

BHARAT DYNAMICS



RESULT UPDATE

KEY DATA

Rating	BUY
Sector relative	Outperformer
Price (INR)	1,960
12 month price target (INR)	2,250
52 Week High/Low	1,992/890
Market cap (INR bn/USD bn)	718/8.4
Free float (%)	22.3
Avg. daily value traded (INR mn)	5,183.4

SHAREHOLDING PATTERN

	Mar-25	Dec24	Mar-24
Promoter	74.93%	74.93%	74.93%
FII	3.25%	3.09%	2.95%
DII	9.45%	8.70%	12.39%
Pledge	0.00%	0.00%	0.00%

FINANCIALS

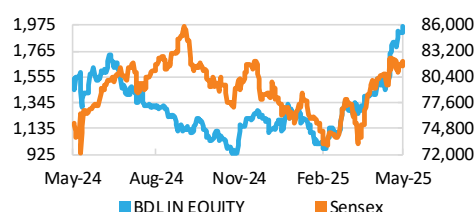
(INR mn)

Year to March	FY24A	FY25A	FY26E	FY27E
Revenue	23,693	33,451	56,380	85,170
EBITDA	5,366	4,724	12,692	19,599
Adjusted profit	6,127	5,496	12,289	18,351
Diluted EPS (INR)	16.7	15.0	33.5	50.1
EPS growth (%)	74.0	(10.3)	123.6	49.3
RoAE (%)	17.9	14.4	27.3	32.0
P/E (x)	117.3	130.7	58.5	39.2
EV/EBITDA (x)	126.0	143.2	51.6	32.9
Dividend yield (%)	0	0	0.3	0.5

CHANGE IN ESTIMATES

	Revised estimates		% Revision	
Year to March	FY26E	FY27E	FY26E	FY27E
Revenue	56,380	85,170	3.1%	7.4%
EBITDA	12,692	19,599	5.5%	7.5%
Adjusted profit	12,289	18,351	0.2%	6.1%
Diluted EPS (INR)	33.5	50.1	0.2%	6.1%

PRICE PERFORMANCE



Counting on execution momentum

Bharat Dynamics (BDL) posted a strong top line (+108% YoY) driven Q4FY25, extending strength into next year. Order inflows for FY25 came in at ~INR67bn, increasing the backlog to INR228bn (~7x FY25 sales), providing strong revenue visibility over the next three–four years; however key growth catalyst hereon shall be timely execution.

Retain 'BUY' as we are baking in a ~60% revenue CAGR over FY25–27E along with 22–23% OPMs factoring in benefits of backward integration and easing of supply-crunched critical imports (chips and warheads), which had plagued execution so far (*H2FY25 posted pickup*). We are revising FY27E EPS by 6% as we assign 45x (earlier 35x) on FY27E EPS of INR50.1, yielding a TP of INR2,250 (earlier INR1,650).

Improving trajectory; FY25 OPMs (ex-one offs) at ~18.3%

Revenue surged 108% YoY to INR17.8bn in Q4FY25. For FY25, revenue came in at INR33.4bn, up 41.2% YoY. GM came in at 40.8% versus 66.7% in Q4FY24 while for FY25, GM was 49.8% versus 62.1% in FY24 (*during FY24, ~INR1.65bn was adjusted to cost of materials consumed on account of refund received from customer, adjusting for which FY24 GM was 55.2%*). OPMs for the quarter stood at 16.8% versus 37% in Q4FY24. For FY25, OPMs came in at 14.1% versus 22.6% in FY24. However, after adjusting for the above cost adjustment, FY24 OPMs were 15.7%. The decline in OPMs was largely led by higher cost of materials consumed along with a provisioning expense of ~INR1.4bn related to a global onerous contract. Adjusting for this one-time expense, OPMs for FY25 would have been ~18.3%.

Order inflows for the year amounted to INR66.7bn (*including MRSAM from Indian Navy and a large armaments order from MoD*), taking the backlog to ~INR228bn (~7x FY25 sales). Interim dividend of INR4/share was paid during the year. The board recommended a final dividend of INR0.65/share for the year totalling to INR4.65/share. CFO came in at INR1.67bn, plunging 59.3% YoY due to a build-up in working capital while C&CE remained flattish at INR42bn for FY25.

