

BHARAT DYNAMICS

RESULT UPDATE



KEY DATA

Rating	BUY
Sector relative	Outperformer
Price (INR)	1,486
12 month price target (INR)	2,250
52 Week High/Low	2,097/890
Market cap (INR bn/USD bn)	545/6.2
Free float (%)	22.3
Avg. daily value traded (INR mn)	6,536.7

SHAREHOLDING PATTERN

	Jun-25	Mar-25	Dec-24
Promoter	74.93%	74.93%	74.93%
FII	3.77%	3.25%	3.09%
DII	10.10%	9.45%	8.70%
Pledge	0.00%	0.00%	0.00%

FINANCIALS

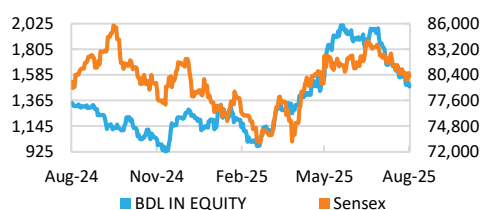
(INR mn)

Year to March	FY25A	FY26E	FY27E	FY28E
Revenue	33,451	56,380	85,170	1,15,412
EBITDA	4,724	12,668	19,641	27,122
Adjusted profit	5,496	12,271	18,382	24,938
Diluted EPS (INR)	15.0	33.5	50.1	68.0
EPS growth (%)	(10.3)	123.3	49.8	35.7
RoAE (%)	14.4	27.3	32.1	33.4
P/E (x)	99.0	44.4	29.6	21.8
EV/EBITDA (x)	106.4	37.9	23.9	16.9
Dividend yield (%)	0	0.5	0.7	0.9

CHANGE IN ESTIMATES

	Revised estimates		% Revision	
Year to March	FY26E	FY27E	FY26E	FY27E
Revenue	56,380	85,170	0.0%	0.0%
EBITDA	12,668	19,641	(0.2%)	0.2%
Adjusted profit	12,271	18,382	(0.1%)	0.2%
Diluted EPS (INR)	33.5	50.1	(0.1%)	0.2%

PRICE PERFORMANCE



Hockey stick growth in sight

Bharat Dynamics (BDL) reported subdued profitability overshadowing robust execution, which surged 30% YoY to INR2.5bn during Q1FY26. A strong backlog of INR228bn (~7x FY25 sales) coupled with [INR428bn of pipeline](#) lends us earnings visibility over the next four–five years. Timely/profitable execution along with huge exports optionality from friendly countries remain key catalysts.

Maintain 'BUY' as we are building in ~51%/66% revenue/EPS CAGR over FY25–28E, 23–23.5% OPM accounting for gains from easing of supply-crunched critical imports (chips and warheads) along with backward integration in our view. We are assigning 45x target PE on FY27E EPS of INR50.1, yielding an unchanged TP of INR2,250.

Strong revenue growth; OPM weak; profitable execution stays key

BDL delivered a robust top line in Q1FY26, up 29.7% YoY to INR2.5bn. While GM shrank to 76.1% versus 83.1% in Q1FY25, OPM improved (*still in negative territory given seasonally weak H1*) to -18.3% from -27.4% in Q1FY25 supported by better operating leverage despite higher other opex (*likely provisions, in our view*). PAT surged 154% YoY to INR183mn with PAT margin up to 7.4% (3.8% in Q1FY25).

FY25 order inflows were INR66.7bn driven by MRSAM order from the Indian Navy and a large armaments contract from the MoD, taking the backlog to ~INR228bn (~7x FY25 sales) providing strong revenue visibility.

We forecast BDL's [order pipeline over next 3–4 years at ~INR428bn](#) underpinned by steady base orders of ~INR20bn annually for SAMs, torpedoes and refurbishment. Major upcoming programmes include Astra Mk I, Astra Mk II, QRSAM and LBRM while additional opportunities span SAAW, NAG/Helina ATGM, Spike ER2, LRLACM.

BDL also plans to enter new segments such as guided bombs, warhead manufacturing, space applications and propellants. Its upcoming Jhansi facility, sixth overall and first in Northern India, would focus on ATGM propulsion systems and act as a key hub for next-generation missile development.

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

Given a robust backlog of ~INR228bn in end-FY25, BDL is well positioned to achieve a revenue CAGR of over ~51% during FY25–28E, 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 reckon these challenges have now started to ease out. In this regard, sustained/improved execution momentum along with levelling up of current OPM levels shall be key triggers.

