Q2FY26 PREVIEW

SECTOR UPDATE

Selective momentum amid seasonality

India's defence sector is in a high-growth phase, supported by strong ~INR10tn DPSU pipeline, likely higher budget allocation, particularly towards Air Force and Navy and an accelerated indigenisation push. MoD's new 15-year roadmap further reinforces this outlook, outlining ambitions for nuclear-powered warships, hypersonic missiles, stealth UCAVs, directed-energy and enhanced AI/space-warfare capabilities.

While we are structurally positive on the whole space, we see Defence Electronics as a key outperformer with large platform ordering and ongoing modernisation push likely to drive this segment's growth at 1.5–2x the capital outlay (14–15% CAGR). *Sector top pick: BEL (16% EPS CAGR over FY25–28E with ~26% RoE at 43x P/E FY27E – exhibit 9).*

Project (HNAL) versus Product (BEL): Execution, cost control key

HNAL leads in terms of backlog, but we remain cautious on potential cost escalations, project delays and supply chain challenges. We estimate ~10% YoY execution growth in Q2FY26 (led by base orders) while Tejas deliveries are yet to start; of the 12 LCA units targeted in FY26, only seven may materialise, contributing ~13% to FY26 sales, in our view. We find **BEL a stronger play** with better execution and margin visibility. For Q2FY26, we estimate execution pickup for **BEL** (+15% YoY) backed by ~INR750bn backlog with robust margins (~28%) aided by high localisation and operational efficiencies. QRSAM ordering is likely to be a key re-rating trigger.

Structural compounders: Solar Industries and Data Patterns

SOIL and DPIL *represent high-quality structural stories over a longer-term horizon (three–five years)*, in our view. We expect **SOIL** to post ~30% YoY growth in Q2FY26, supported by a robust backlog exceeding ~INR168bn. While heavy monsoons slowed mining and infra activity in India, strong overseas execution is likely to offset the domestic impact. For **DPIL**, we anticipate OIs of ~INR1.8bn, (FY26 OI guidance at INR10bn) factoring in strong execution uptick (+28.5% YoY), driven by robust inflows in Q1FY26 and recognition of ~INR270mn spillover Q1FY26 onwards.

Tactical watch list: Bharat Dynamics and Zen Technologies

BDL is poised for strong execution as supply chain pressures ease with OB of INR228bn-plus supporting ~50% revenue CAGR over FY25–28E though margins could remain under pressure amid rising competition in missile system. For **Zen Technologies**, weak order inflow momentum remains a concern despite management's INR6.5bn guidance for the quarter. We estimate a soft top line, but decent ~34% OPMs from simulation orders with earnings likely bottoming out and recovery likely only H2FY27E onwards (as and when ordering picks up).

Overall, we forecast selective execution resilience despite seasonal softness with strong long-term visibility. ***BEL is our top pick*** for its robust execution/backlog and steady margins while SOIL and DPIL offer compelling multi-year growth potential. **This note marks transfer of coverage**.

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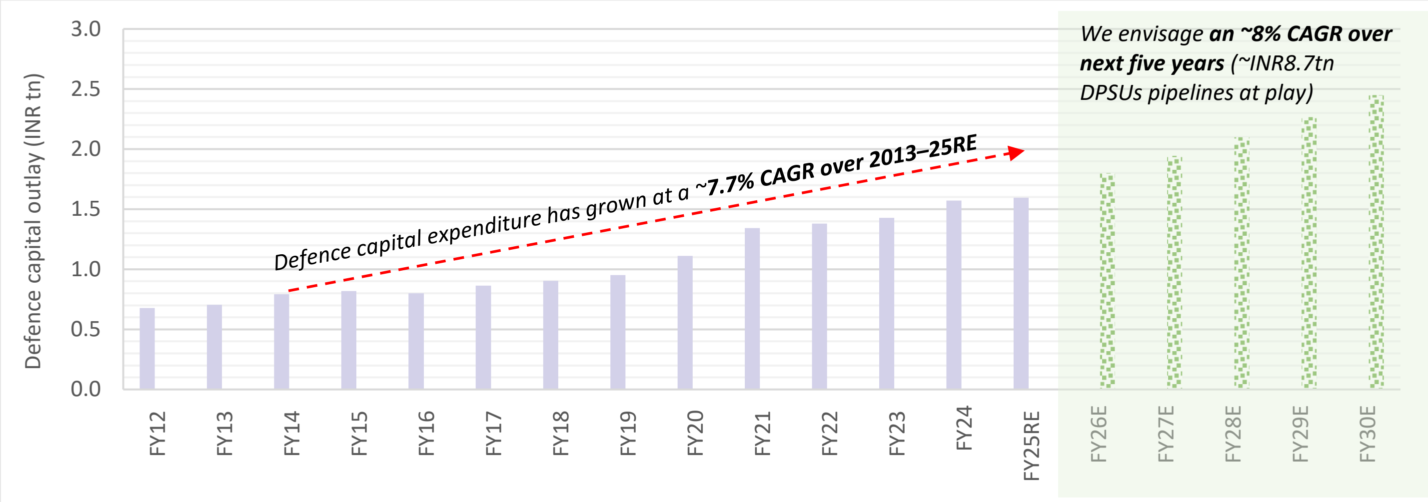
Exhibit 1: Q2FY26 results expectations