Key variables to watch out for over next 12–18 months

With a robust backlog of ~INR228bn at FY25-end, BDL is well positioned to achieve a revenue CAGR of over ~60% during FY25–27E, in our view. Although the company previously encountered supply chain disruptions due to its dependence on war-affected nations such as Russia and Israel, we believe these challenges have now eased out. In this regard, going forward sustained/improved execution momentum along with levelling up of current OPM levels shall be key triggers for the company.

Financials

Year to March	Q4FY25	Q4FY24	% Change	Q3FY25	% Change
Net Revenue	17,770	8,541	108.0	8,321	113.5
EBITDA	2,990	3,164	(5.5)	1,269	135.6
Adjusted Profit	2,728	2,888	(5.5)	1,471	85.4
Diluted EPS (INR)	7.4	7.9	(5.5)	4.0	85.4

Financial Statements

Income Statement (INR mn)

Year to March	FY24A	FY25A	FY26E	FY27E
Total operating income	23,693	33,451	56,380	85,170
Gross profit	14,719	16,672	35,582	53,326
Employee costs	6,000	5,488	11,896	17,545
Other expenses	3,354	6,460	10,994	16,182
EBITDA	5,366	4,724	12,692	19,599
Depreciation	670	707	729	735
Less: Interest expense	31	33	37	43
Add: Other income	3,618	3,504	4,458	5,647
Profit before tax	8,282	7,488	16,385	24,468
Prov for tax	2,155	1,991	4,096	6,117
Less: Other adj	0	0	0	0
Reported profit	6,127	5,496	12,289	18,351
Less: Excp.item (net)	0	0	0	0
Adjusted profit	6,127	5,496	12,289	18,351
Diluted shares o/s	367	367	367	367
Adjusted diluted EPS	16.7	15.0	33.5	50.1
DPS (INR)	0.9	0.7	6.7	10.0
Tax rate (%)	26.0	26.6	25.0	25.0

Important Ratios (%)

Year to March	FY24A	FY25A	FY26E	FY27E
COGS (% of rev)	37.9	50.2	36.9	37.4
Employee cost (% of rev)	25.3	16.4	21.1	20.6
Other exp (% of rev)	14.2	19.3	19.5	19.0
EBITDA margin (%)	22.6	14.1	22.5	23.0
Net profit margin (%)	25.9	16.4	21.8	21.5
Revenue growth (% YoY)	(4.8)	41.2	68.5	51.1
EBITDA growth (% YoY)	31.4	(12.0)	168.7	54.4
Adj. profit growth (%)	74.0	(10.3)	123.6	49.3

Assumptions (%)

Year to March	FY24A	FY25A	FY26E	FY27E
GDP (YoY %)	5.5	6.3	6.3	6.3
Repo rate (%)	6.0	5.3	5.3	5.3
USD/INR (average)	84.0	82.0	82.0	82.0
Domestic rev gwth (%)	(4.8)	41.2	68.5	51.1
Exports rev gwth (%)	(85.9)	281.2	98.7	(87.3)
Gross margin (%)	62.1	49.8	63.1	62.6
EBITDA margin (%)	22.6	14.1	22.5	23.0
Tax rate (%)	26.0	26.6	25.0	25.0
Capex (INR mn)	(808.9)	(2,827.4)	(800.0)	(800.0)

Valuation Metrics

Year to March	FY24A	FY25A	FY26E	FY27E
Diluted P/E (x)	117.3	130.7	58.5	39.2
Price/BV (x)	19.8	17.9	14.4	11.1
EV/EBITDA (x)	126.0	143.2	51.6	32.9
Dividend yield (%)	0	0	0.3	0.5

Source: Company and Nuvama estimates

Balance Sheet (INR mn)

Year to March	FY24A	FY25A	FY26E	FY27E
Share capital	1,833	1,833	1,833	1,833
Reserves	34,535	38,257	48,088	62,769
Shareholders funds	36,368	40,090	49,920	64,601
Minority interest	0	0	0	0
Borrowings	0	0	0	0
Trade payables	7,984	15,056	14,245	21,811
Other liabs & prov	59,048	62,280	62,280	62,280
Total liabilities	1,03,401	1,17,425	1,26,445	1,48,692
Net block	8,236	8,571	8,642	8,708
Intangible assets	0	0	0	0
Capital WIP	729	1,171	1,171	1,171
Total fixed assets	8,965	9,742	9,814	9,879
Non current inv	0	39	39	39
Cash/cash equivalent	42,285	41,904	63,599	74,271
Sundry debtors	3,104	8,264	7,723	11,667
Loans & advances	20	44	44	44
Other assets	47,688	54,795	42,589	50,155
Total assets	1,03,401	1,17,425	1,26,445	1,48,692