Financials

Year to March	Q1FY26	Q1FY25	% Change	Q4FY25	% Change
Net Revenue	2,479	1,912	29.7	17,770	(86.0)
EBITDA	(454)	(523)	(13.3)	2,990	(115.2)
Adjusted Profit	183	72	154.3	2,728	(93.3)
Diluted EPS (INR)	0.5	0.2	154.3	7.4	(93.3)

Financial Statements

Income Statement (INR mn)

Year to March	FY25A	FY26E	FY27E	FY28E
Total operating income	33,451	56,380	85,170	1,15,412
Gross profit	16,672	30,790	44,809	59,437
Employee costs	5,488	6,000	6,856	7,502
Other expenses	6,460	12,122	18,311	24,813
EBITDA	4,724	12,668	19,641	27,122
Depreciation	707	729	735	740
Less: Interest expense	33	37	43	58
Add: Other income	3,504	4,458	5,645	6,926
Profit before tax	7,488	16,361	24,510	33,250
Prov for tax	1,991	4,090	6,127	8,313
Less: Other adj	0	0	0	0
Reported profit	5,496	12,271	18,382	24,938
Less: Excp.item (net)	0	0	0	0
Adjusted profit	5,496	12,271	18,382	24,938
Diluted shares o/s	367	367	367	367
Adjusted diluted EPS	15.0	33.5	50.1	68.0
DPS (INR)	0.7	6.7	10.0	13.6
Tax rate (%)	26.6	25.0	25.0	25.0

Important Ratios (%)

Year to March	FY25A	FY26E	FY27E	FY28E
COGS (% of rev)	50.2	45.4	47.4	48.5
Employee cost (% of rev)	16.4	10.6	8.1	6.5
Other exp (% of rev)	19.3	21.5	21.5	21.5
EBITDA margin (%)	14.1	22.5	23.1	23.5
Net profit margin (%)	16.4	21.8	21.6	21.6
Revenue growth (% YoY)	41.2	68.5	51.1	35.5
EBITDA growth (% YoY)	(12.0)	168.2	55.0	38.1
Adj. profit growth (%)	(10.3)	123.3	49.8	35.7

Assumptions (%)

Year to March	FY25A	FY26E	FY27E	FY28E
GDP (YoY %)	6.3	6.3	6.3	6.3
Repo rate (%)	5.3	5.3	5.3	5.3
USD/INR (average)	82.0	82.0	82.0	82.0
Domestic rev gwth (%)	41.2	68.5	51.1	35.5
Exports rev gwth (%)	281.2	98.7	(87.3)	12.0
Gross margin (%)	49.8	54.6	52.6	51.5
EBITDA margin (%)	14.1	22.5	23.1	23.5
Tax rate (%)	26.6	25.0	25.0	25.0
Capex (INR mn)	(2,827.4)	(800.0)	250.0	270.0

Valuation Metrics

Year to March	FY25A	FY26E	FY27E	FY28E
Diluted P/E (x)	99.0	44.4	29.6	21.8
Price/BV (x)	13.6	10.9	8.4	6.4
EV/EBITDA (x)	106.4	37.9	23.9	16.9
Dividend yield (%)	0	0.5	0.7	0.9

Source: Company and Nuvama estimates

Balance Sheet (INR mn)

Year to March	FY25A	FY26E	FY27E	FY28E
Share capital	1,833	1,833	1,833	1,833
Reserves	38,257	48,073	62,779	82,729
Shareholders funds	40,090	49,906	64,612	84,562
Minority interest	0	0	0	0
Borrowings	0	0	0	0
Trade payables	15,056	17,527	27,644	38,339
Other liabs & prov	62,280	62,280	62,280	62,280
Total liabilities	1,17,425	1,29,713	1,54,536	1,85,181
Net block	8,571	8,642	8,708	9,168
Intangible assets	0	0	0	0
Capital WIP	1,171	1,171	1,171	1,171
Total fixed assets	9,742	9,814	9,879	10,339
Non current inv	39	39	39	39
Cash/cash equivalent	41,904	63,585	74,281	86,562
Sundry debtors	8,264	7,723	11,667	15,810
Loans & advances	44	44	44	44
Other assets	54,795	45,872	55,988	69,750
Total assets	1,17,425	1,29,713	1,54,536	1,85,181

Free Cash Flow (INR mn)