Company	Particulars	Q2FY26E	Q2FY25	Q1FY26	Growth (YoY)	Growth (QoQ)	Comments
Bharat Electronics	Revenues	52,767	45,834	44,168	*15.1%*	*19.5%*	We estimate a pickup in execution (versus only ~5% YoY growth in Q1FY26 due to geopolitical issues) on the back of ~INR750bn backlog with margins comfortably attainable at ~28% levels driven by higher operational efficiency and localisation levels. BEL has been consistently beating Street's estimate and its own guidance on OPMs (~27% guidance versus 28.1% reported in Q1FY26). It remains the chief beneficiary of defence electronics across the sector value chain as better visibility of elevated OPMs on higher indigenisation efforts, cost efficiencies and better product mix provide us comfort, not to forget a ~INR1tn-plus pipeline over next 18–24 months. QRSAM order (INR300bn) is likely to materialise anytime now given the Indian Army has rolled out its tender, which is potentially a significant re-rating trigger coupled with an upward margin trajectory (27%-plus OPMs guided for FY26), in our view.
	EBITDA	14,775	13,885	12,399	*6.4%*	*19.2%*	
	PAT	11,636	10,913	9,691	*6.6%*	*20.1%*	
	Order inflows	58,742	24,734	76,258	*137.5%*	*-23.0%*	
	Order book	7,54,565	7,45,950	7,48,590	*1.2%*	*0.8%*	
	EBITDA Margin (%)	*28.0*	*30.3*	*28.1*			
Zen Technologies	Revenues	2,000	2,417	1,111	*-17.2%*	*80.1%*	Order inflow pickup still remains a key challenge. Management guided for INR6.5bn OI for the quarter. We reckon weak top-line growth based on lower order inflow momentum and ~34% OPMs led by execution of high-margin simulation orders in backlog. Having said that, we find an approaching earnings trough with a recovery likely only from H2FY27E (if and when ordering picks up). We believe timely ordering by MoD is one of the key asks along with meeting its 50% revenue CAGR, 35% OPM and 25% PAT margin guidance over next two–three years. Recent partnership with AVT Simulation to enter US market, strategic acquisitions to foray into naval simulation/drones/robotics is directionally as well as strategically positive.
	EBITDA	680	794	380	*-14.3%*	*78.9%*	
	PAT	591	652	371	*-9.3%*	*59.3%*	
	Order inflows	6,500	396	251	*1541.9%*	*2490.9%*	
	Order book	10,559	9,567	6,060	*10.4%*	*74.3%*	
	EBITDA Margin (%)	*34.0*	*32.9*	*34.3*			
Solar Industries	Revenues	22,700	17,158	21,545	*32.3%*	*5.4%*	Defence and exports shall be prime growth drivers (increasing to 75–80% of mix over next two–three years versus 60–65% currently). Defence is its fastest-growing segment (a ~82% revenue CAGR over FY21–25) having increased its revenue mix from ~2% in FY18 to ~20% now, spurred by huge defence investments (INR3–4bn yearly) in building capabilities over last few years.
	EBITDA	5,720	4,448	5,349	*28.6%*	*6.9%*	
	PAT	3,705	2,859	3,387	*29.6%*	*9.4%*	
	EBITDA Margin (%)	*25.2*	*25.9*	*24.8*			
Data Patterns	Revenues	1,169	910	993	*28.5%*	*17.7%*	We anticipate OI worth ~INR1.8bn to flow in for DPIL on the basis of INR10bn pipeline (as guided by management). Accounting for strong execution uptick led by strong OI momentum seen in Q1FY26 and also additional revenue recognition of ~INR270mn spillover from last quarter. The current capex phase is set to hurt bottom line and return profiles in the medium term, in our view. DPIL demonstrates a wide product basket, strong execution capabilities and is well-positioned to capitalise on a sizeable market opportunity of INR20–40bn over next 18–24 months, as we prefer defence electronics theme (2–3x growth of defence capital outlay). It is set to benefit from high-value and high-volume repeat production orders, but a pickup in order inflow momentum (driven by strong macro tailwinds and emergency procurement) as well as improved working capital position remain key catalysts.
	EBITDA	415	343	321	*21.0%*	*29.4%*	
	PAT	315	303	255	*4.1%*	*23.6%*	
	Order inflows	1,800	454	1,835	*296.5%*	*-1.9%*	
	Order book	8,771	9,714	8,140	*-9.7%*	*7.7%*	
	EBITDA Margin (%)	*35.5*	*37.7*	*32.3*			
Hindustan Aeronautics	Revenues	65,742	59,766	48,191	*10.0%*	*36.4%*	For the quarter, we expect only base order execution (10% YoY growth), including engines and ROH, as no Tejas deliveries have commenced. Till now, a total of 4 GE engines have been delivered to HNAL with no aircraft delivered to the Indian Airforce. We see the delivery schedule for the committed 12 LCA Tejas deliveries in FY26E as quite tight. Our estimates currently build in only seven deliveries for FY26E, which would contribute ~12–13% to overall top line. This is because even the first two Tejas units are scheduled for delivery only by November, leaving a compressed window for the balance. HNAL has a decadal long opportunity pipeline of ~INR4.7tn, which shall keep its order inflows ticking. However, execution ramp up of its large-scale programs sitting in its ~INR2tn-plus backlog is critical along with navigating its ongoing supply chain challenges, particularly focusing on timely procurement of critical components as it cruises through an investment/R&D phase. We envisage higher product mix (~60% in FY27E versus ~23% in FY25), INR150bn capex over 4–5Y and inventories/receivables build-up to yield a ~11% EPS CAGR over next 3Y.
	EBITDA	17,750	16,356	12,863	*8.5%*	*38.0%*	
	PAT	17,063	14,845	13,772	*14.9%*	*23.9%*	
	Order inflows	6,61,200					
	Order book	23,87,267		17,91,809		*33.2%*	
	EBITDA Margin (%)	*27.0*	*27.4*	*26.7*			
Bharat Dynamics	Revenues	6,537	5,448	2,479	*20.0%*	*163.7%*	Although the company previously encountered supply chain disruptions due to its dependence on war affected nations such as Russia and Israel (for semiconductor chip, propulsion equipment, warheads, etc), we believe these challenges shall now ease out. Execution ramp up along with OPMs uptick remain key catalysts. Given a robust backlog of ~INR228bn at FY25-end, BDL is well positioned to achieve a revenue CAGR of over ~50% during FY25–28E, in our view.
	EBITDA	1,177	988	-454	*19.0%*	*-359.3%*	
	PAT	1,381	1,225	183	*12.7%*	*652.4%*	
	EBITDA Margin (%)	*18.0*	*18.1*	*(18.3)*			