Free Cash Flow (INR mn)

Year to March	FY24A	FY25A	FY26E	FY27E
Reported profit	6,723	5,456	12,289	18,351
Add: Depreciation	670	707	729	735
Interest (net of tax)	(3,160)	(2,966)	(4,421)	(5,604)
Others	0	0	0	0
Less: Changes in WC	(274)	(3,701)	11,936	(3,944)
Operating cash flow	4,117	1,674	20,532	9,538
Less: Capex	809	2,827	800	800
Free cash flow	3,308	(1,154)	19,732	8,738

Key Ratios

Year to March	FY24A	FY25A	FY26E	FY27E
RoE (%)	17.9	14.4	27.3	32.0
RoCE (%)	24.3	19.7	36.5	42.8
Inventory days	774	503	357	207
Receivable days	38	62	52	42
Payable days	257	251	257	207
Working cap (% sales)	(71.4)	(46.2)	(48.6)	(27.5)
Gross debt/equity (x)	0	0	0	0
Net debt/equity (x)	(1.2)	(1.0)	(1.3)	(1.1)
Interest coverage (x)	151.2	121.4	326.5	443.0

Valuation Drivers

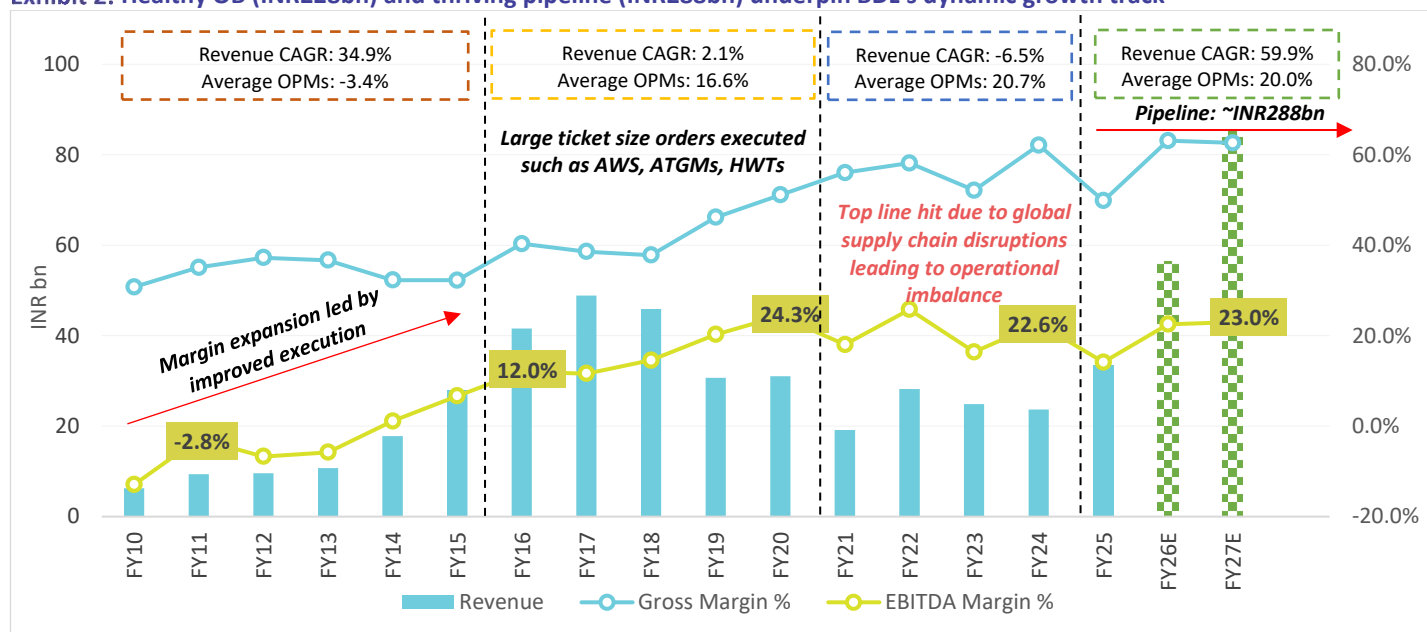
Year to March	FY24A	FY25A	FY26E	FY27E
EPS growth (%)	74.0	(10.3)	123.6	49.3
RoE (%)	17.9	14.4	27.3	32.0
EBITDA growth (%)	31.4	(12.0)	168.7	54.4
Payout ratio (%)	5.1	4.3	20.0	20.0

