380bp YoY to 28.6% aided by a mix of better GM as well as operating leverage. **From last two years, BEL has managed to beat its upper end of OPM guidance.** PAT margin improved 220bp YoY to 23.1%. FY25 PAT margin improved 250bp YoY to 22.4%.

FY25 order inflows came in at ~INR187bn (*versus guidance of INR250bn*), but robust backlog of ~INR717bn provides strong revenue visibility. We expect [pipeline of INR1.1tn](#) to materialise over next 1–2Y. QRSAM may see spillover to H1FY27E.

Management stays upbeat on guidance with revenue growth at 15%, OPM at 27% (**revised upwards**) along with INR270bn OI for FY26 (ex-QRSAM). It plans to invest INR10bn yearly on capacity expansion and R&D. [Click here](#) for conference call KTAs.

Others: The board recommended a final dividend of INR0.9/sh. CFO for FY25 came in at INR4.8bn versus INR46.5bn in FY24 led by higher receivables and inventories. C&CE at FY25-end stands at INR94bn (versus INR110bn in FY24).

Key variables to watch out for over 12–18 months

Timely ordering of large ticket-size orders in the pipeline ([exhibit 1](#)), sustainability/improvement of execution and OPM shall further drive a re-rating of the stock, in our view. We believe BEL has more positive catalysts/triggers than negative ones, and has further scope for a re-rating given it has been consistently beating its own guidance/Street's estimates on profitability.

Financials

Year to March	Q4FY25	Q4FY24	% Change	Q3FY25	% Change
Net Revenue	91,197	85,285	6.9%	57,561	58.4%
EBITDA	27,890	22,800	22.3%	16,533	68.7%
Adjusted Profit	21,048	17,835	18.0%	13,161	59.9%
Diluted EPS (INR)	2.9	2.4	18.0%	1.8	59.9%

Financial Statements

Income Statement (INR mn)

Year to March	FY24A	FY25A	FY26E	FY27E
Total operating income	2,01,694	2,36,580	2,77,073	3,28,531
Gross profit	96,035	1,14,770	1,34,381	1,60,980
Employee costs	24,667	27,344	31,586	39,424
Other expenses	21,386	19,751	26,599	31,210
EBITDA	49,982	67,676	76,195	90,346
Depreciation	4,124	4,356	4,570	4,886
Less: Interest expense	70	96	101	106
Add: Other income	7,558	7,676	7,706	7,944
Profit before tax	53,346	70,900	79,230	93,298
Prov for tax	13,146	18,017	19,808	23,325
Less: Other adj	0	0	0	0
Reported profit	40,200	52,882	59,423	69,974
Less: Excp.item (net)	0	0	0	0
Adjusted profit	40,200	52,882	59,423	69,974
Diluted shares o/s	7,310	7,310	7,310	7,310
Adjusted diluted EPS	5.5	7.2	8.1	9.6
DPS (INR)	2.2	2.2	2.5	2.9
Tax rate (%)	24.6	25.4	25.0	25.0

Important Ratios (%)

Year to March	FY24A	FY25A	FY26E	FY27E
COGS (% of rev)	52.4	51.5	51.5	51.0
Employee cost (% of rev)	12.2	11.6	11.4	12.0
Other exp (% of rev)	10.6	8.3	9.6	9.5
EBITDA margin (%)	24.8	28.6	27.5	27.5
Net profit margin (%)	19.9	22.4	21.4	21.3
Revenue growth (% YoY)	14.3	17.5	17.2	18.7
EBITDA growth (% YoY)	23.5	35.4	12.6	18.6
Adj. profit growth (%)	33.7	31.5	12.4	17.8

Assumptions (%)

Year to March	FY24A	FY25A	FY26E	FY27E
GDP (YoY %)	6.7	6.0	6.2	7.0
Repo rate (%)	6.5	6.0	5.0	5.0
USD/INR (average)	83.0	84.0	82.0	81.0
Order inflow	354.1	187.2	570.0	285.0
Rev growth (% YoY)	14.3	17.3	17.1	18.6
EBITDA margin (%)	24.8	28.6	27.5	27.5
Depreciation (% of FA)	7.7	7.2	6.8	6.6
Tax rate (%)	24.6	25.4	25.0	25.0
Capex (INR mn)	6,422.9	10,010.3	6,050.0	6,050.0