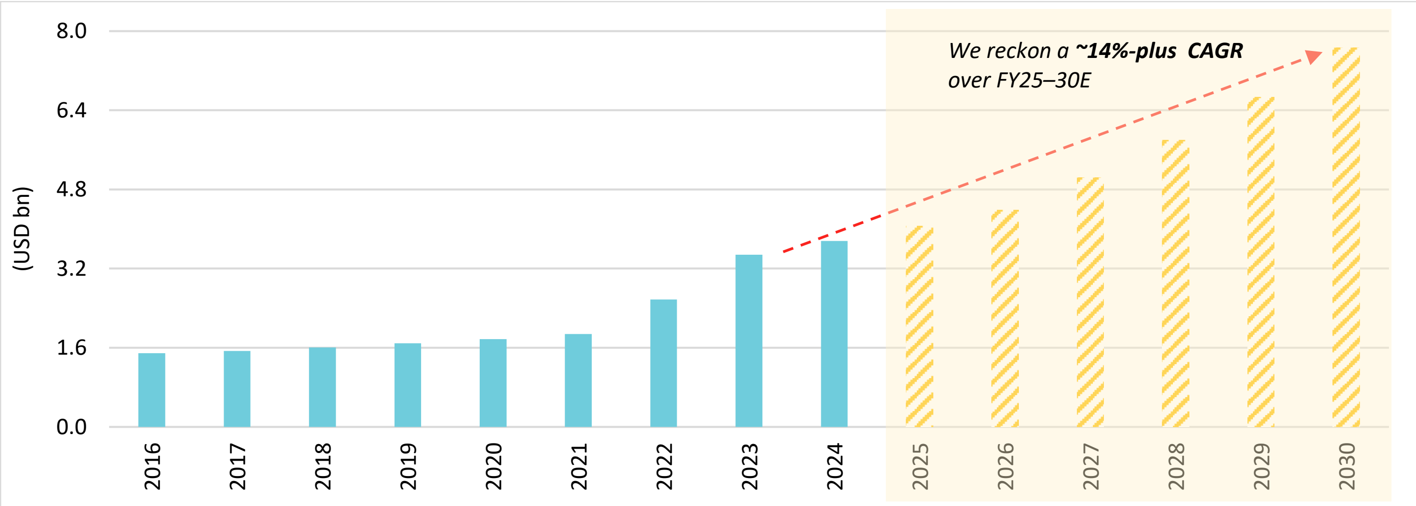
Source: Company, Nuvama Research

Exhibit 2: USD130bn opportunity size over next five years (*~INR8.5-9tn-plus DPSUs pipeline at-play*)



Source: Nuvama Research. Note: We have only included HAL, BEL, MDL and CSL pipelines in our thesis. Considered INR84 as INR/USD rate.

Exhibit 3: ~USD34bn Indian defence electronics market to expand 1.5–2x defence budget outlay over FY25–30E



Source: Company DRHP, Nuvama Research. Note: Actuals up to 2022.