Exhibit 1: Financial snapshot (INR mn)

Year to March	Q4FY25	Q4FY24	YoY (%)	Q3FY25	QoQ (%)	FY25A	FY26E	FY27E
Total revenues (net)	17,770	8,541	108.0	8,321	113.5	33,451	56,380	85,170
Direct cost	10,522	2,847	269.6	3,698	184.6	16,779	20,798	31,844
Staff cost	1,379	1,537	(10.3)	1,219	13.1	5,488	11,896	17,545
Other operating expenses	2,879	993	189.9	2,136	34.8	6,460	10,994	16,182
Total expenditure	14,780	5,377	174.9	7,053	109.6	28,727	43,688	65,571
EBITDA	2,990	3,164	(5.5)	1,269	135.6	4,724	12,692	19,599
Depreciation	197	163	20.9	177	11.0	707	729	735
EBIT	2,793	3,002	(6.9)	1,092	155.9	4,017	11,964	18,864
Interest	7	8	(7.1)	7	0.6	33	37	43
Other income	996	885	12.5	844	17.9	3,504	4,458	5,647
Exceptional items	0	0		0		0	0	0
PBT	3,782	3,879	(2.5)	1,929	96.1	7,488	16,385	24,468
Tax	1,054	991	6.4	458	130.3	1,991	4,096	6,117
Non-controlling interests	0	0		0		0	0	0
Reported Profit	2,728	2,888	(5.5)	1,471	85.4	5,496	12,289	18,351
Adjusted Profit	2,728	2,888	(5.5)	1,471	85.4	5,496	12,289	18,351
Equity capital(FV:INR1)	1,833	1,833		1,833		1,833	1,833	1,833
No. of Diluted shares outstanding (mn)	367	367		367		367	367	367
Adjusted Dil. EPS	7.4	7.9		4.0		15.0	33.5	50.1
as % of net revenues								
Direct cost	59.2	33.3		44.4		50.2	36.9	37.4
Staff cost	7.8	18.0		14.6		16.4	21.1	20.6
Other operating expenses	16.2	11.6		57.8		19.3	19.5	19.0
EBITDA	16.8	37.0		15.2		14.1	22.5	23.0
Adjusted profit	15.4	33.8		17.7		16.4	21.8	21.5
Tax rate	27.9	25.5		23.7		26.6	25.0	25.0

Source: Company, Nuvama Research

Exhibit 2: Healthy OB (INR228bn) and thriving pipeline (INR288bn) underpin BDL's dynamic growth track



Source: Company, Nuvama Research

Exhibit 3: BDL's pipeline over next three-four years

Bharat Dynamics Limited (2025-29)			
Platforms	Units	Cost (INRbn)	Expected Timeline
Base orders (SAMs, torpedos, spares, refurbishment)	-	20	INR20bn p.a.
Astra Mk I	750	113	FY25-29
Astra Mk II	15	3	FY26-27
MRSAM *	70	30	Order received
QRSAM	144	88	FY27-28
LBRM	1200	48	FY25-26
SAAW	-	10	FY25-26
NAG/Helina ATGM	500	5	FY25-26
Spike ER2	-	3	FY25-26
Total opportunity		288	