Valuation Metrics

Year to March	FY24A	FY25A	FY26E	FY27E
Diluted P/E (x)	66.9	50.9	45.3	38.4
Price/BV (x)	16.7	13.7	11.3	9.4
EV/EBITDA (x)	51.6	38.4	33.4	27.8
Dividend yield (%)	0.6	0.6	0.7	0.8

Source: Company and Nuvama estimates

Balance Sheet (INR mn)

Year to March	FY24A	FY25A	FY26E	FY27E
Share capital	7,310	7,310	7,310	7,310
Reserves	1,53,514	1,89,667	2,31,019	2,79,714
Shareholders funds	1,60,824	1,96,977	2,38,329	2,87,024
Minority interest	0	0	0	0
Borrowings	0	0	0	0
Trade payables	36,937	33,151	58,641	68,856
Other liabs & prov	1,77,223	1,58,493	1,84,916	2,05,344
Total liabilities	3,85,815	3,98,840	4,92,105	5,71,443
Net block	26,992	31,242	32,702	33,847
Intangible assets	598	489	509	528
Capital WIP	8,911	10,436	10,436	10,436
Total fixed assets	36,500	42,167	43,647	44,811
Non current inv	7,678	8,204	8,204	8,204
Cash/cash equivalent	1,09,681	93,973	1,47,119	1,77,336
Sundry debtors	73,622	90,920	1,13,866	1,35,013
Loans & advances	84	81	0	0
Other assets	1,58,250	1,63,495	1,79,269	2,06,079
Total assets	3,85,815	3,98,840	4,92,105	5,71,443

Free Cash Flow (INR mn)

Year to March	FY24A	FY25A	FY26E	FY27E
Reported profit	40,200	52,882	59,423	69,974
Add: Depreciation	4,124	4,356	4,570	4,886
Interest (net of tax)	53	72	76	79
Others	7,443	11,509	(7,781)	(8,024)
Less: Changes in WC	(5,340)	(64,015)	13,274	(17,314)
Operating cash flow	46,480	4,804	69,561	49,601
Less: Capex	6,423	10,010	6,050	6,050
Free cash flow	40,057	(5,206)	63,511	43,551

Key Ratios

Year to March	FY24A	FY25A	FY26E	FY27E
RoE (%)	27.1	29.6	27.3	26.6
RoCE (%)	36.0	39.7	36.4	35.6
Inventory days	239	247	241	231
Receivable days	130	127	135	138
Payable days	121	105	117	139
Working cap (% sales)	6.1	24.7	16.2	19.0
Gross debt/equity (x)	0	0	0	0
Net debt/equity (x)	(0.7)	(0.5)	(0.6)	(0.6)
Interest coverage (x)	653.2	658.9	709.8	806.6

Valuation Drivers

Year to March	FY24A	FY25A	FY26E	FY27E
EPS growth (%)	33.7	31.5	12.4	17.8
RoE (%)	27.1	29.6	27.3	26.6
EBITDA growth (%)	23.5	35.4	12.6	18.6
Payout ratio (%)	40.0	30.4	30.4	30.4

Q4FY25 conference call: Key highlights

Opening remarks

- BEL's systems were used in Operation Sindoor (particularly C4I solutions).
- Good amount of orders shall come under emergency procurement. Strong pipeline at play over next one–two years.
- **FY26 guidance:** Revenue growth at 15% (unchanged). OPM at 27% (23–25% in FY25 versus 28.6% actual reported).

Questions and answers

Q. Emergency procurement (EP) orders. QRSAM.

A. It may be a bit early. We will get the list of EP projects. Eight–ten different line items of orders or even more as list is being finalised. QRSAM – good progress and we are expecting before Mar-26 but it may spill over to one more quarter (Q1FY27). In addition to QRSAM, NGC major order shall come from shipyards in FY26 (10–12 sub-systems provided by us). Shakti EW suite, additional LCA Tejas requirement, spares, Atulya radar, ADFCR etc. in the pipeline. Some orders can be slipped to Q1FY27/Q2FY27.

Q. OI in FY26. Kusha project.

A. QRSAM – paper activities going on fast. We have a separate team for this. Hoping that it shall come by Q4FY26. INR270–300bn OI is expected in FY26 (ex-QRSAM). If including QRSAM, it shall be INR500bn-plus. INR300bn QRSAM order – included for Air Force and Army. Kusha project (S-400) – BEL is development partner with DRDO. Doing different types of radars, control systems. System integrator of this project is yet to be finalised – if it comes to us, shall be INR400bn order.