Exhibit 4: Change in defence spending of major countries (2024)

	Defence Spending (USD mn)				CAGR (%)		
Country	**1994**	**2004**	**2014**	**2024**	**1994-2004**	**2004-2014**	**2014-2024**
USA	308	493	648	997	4.8%	2.8%	4.4%
China	10	38	182	314	14.4%	17.0%	5.6%
Russia	14	21	85	149	4.5%	15.0%	5.8%
S. Arabia	14	21	81	80	3.9%	14.5%	-0.1%
France	37	45	53	65	1.8%	1.8%	2.0%
Japan	45	45	47	55	0.0%	0.3%	1.7%
UK	39	60	67	82	4.6%	1.1%	2.0%
India	**9**	**20**	**51**	**86**	**8.6%**	**9.7%**	**5.4%**
Israel	8	9	18	47	1.0%	7.5%	10.1%
Pakistan	3	4	9	10	2.2%	7.7%	1.6%

Source: SIPRI, Nuvama Research

Exhibit 5: MoD's capital acquisition proposals over last two–three years

Date	Amount (INR bn)	USD bn	Main products	Potential Beneficiaries
05-Aug-25	**670**	**7.9**	Thermal imager-based driver night sight for BMP, Compact autonomous surface craft, BrahMos fire control system & launchers, upgradation of BARAK-1 point defence missile system, mountain radars and upgradation of SAKSHAM/SPYDER weapon system, Medium altitude long endurance (MALE) remotely piloted aircraft (RPAs), Sustenance of C-17 and C-130J fleets and comprehensive annual maintenance contract of S-400 Long Range Air Defence Missile System	HAL, BEL, Data Patterns, L&T, GRSE, Sagar Defence Engineering, BDL, Bharat Forge, Tata Advanced Systems, Solar Industries, Adani Defence
03-Jul-25	**1,050**	**12.4**	Armoured Recovery Vehicles, Electronic Warfare System, Integrated Common Inventory Management System for the Tri-Services, Surface-to-Air Missiles, Moored Mines, Mine Counter Measure Vessels, Super Rapid Gun Mount and Submersible Autonomous Vessels.	BEML, Bharat Forge, Mahindra, Tata Advanced Systems, L&T, BEL, Data Patterns, Astra Microwave, BDL, Adani Defence, Goa Shipyard, BHEL, Sagar Defence
20-Mar-25	**540**	**6.4**	350 HP engines for T-90 tanks, Varunastra Torpedoes and Airborne Early Warning & Control Aircraft systems	BDL, BEL, BEML, Astra Microwave, Data Patterns, Apollo Micro Systems, Adani Defence & Aerospace
04-Dec-24	**218**	**2.6**	New Water Jet Fast Attack Crafts, Fast Interceptor Craft (FIC-1), Electronic Warfare Suite (EWS) comprising External Airborne Self Protection Jammer pods, Next Generation Radar Warning Receiver and associated equipment for Su-30 MKI Aircraft, Advanced Light Helicopters, T-72 & T-90 tanks BMP-IIK, Engines of Sukhoi fighter aircraft.	GRSE, HAL, BDL, BEL, Data Patterns, L&T
03-Sep-24	**1,450**	**17.1**	Future Ready Combat Vehicles (FRCVs), Air Defence Fire Control Radars, Forward Repair Team (Tracked), Dornier-228 aircraft for ICG, Next Generation Fast Patrol Vessels and Next Generation Offshore Patrol Vessels for Indian Coast Guard (ICG).	Bharat Forge, L&T, BEL, Alpha Design, AVNL, HAL, Goa Shipyard, GRSE, CSL, MDL
29-Jul-24	**NA**	**-**	Advanced Land Navigation System (ALNS) for Armoured Fighting Vehicles (AFVs), Interceptor boats.	BEL, L&T, Goa Shipyard, GRSE
13-Mar-24	**391**	**4.6**	RD-33 Aero-engines for MiG-29 aircraft, close-in weapon system (CIWS), procurement of High-Power Radar (HPR), BrahMos missiles, Ship borne BrahMos system.	HAL, L&T
16-Feb-24	**846**	**10.0**	Anti-tank mines, CALM system, tactical control radars, Dornier aircraft, heavy weight torpedoes, flight re-fuller aircraft, software defined radios etc.	HAL, BDL, BEL
30-Nov-23	**2,230**	**26.2**	97 nos. of LCA Tejas Mark-1A, 156 nos. of LCH Prachand, upgradation of 80 nos. of Su-30 Mark-1 and MRASM (surface to surface missiles).	HAL, BDL, BEL, L&T
15-Sep-23	**450**	**5.3**	LAMV, ISTS-S, HMV, Next Generation Survey Vessels, Avionic upgradation of Dornier Aircraft, Dhruvastra SR air-to-surface missiles) and Su-30 MKI aircraft.	L&T, Tata Motors, Bharat Forge, Mahindra, IdeaForge, BEL, BEML, Ashok Leyland, GRSE, CSL, DPP, BDL, HAL
24-Aug-23	**78**	**0.9**	Electronic Warfare (EW) Suite on Mi-17 V5 Helicopters, Ground-Based Autonomous System for mechanised infantry and armoured regiments, 7.62x51 mm Light Machine Gun (LMG) and Bridge Laying Tank (BLT).	BEL, AVNL
17-Mar-23	**705**	**8.3**	BrahMos missiles, Shakti Electronic Warfare Systems, Utility Helicopters, Long-Range Stand-off Weapon, Su-30 MKI aircraft, 155mm/52 Caliber ATAGS, High Mobility and Gun Towing Vehicles.	BEL, DPP, HAL, Solar, Bharat Forge, Tata Advanced Systems
Total	**8,628**	**102**		