Year to March	FY25A	FY26E	FY27E	FY28E
Reported profit	5,456	12,271	18,382	24,938
Add: Depreciation	707	729	735	740
Interest (net of tax)	(2,966)	(4,421)	(5,603)	(6,868)
Others	0	0	0	0
Less: Changes in WC	(3,701)	11,936	(3,944)	(7,210)
Operating cash flow	1,674	20,514	9,570	11,599
Less: Capex	2,827	800	800	1,200
Free cash flow	(1,154)	19,714	8,770	10,399

Key Ratios

Year to March	FY25A	FY26E	FY27E	FY28E
RoE (%)	14.4	27.3	32.1	33.4
RoCE (%)	19.7	36.4	42.9	44.7
Inventory days	503	314	204	225
Receivable days	62	52	42	43
Payable days	251	232	204	215
Working cap (% sales)	(46.2)	(48.6)	(27.5)	(14.1)
Gross debt/equity (x)	0	0	0	0
Net debt/equity (x)	(1.0)	(1.3)	(1.1)	(1.0)
Interest coverage (x)	121.4	325.8	444.0	457.2

Valuation Drivers

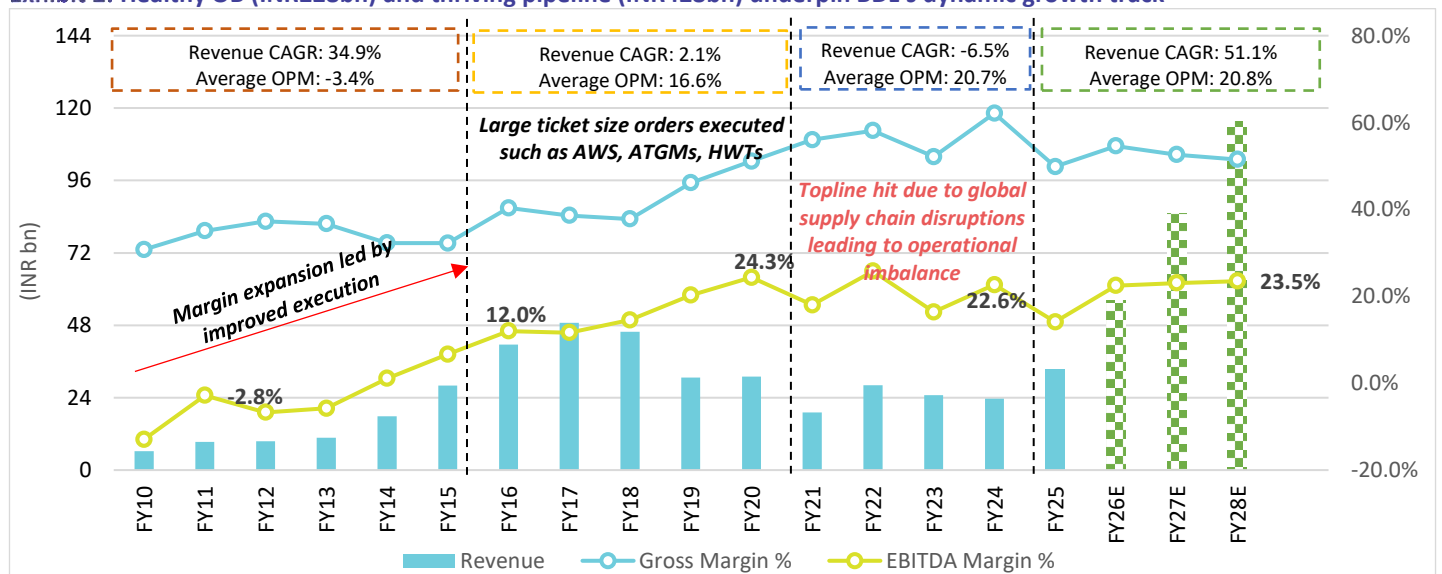
Year to March	FY25A	FY26E	FY27E	FY28E
EPS growth (%)	(10.3)	123.3	49.8	35.7
RoE (%)	14.4	27.3	32.1	33.4
EBITDA growth (%)	(12.0)	168.2	55.0	38.1
Payout ratio (%)	4.3	20.0	20.0	20.0

Exhibit 1: Financial snapshot (INR mn)