Q. Working capital.

A. Five–six days higher than last year in terms of working capital. Its good as the government is paying us in a timely manner.

Q. Size of EP orders. Exports. Europe re-armament plan.

A. Bit early to quantify. Next eight–ten days, EP orders will be finalised. NGC – so many sub-systems (almost all electronics will be from us). Overall, INR60–100bn order in total (post QRSAM order ticket size; this will be single big order, can see some spill over to FY27E). FY26 - USD120mn export orders guidance (15% growth YoY). Lot more leads are fructifying on export sides- but that shall take one year to convert those leads. Execution on exports will be 15–18 months. Europe rearmament plan – positive for us as we are in continuous touch with our partners there and working on our marketing plans.

Q. Margins. Other expenses.

A. Margins increase is due to scale of operations. Material consumption this year is same as last year (55%). Other expenses – last year we had provision of INR960mn regarding intangible asset (this year we did not have it). Sub-systems are homegrown. We are working on multiple technologies – can give quicker turnaround and better experience to our customers. We have 70 years plus of experience. We will be main integrator for most of projects.

Q. Margins.

A. Scale of operations led to increase in margins. These margins will increase further only – we are doing higher localisation, etc.

Q. PIL (1–5 lists). Patents.

A. We are there in all PIL lists. Developing indigenised solutions. We are in the process of finalising agencies for commercialising our patents. Main aim for us is to protect the IP.

Q. Revenue growth target over next five years and beyond that.

A. Aspiring - minimum 15%–17.5% for the next five years and will do 20%-plus yearly after five years.

Q. Revenue growth guidance (15%–17.5%). R&D.

A. INR10bn capex yearly for capacity expansions, R&D etc. We are investing heavily, which shall fructify into higher orders and better execution going ahead. Planning to have bigger units/facilities going ahead. Also investing in 700–1000 engineers. We are both a product and software solutions company.

Q. Backlog breakdown. Defence versus non-defence mix for FY25.

A. Backlog – LRSAM, Himshakti, Akash Army, D-29 EW, LRUs for LCA, BSF, Akashteer, Arudhra radar etc. – will be executed mainly this year. Top 12 projects contribute to 40% mix in backlog. 90-93% defence and remaining non-defence mix for FY25.

Q. Defence versus Non-defence. Europe. BrahMos. Drones.

A. Non-defence is 6–7% as of now. When big EVMs order comes, it increases to 15%. 10% mix should be there in medium-term and longer-term should be 15%. Some of our products (arms, ammunition, fuses etc.) will be supplied to Europe. We have been working on large missile programs etc. in the last 20–25 years. This will also help us to increase exports mix now due to these proved technologies from war-like situations. BrahMos – involved in two sub-systems. Much more contribution going ahead. Akash – we have been working on this already. Four–five related drones' activity is what we are working including drone warfare. Working on next-gen drone technology.

Q. OI spillover worry to Q1FY27. Counter-drone systems.

A. QRSAM – may go to next year not because of budget (jointly progressed for Indian Army and Air Force; procedural challenges more than anything else). INR400bn additional budget given to defence for FY26. QRSAM will be the largest programme. Until now, largest single order has been worth INR80bn. Counter-drone systems being used in Operation Sindoor. BSF and Army orders won recently for this (repeat orders). We are into both – soft and hard kill. INR150–250mn order ticket size for counter-drone.

Q. Radio systems, etc being replaced.

A. Navy – doing five different types of SDRs. We are single vendor for this. INR10bn order won a few months back for SDR Navy. For Army – supplied all tactical radios (these are now being replaced by SDRs; some competition will be there). 80–90% or more of such orders will definitely come to us. INR20–30bn SDR order to come from Navy in next few years (INR1–3mn per SDR order ticket size). 40,000–50,000 quantity expected in total.