Source: PIB, Nuvama Research. Note: Considered USDINR rate @85

Exhibit 6: INR8.5–9tn–DPSUs' pipeline to materialise over next five–seven years

Hindustan Aeronautics Limited			
Platforms	**Units**	**Cost (INRbn)**	**Expected Timeline**
Helicopters			
Light Utility Helicopters (LUH)	213	266	Spread over a decade
Light Combat Helicopters (LCH) *	156	627	Order received
Advanced Light Helicopter (ALH)	143	340	FY26-28
Naval Utility Helicopter (NUH)	111	217	FY25-26
Indian Multi-Role Helicopter (IMRH)/ DBMRH	314	942	FY28-29
Aircrafts			
Light Combat Aircraft (LCA) Mark 1A *	97	624	Order received
Light Combat Aircraft (LCA) Mark 2	120	960	FY29-30
Sukhoi-30 MKI *	12	135	Order received
Dornier-228 Mid Life Upgrade *	25	29	Order received
Advanced Medium Combat Aircraft (AMCA)	126	1,134	FY34-35
Twin Engine Deck Based Fighter (TEDBF)	45	140	FY32-33
Dornier-228 (Indian Navy)	10	20	FY26-27
Dornier-228 Upgrade (IAF)	40	48	FY26-27
Engine			
AL-31 FP *	240	260	Order received
Total opportunity		**4,717**	

Bharat Electronics Limited			
Base orders (upgrades, maintenance, spares etc.)	-	200	INR200bn p.a.
Weather radar	-	25	FY26-28
EW Suite for MI-17 *	-	20	Order received
Atulya radar *	-	20	Order received
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		**1,095**	

Mazagon Dock Shipyards Limited			
Next Generation Corvettes	8	360	FY26-27
Next Generation Destroyers	-	800	FY26-27
P-75I Submarines	6	600	FY25-26
Project 17B stealth frigates	7	700	FY26-27
Total opportunity		**2,460**	

Bharat Dynamics Limited			
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
LRLACM	200	140	FY27-28
Total opportunity		**428**	

Cochin Shipyard Limited			
Bid Submitted	-	95	-
RFP Stage	-	8	-
RFI Stage	-	1,298	-
Expected RFI Stage	-	800	-
Total opportunity		**2,200**	

Source: Company, Nuvama Research

Exhibit 7: TAM mapping by company

Company	Core Offerings	Market Opportunity
HAL	Aircraft/Helicopters/Engines	Aircraft & Helicopters ~INR5tn+
BEL	Radars/EW/Comms/Naval sensors	Electronics ~INR1tn+
BDL	Missile systems	Missiles ~INR 500-700bn
Data Patterns	Avionics, Mission systems, Radar integration	Electronics niche, LCA/UAVs, ~INR10-20bn
Solar Industries	Ammunition, Propellants	24-25% market share in explosives
Zen Technologies	Simulations & UAVs	Training, exports, UAVs
MDL	Submarines/Warships	P-75I, Destroyers, Frigates ~INR2.4tn+
CSL	Shipbuilding, repairs	ICG/IN platforms ~INR2.2tn+
GRSE	Corvettes/Patrol Vessels	ICG/Patrol vessels ~INR470bn+
MIDHANI	Special alloys/materials	Engines, AMCA, Missiles
Bharat Forge	Artillery, land systems	ATAGS, FRCV, land systems