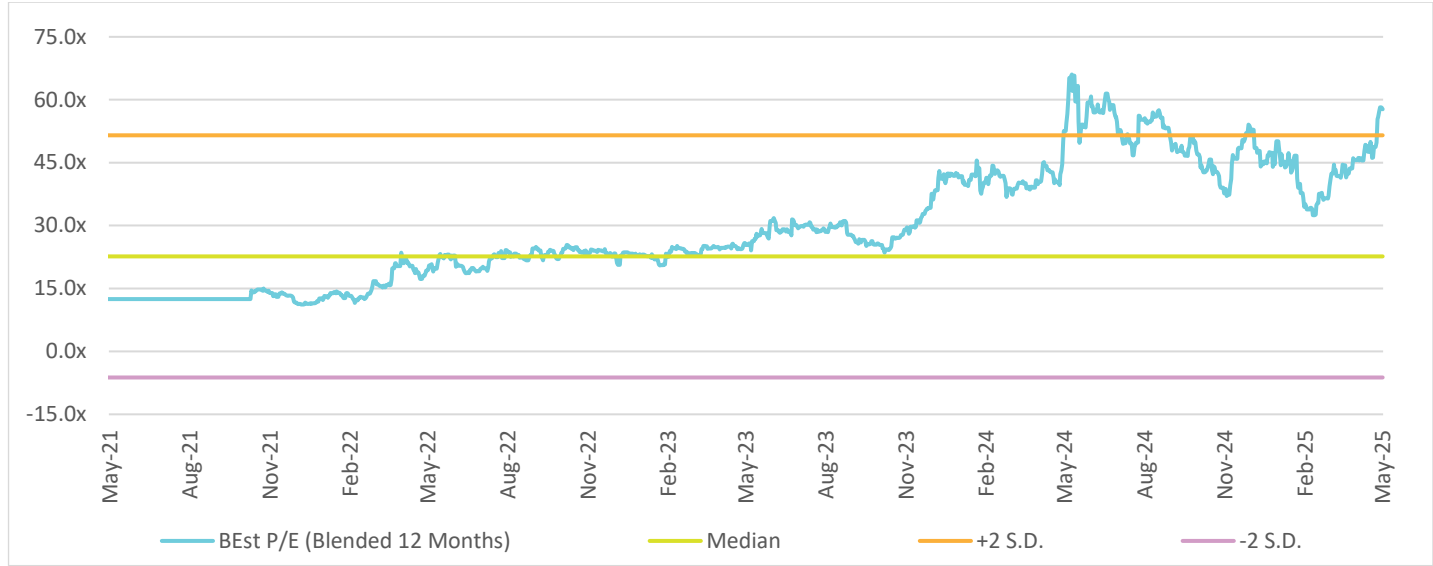
Source: Company, Nuvama Research

Exhibit 4: FY27E EPS sensitivity

		Revenue CAGR (FY25E-27E)				
		30.0%	40.0%	50.0%	55.0%	60.0%
FY27E OPMs (%)	18.0%	30.5	33.7	37.2	39.1	41.0
	20.0%	32.8	36.4	40.3	42.3	44.4
	22.0%	35.0	39.0	43.3	45.6	47.9
	25.0%	38.5	43.0	47.9	50.4	53.1
	27.0%	40.8	45.6	50.9	53.7	56.5

Source: Nuvama Research

Exhibit 5: One-year forward PE (median ~23x)



Source: Company, Nuvama Research

Company Description

Bharat Dynamics Limited (BDL), established in 1970, is a leading public sector undertaking under the Ministry of Defence. The company manufactures Surface-to-Air Missiles (SAM), Air-to-Air Missiles (AAM), Anti-Tank Guided Missiles (ATGMs), underwater weapons - Torpedoes, and allied defence equipment such as launchers, counter measures dispensing system (CMDS) and test equipment.

Headquartered in Hyderabad, BDL has three manufacturing units located at Kanchanbagh, Hyderabad (Telangana), Bhanur, Sangareddy District (Telangana) and Visakhapatnam (Andhra Pradesh). The Kanchanbagh manufacturing unit is engaged in the manufacture of SAMs, Milan 2T ATGMs, countermeasures, launchers and test equipment. The Bhanur unit manufactures the Konkurs – M ATGMs, the INVAR (3UBK 20) ATGMs, launchers and spares. The Vishakhapatnam unit is engaged in the manufacturing of lightweight torpedoes, the C-303 anti-torpedo system, countermeasures and spares.

Investment Rationale

BDL is India's leading manufacturer of SAMs, air-to-air missiles (AAMs), torpedoes and ATGMs and it is now evolving into providing turnkey solutions to the Indian Armed Forces. To its credit, BDL has engineered a vast missile ecosystem over the years through integration of sections, sub-systems, missiles, QCs and product support. Incremental opportunities are arising for the company in the wake of modernisation push and procurement of new fighters, submarines, corvettes, frigates, etc. BDL is actively exploring partnerships and collaborations with foreign OEMs to develop new weapons under ToT and has already made an entry into exports via supplies of LWTs, CMDS, ATGMs and Akash Weapon System to friendly foreign countries. Despite stunted execution due to global supply chain challenges, BDL has been able to sustain and grow its margin profile over the years; it reported GM/OPM of 62.1%/22.6% in FY24.