Exhibit 1: Pipeline over next 12–18 months

Bharat Electronics (12-18 months)		
Platforms	Cost (INR bn)	Expected Timeline
Base orders (upgrades, maintenance, spares etc.)	200	INR200bn p.a.
Weather radar	25	FY26-28
EW Suite for MI-17	20	FY26-28
Atulya radar	20	FY26-28
Ashwini radar *	25	Order received
Shakti Phase-4	20	FY26-28
QRSAM (weapon system)	250	FY26-28
MFR-X radar for NGME ships	20	FY26-28
GBMES system	20	FY26-28
Mountain radar	20	FY26-28
MRSAM	70	FY26-28
MF STAR variants for NGC (P75-I)	70	FY26-28
Other large programs	400	FY26-28
Total opportunity	1,135	

Source: Company, Nuvama Research

Exhibit 2: Financial snapshot (INR mn)

Year to March	Q4FY25	Q4FY24	YoY (%)	Q3FY25	QoQ (%)	FY25A	FY26E	FY27E
Revenues	91,197	85,285	6.9	57,561	58.4	2,36,580	2,77,073	3,28,531
Materials cost	47,559	43,994	8.1	29,928	58.9	1,21,810	1,42,693	1,67,551
Staff costs	7,582	6,300	20.4	6,653	14.0	27,344	31,586	39,424
Other expenses	8,165	12,192	(33.0)	4,447	83.6	19,751	26,599	31,210
Total expenditure	63,307	62,486	1.3	41,028	54.3	1,68,904	2,00,878	2,38,185
EBITDA	27,890	22,800	22.3	16,533	68.7	67,676	76,195	90,346
Interest	58	39		13		96	101	106
Depreciation	1,298	1,109	17.0	1,029	26.1	4,356	4,570	4,886
Other income	1,942	2,205	(11.9)	2,051	(5.3)	7,676	7,706	7,944
Add: Exceptional items						-	-	-
PBT	28,476	23,856	19.4	17,542	62.3	70,900	79,230	93,298
Tax	7,428	6,021	23.4	4,381	69.6	18,017	19,808	23,325
Reported profit	21,048	17,835	18.0	13,161	59.9	52,883	59,423	69,974
Adjusted profit	21,048	17,835	18.0	13,161	59.9	52,883	59,423	69,974
Equity capital	7,310	7,310		7,310		7,310	7,310	7,310
No. of shares (mn)	7,310	7,310		7,310		7,310	7,310	7,310
Adj. diluted EPS (INR)	2.9	2.4		1.8		7.2	8.1	9.6
As % of net revenues								
Raw material	52.2	51.6		52.0		51.5	51.5	51.0
Staff expenses	8.3	7.4		11.6		11.6	11.4	12.0
Other expenses	9.0	14.3		7.7		8.3	9.6	9.5
EBITDA	30.6	26.7		28.7		28.6	27.5	27.5
Adjusted profit	23.1	20.9		22.9		22.4	21.4	21.3

Source: Company, Nuvama Research

Company Description

Established by Government of India under the Ministry of Defence in 1954 to meet the specialised electronic needs of the Indian defence services, Bharat Electronics (BEL) has grown into a multi-product, multi-technology and multi-unit company, serving the needs of customers in diverse fields in India and abroad. BEL offers products and services in a wide spectrum of technology like radars, military communications, naval systems, electronic warfare systems, telecommunications, sound & vision broadcasting, opto-electronics, tank electronics, solar photovoltaic systems, embedded software and electronic components. The company also provides turnkey systems solutions like command control communication & computer intelligence (C4I), covering requirements of all the three forces.

Investment Theme

BEL, one of India's largest defence public sector undertakings (PSU), specialises in manufacturing defence electronics. It is emerging as a key beneficiary of increase in defence capital expenditure. The government's Make in India drive is likely to encourage domestic manufacturing. Further, domestic companies, including BEL, are likely to benefit from key changes in government policies, which clearly articulates defence PSUs like BEL as tier I system integrators. With strong order book in hand and parallel execution capability for multiple platforms, BEL has a strong P/L growth visibility. Also, with structural need to ensure higher systems availability and many more surface to missile (SAMs) system requirements, BELs order intake visibility remains high with limited headroom for competition.

Key Risks

Delay/lumpiness in execution / awarding of defence contracts - The defence market is monopolistic with GoI being the sole buyer of defence equipment, which puts suppliers such as BEL at a disadvantage. Further, defence procurement procedures are complex and past experience indicates that they have tended to move at an extraordinarily slow pace. This has a dual impact—the equipment flow may not occur and it leads to a high degree of lumpiness in order book. Increased competition from private players - The government has shown increased intent of involving private players in the defence procurement process and to develop an active private sector supply to the armed forces. We believe, DPSUs have strong competitive advantages over the private sector in the near-to-medium term. However, incremental competition, particularly for offset contracts, could have a negative impact on BEL's margins. Changes in government policy- Any change in government policy/terms for DPSUs might hurt BEL and other DPSUs over the longer term, especially w.r.t operating margins/cash flows.