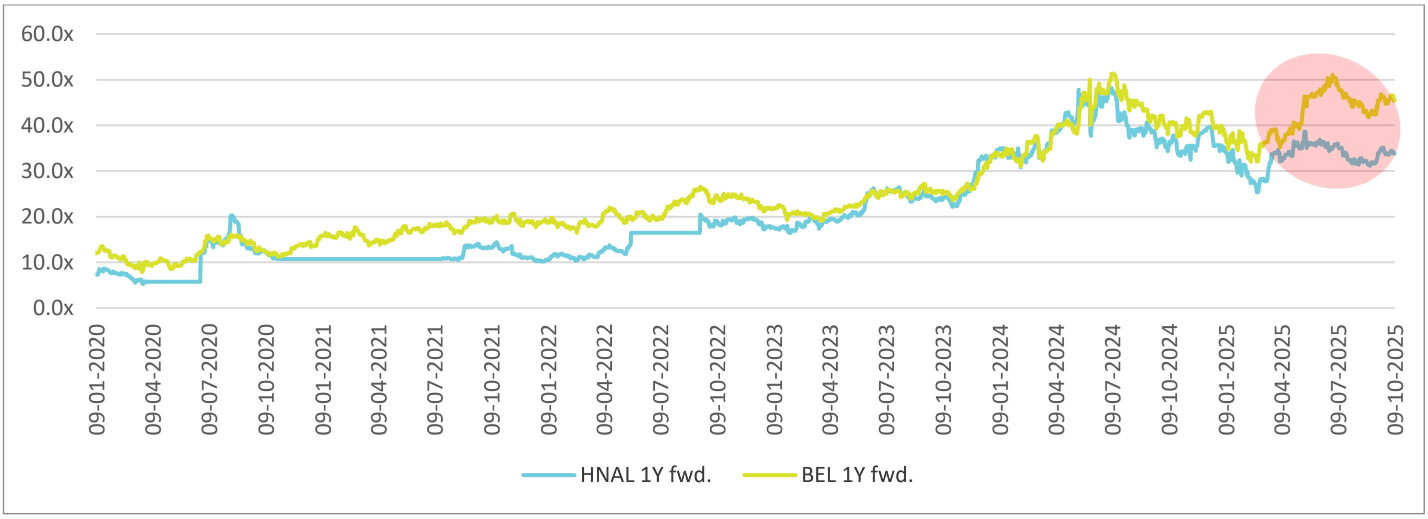
Source: Nuvama Research

Exhibit 8: BEL versus HAL financial snapshot

	Bharat Electronics					Hindustan Aeronautics				
Particulars (INR mn)	**FY23**	**FY24**	**FY25**	**FY26E**	**FY27E**	**FY23**	**FY24**	**FY25**	**FY26E**	**FY27E**
Order inflows	2,03,440	3,54,134	1,87,150	5,70,000	2,85,000	2,59,906	4,05,069	12,05,764	9,04,323	5,02,804
Order book	6,06,900	7,59,340	7,16,500	10,13,578	9,74,614	8,17,840	9,41,290	18,40,000	23,78,413	24,31,027
Book to bill rate	3.4x	3.8x	3.0x	3.7x	3.0x	3.0x	3.1x	5.9x	6.4x	5.4x
Revenues	1,76,462	2,01,694	2,36,580	2,77,073	3,28,531	2,69,279	3,03,808	3,09,809	3,69,133	4,54,083
Gross margin (%)	44.4%	47.6%	48.5%	48.5%	49.0%	62.4%	63.5%	60.3%	55.6%	54.6%
EBITDA margin (%)	22.9%	24.8%	28.6%	27.5%	27.5%	27.0%	32.1%	31.1%	27.5%	27.0%
PAT margin (%)	17.0%	19.9%	22.4%	21.4%	21.3%	21.6%	25.0%	26.8%	23.8%	22.1%
Receivable days	202	130	127	135	138	180	184	218	220	235
Payable days	142	121	105	117	139	103	108	126	120	120
Inventory days	223	239	247	241	231	478	418	517	530	550
Cash conversion cycle	282	248	269	258	231	556	494	609	630	665
Cash from operations (CFO)	10,866	46,480	4,804	69,561	49,601	88,355	82,257	1,36,451	36,576	-39,592
ROE	23.5%	27.1%	29.6%	27.3%	26.6%	27.2%	28.9%	26.0%	22.9%	21.9%
ROCE	31.3%	36.0%	39.7%	36.4%	35.6%	22.8%	29.0%	26.0%	22.9%	21.9%
Fixed asset turn (x)	6.8x	7.4x	8.0x	8.5x	9.7x	3.0x	3.4x	3.3x	3.5x	3.8x
Sale of services	**9.9%**	**9.9%**	**9.3%**	**8.7%**	**8.1%**	**51.1%**	**47.0%**	**69.4%**	**44.6%**	**39.7%**

Source: Company, Nuvama Research

Exhibit 9: HNAL versus BEL one-year forward PE



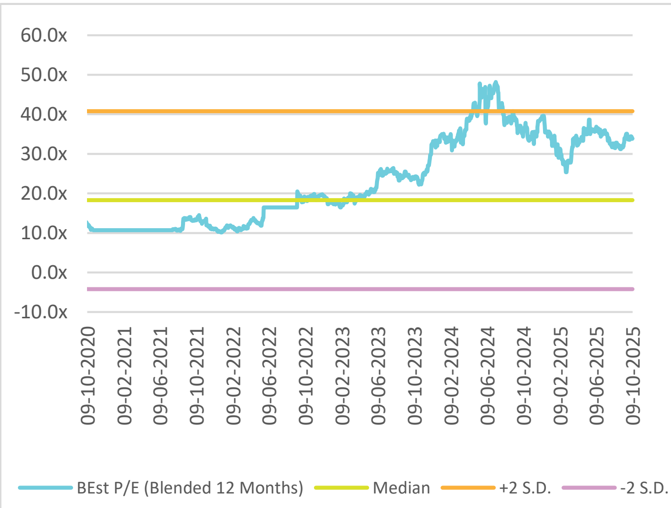
Source: Bloomberg, Nuvama Research

Exhibit 10: Peer comparison (PE versus EPS CAGR versus RoE)