Year to March	Q1FY26	Q1FY25	YoY (%)	Q4FY25	QoQ (%)	FY25A	FY26E	FY27E
Total revenues (net)	2,479	1,912	29.7	17,770	(86.0)	33,451	56,380	85,170
Direct cost	592	322	83.7	10,522	(94.4)	16,779	25,590	40,361
Staff cost	1,320	1,471	(10.3)	1,379	(4.3)	5,488	6,000	6,856
Other operating expenses	1,021	642	59.1	2,879	(64.5)	6,460	12,122	18,311
Total expenditure	2,933	2,435	20.5	14,780	(80.2)	28,727	43,712	65,528
EBITDA	-454	-523	NA	2,990	NA	4,724	12,668	19,641
Depreciation	177	157	12.7	197	(10.1)	707	729	735
EBIT	-630	-680	NA	2,793	NA	4,017	11,940	18,907
Interest	7	12	(39.7)	7	(2.4)	33	37	43
Other income	869	804	8.1	996	(12.8)	3,504	4,458	5,645
Exceptional items	0	0		0		0	0	0
PBT	231	112	105.9	3,782	(93.9)	7,488	16,361	24,510
Tax	48	40	19.1	1,054	(95.5)	1,991	4,090	6,127
Non-controlling interests	0	0		0		0	0	0
Reported Profit	183	72	154.3	2,728	(93.3)	5,496	12,271	18,382
Adjusted Profit	183	72	154.3	2,728	(93.3)	5,496	12,271	18,382
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	0.5	0.2		7.4		15.0	33.5	50.1
as % of net revenues								
Direct cost	23.9	16.9		59.2		50.2	45.4	47.4
Staff cost	53.2	76.9		7.8		16.4	10.6	8.1
Other operating expenses	41.2	33.6		16.2		19.3	21.5	21.5
EBITDA	(18.3)	(27.4)		16.8		14.1	22.5	23.1
Adjusted profit	7.4	3.8		15.4		16.4	21.8	21.6
Tax rate	20.7	35.8		27.9		26.6	25.0	25.0

Source: Company, Nuvama Research

Exhibit 2: Healthy OB (INR228bn) and thriving pipeline (INR428bn) underpin BDL's dynamic growth track



Source: Company, Nuvama Research

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

Pipeline	Expected timeline	Units	Value (INR bn)
Base orders (SAMs, torpedoes, spares, refurbishment)	INR20bn p.a.	-	20
Astra Mk I	FY25-29	750	113
Astra Mk II	FY26-27	15	3
QRSAM	FY27-28	144	88
LBRM	FY25-26	1,200	48
SAAW	FY25-26	-	10
NAG/Helina ATGM	FY25-26	500	5
Spike ER2	FY25-26	-	3
LRLACM	FY27-28	200	140
Total			428