Additional Data

Management

CMD	Manoj Jain
Director (Finance) & CFO	Damodar S Bhattad
Director (R&D)	Manoj Jain
Director (Marketing)	K V Suresh Kumar
Auditor	P G Bhagwat LLP

Holdings – Top 10*

% Holding		% Holding	
Nippon Life Ind	3.62	Hdfc Asset Mana	1.16
Kotak Mahindra	2.63	Canara Robeco A	1.13
Vanguard Group	1.98	LIC	1.04
Blackrock Inc	1.76	FMR LLC	0.90
SBI Funds Manag	1.44	UTI AMC	0.89

*Latest public data

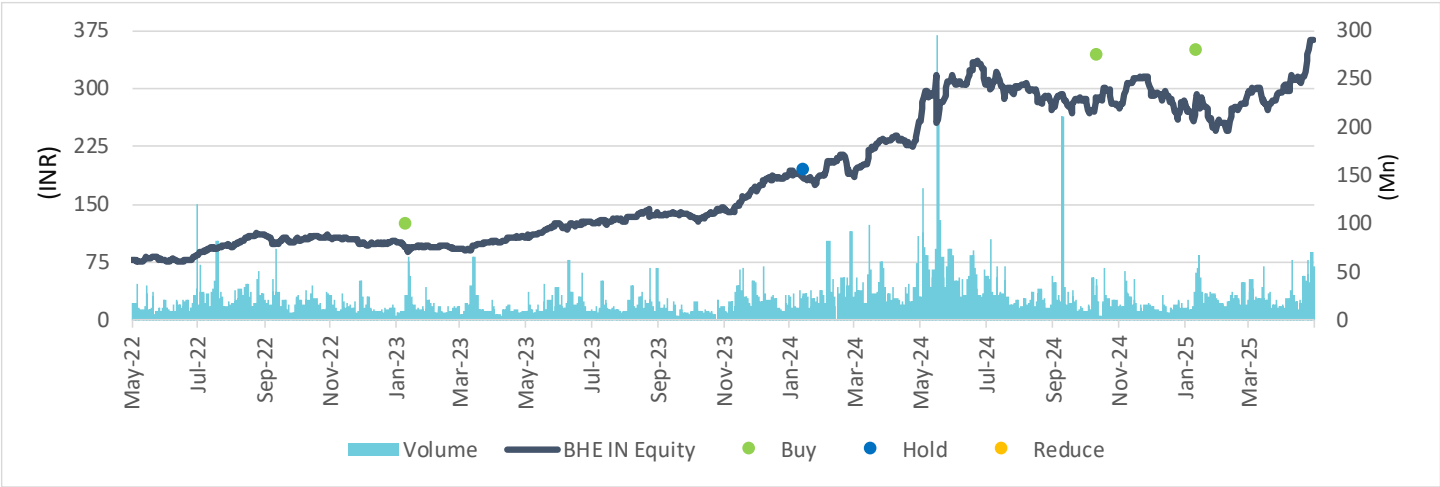
Recent Company Research

Date	Title	Price	Reco
30-Jan-25	Befitting optimism on a growing giant; <i>Result Update</i>	268	Buy
29-Oct-24	Earnings growth machine; high on surpris; <i>Result Update</i>	284	Buy
29-Jul-24	Near-term positives priced in; <i>Result Update</i>	321	Hold

Recent Sector Research

Date	Name of Co./Sector	Title
19-May-25	Data Patterns	Gathering speed; positive outlook affirm; <i>Result Update</i>
19-May-25	Zen Technologies	Solid showing; now counting on OI; <i>Result Update</i>
16-May-25	HNAL	This giant is still growing ; <i>Result Update</i>

Rating and Daily Volume Interpretation



Source: Bloomberg, Nuvama research

Rating Rationale & Distribution: Nuvama Research

Rating	Expected absolute returns over 12 months	Rating Distribution
Buy	15%	205
Hold	<15% and >-5%	63
Reduce	<-5%	34

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