Equities	Current PE on FY27E	EPS CAGR (FY25-28E)	Median ROE (FY26E-28E)	Comments
Bharat Dynamics	30.4x	68.2%	32.1%	Despite a ~23% OI CAGR over four years driving a backlog of INR228bn, BDL's execution lagged due to import dependence on war-hit regions (Israel, Russia). With easing supply chains and progress in backward integration, execution should improve; however, margins are likely to stay below 20% levels, in our view, amid rising competition in the missile segment from private players.
Bharat Electronics	42.9x	15.8%	26.6%	We reckon BEL has strong growth potential given its INR750bn of backlog and ~INR1.1tn pipeline-led visibility along with sustained OPMs beating Street's consensus and management's guidance. We believe BEL has more positive catalysts/triggers than negative ones and continue to prefer it over HNAL since it remains one of the biggest beneficiaries of the ongoing/upcoming IAF modernisation drive.
Data Patterns	45.8x	24.8%	18.6%	We estimate DPIL to be one of the few industry players actively developing indigenous prototypes, aiming to replace imports (~40% of FY25 OB were developmental orders). With a robust margin profile, among highest in the sector (reported GM/OPM of 79.8%/32.3% for Q1FY26), we believe its strong balance sheet and high earnings CAGR shall drive improved RoE/RoCE, which are currently subdued due to the company's ongoing high-capex phase.
Hindustan Aeronautics	32.4x	10.9%	21.9%	With a massive backlog of ~INR2tn, we expect product deliveries (such as LCA Mk1A, LCH, RD-33 engines) to improve after two–three years of subdued execution caused by supply chain bottlenecks. With Tejas deliveries yet to commence, we estimate that of the 12 LCA units targeted in FY26, only about seven may materialise, representing roughly 13% of FY26 sales. The higher product mix is likely to weigh on OPMs going forward, which we expect at 26–27% compared with 31.1% in FY25.
Solar Industries India	56.7x	35.6%	30.9%	We view Solar Industries as a structurally high-growth company. In the defence segment, the order backlog exceeds INR155bn, of which INR85bn is from exports. The company is enhancing its capabilities by entering focused segments such as UAVs, medium and large carbine ammunition, and strategic systems. We expect the defence business to account for around 50% of the mix by FY28E. International non-defence business is also likely to be a key growth driver as the company expands its presence in both existing and new geographies.
Zen Technologies	37.0x	15.0%	16.4%	Given the weak ordering momentum, we find an approaching earnings trough for Zen with a recovery likely only from H2FY27E (if and when ordering picks up). We believe timely ordering by MoD is one of the key asks along with meeting its 50% revenue CAGR, 35% OPM and 25% PAT margin guidance over next two–three years.