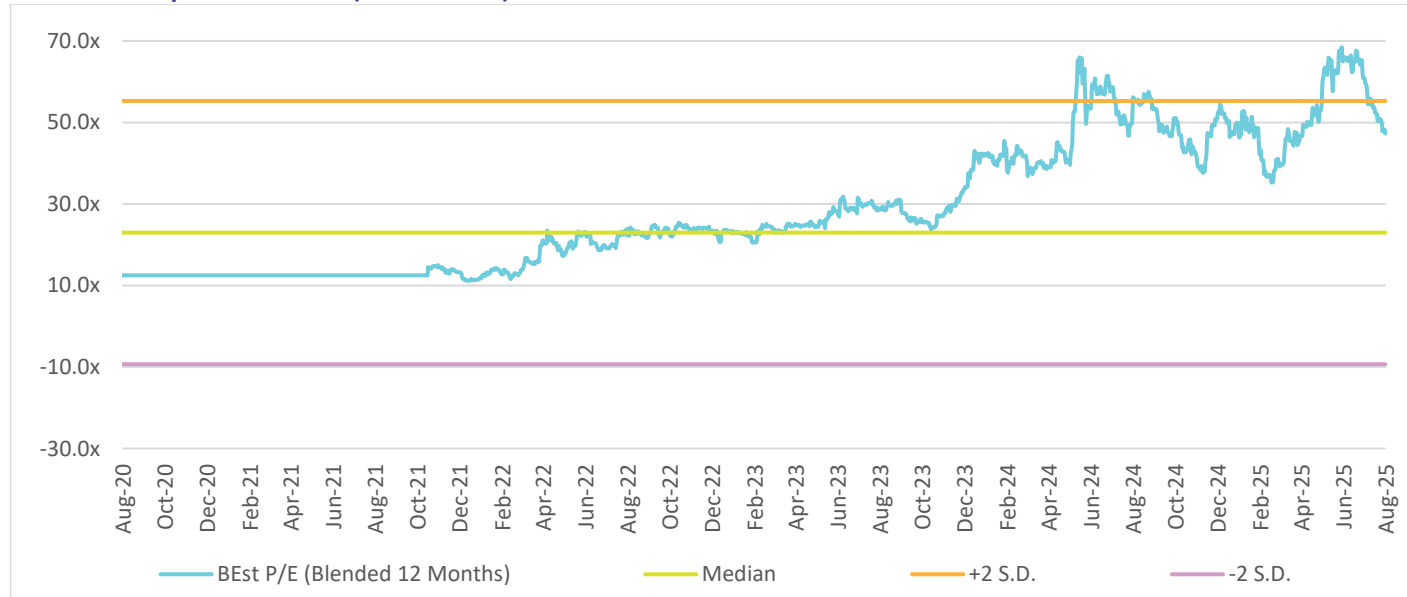
Source: Company, Nuvama Research

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
Motilal Oswal A	1.77	BlackRock Inc	0.46
HDFC AMC Ltd	1.11	Edelweiss AM Lt	0.33
Vanguard Group	0.99	Axis AMC Ltd/In	0.32
SBI Pension Fun	0.70	Norges Bank	0.27
Nippon Life Ind	0.59	Dimensional Fun	0.23

*Latest public data

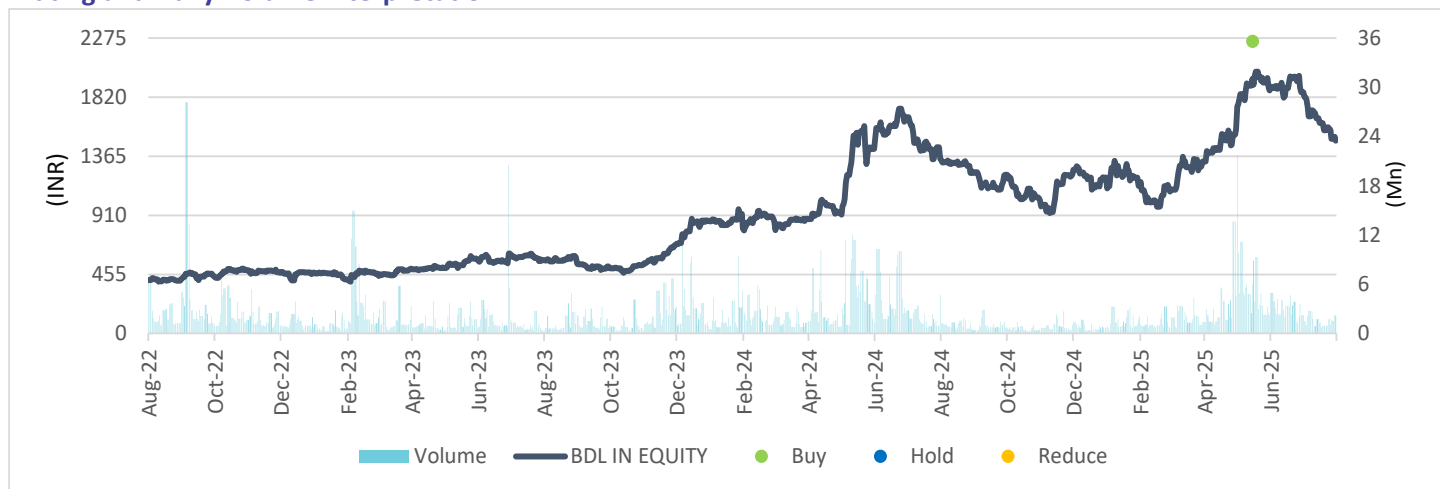
Recent Company Research

Date	Title	Price	Reco
27-May-25	Counting on execution momentum ; <i>Result Update</i>	1,960	Buy

Recent Sector Research

Date	Name of Co./Sector	Title
08-Aug-25	Solar Industries	Fast-paced growth to sustain; <i>Result Update</i>
08-Aug-25	Data Patterns	Long-term positive drivers intact; <i>Result Update</i>
30-Jul-25	Bharat Electronics	Quality growth; more to come; <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%	198
Hold	<15% and >-5%	70
Reduce	<-5%	36

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Abneesh Roy

Head of Research Committee

Abneesh.Roy@nuvama.com