Key Risks

- BDL has been facing supply chain issues for the past several quarters. It is dependent on multiple OEMs for subassemblies/components, single source suppliers and sub-contractors.
- It is dependent on a single customer, i.e. the Indian armed forces through the Ministry of Defence, Gol.
- Intense competition by domestic (Adani Defence, Reliance Defence, Tata Advanced Systems, L&T, Solar Industries, etc.) and international players with similar product offerings can affect the company's business.

Additional Data

Management

Chairman/MD	A Madhava Rao
CFO	G Gayatri Prasad
CFO	Chanchal Rajora
Director:Production	P V Raja Ram
Auditor	M/s Tej Raj & Pal

Holdings – Top 10*

	% Holding		% Holding
Life Insurance	2.79	BlackRock Inc	0.46
Motilal Oswal A	1.47	Edelweiss Asset	0.42
HDFC Asset Mana	1.14	Invesco Asset M	0.32
Vanguard Group	0.98	Axis Asset Mana	0.28
Nippon Life Ind	0.77	Dimensional Fun	0.24

*Latest public data

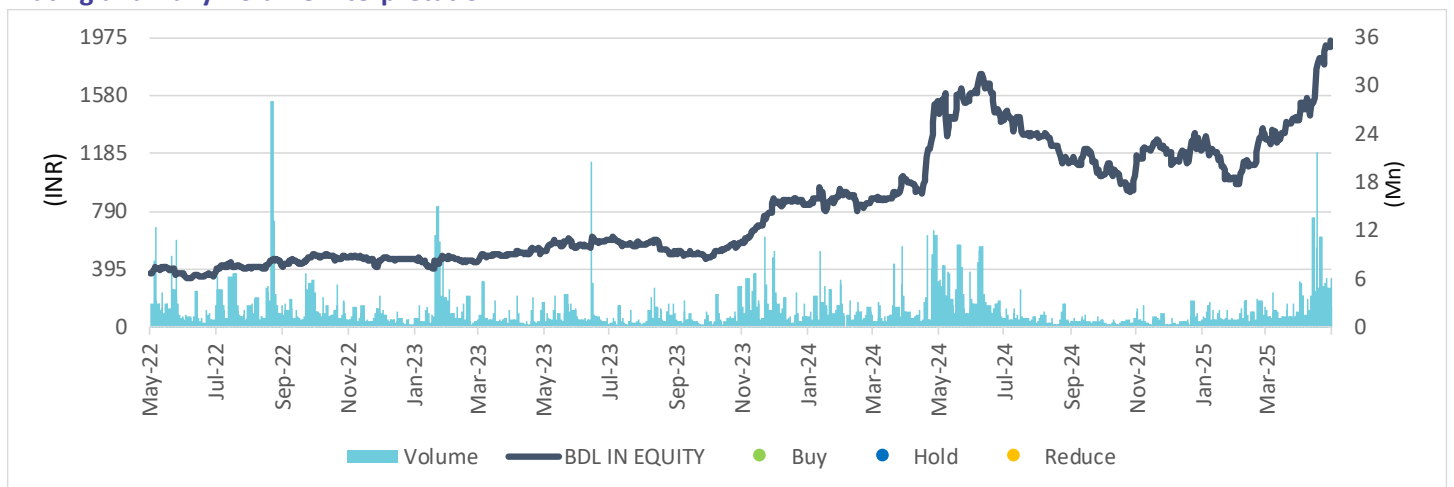
Recent Company Research

Date	Title	Price	Reco

Recent Sector Research

Date	Name of Co./Sector	Title
21-May-25	Solar Industries	Catalysts skewed towards upside; <i>Result Update</i>
20-May-25	Bharat Electronics	Margin story taking shape; <i>Result Update</i>
19-May-25	Data Patterns	Gathering speed; positive outlook affirm; <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%	204
Hold	<15% and >-5%	63
Reduce	<-5%	34

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