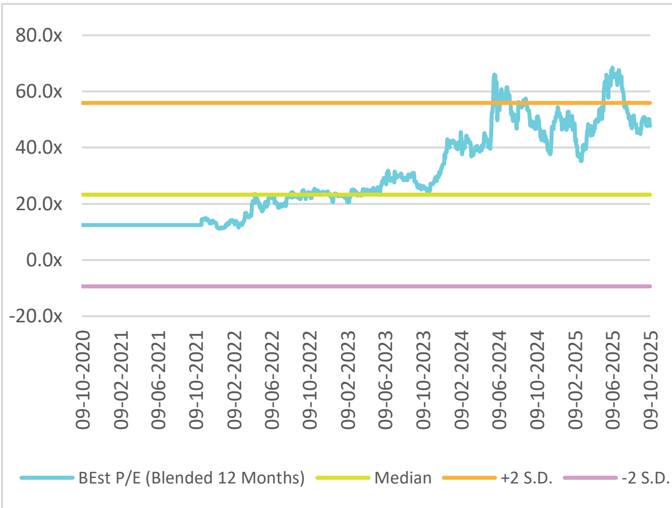
Source: Company, Nuvama Research

Exhibit 11: HAL 1Y forward PE



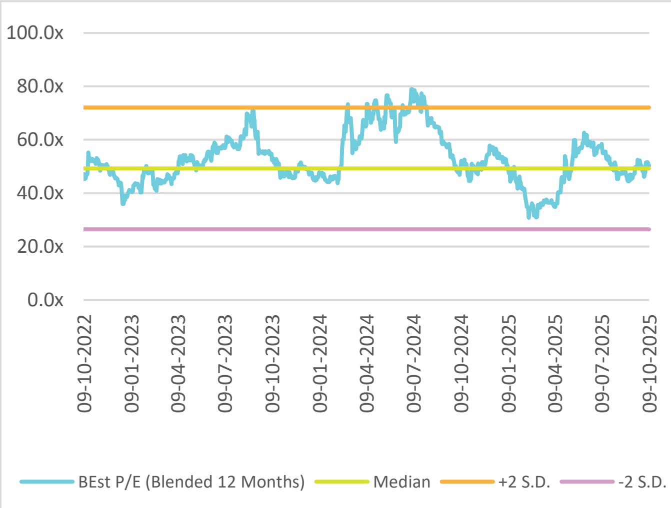
Source: Bloomberg, Nuvama Research

Exhibit 12: BDL 1Y forward PE



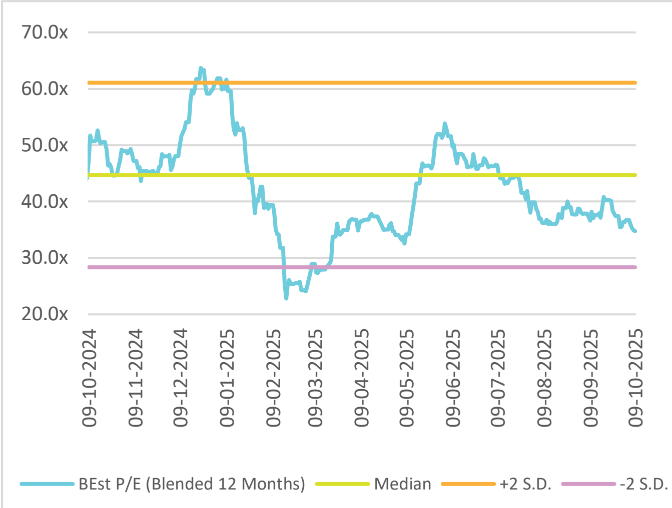
Source: Bloomberg, Nuvama Research

Exhibit 13: Data Patterns 1Y forward PE



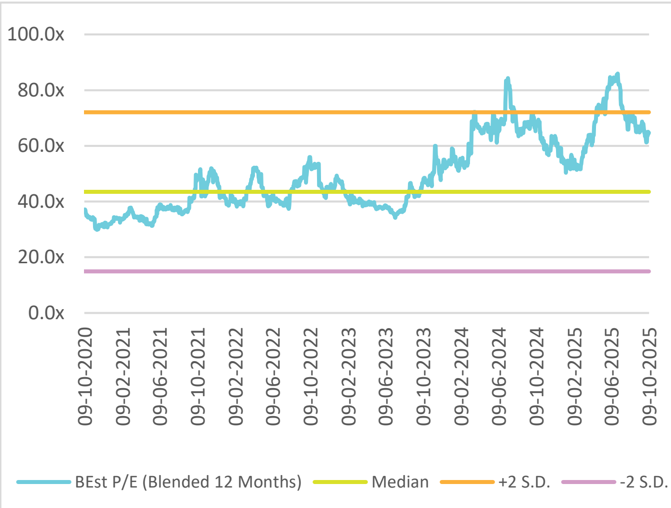
Source: Bloomberg, Nuvama Research

Exhibit 14: Zen 1Y forward PE



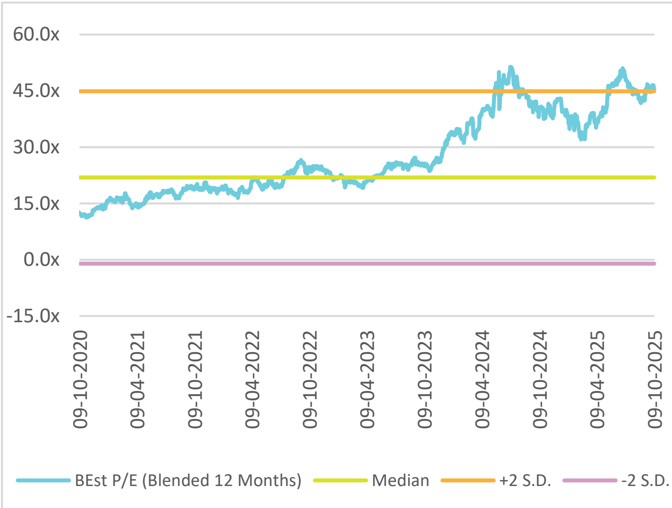
Source: Bloomberg, Nuvama Research

Exhibit 15: Solar Industries 1Y forward PE



Source: Bloomberg, Nuvama Research

Exhibit 16: BEL 1Y forward PE



Source: Bloomberg, Nuvama Research

Exhibit 17: Valuation snapshot

Company Name	CMP (INR)	Reco	TP (INR)	Revenue (INR bn)				EBITDA margins (%)				EPS (INR)				P/E (x)				RoE (%)			
				FY24	FY25	FY26E	FY27E	FY24	FY25	FY26E	FY27E	FY24	FY25	FY26E	FY27E	FY24	FY25	FY26E	FY27E	FY24	FY25	FY26E	FY27E
Nuvama Estimates																							
Bharat Electronics	411	BUY	465	202	237	277	329	24.8	28.6	27.5	27.5	5.5	7.2	8.1	9.6	74.7	56.8	50.5	42.9	27.1	29.6	27.3	26.6
Zen Technologies	1,423	HOLD	1,800	4	9	10	13	41.2	33.7	33.0	32.5	15.1	29.1	31.0	38.5	94.3	48.9	45.9	37.0	33.5	24.6	15.4	16.4
Solar Industries India	14,164	BUY	17,500	61	75	97	129	22.6	26.0	26.5	27.3	92.4	133.7	180.7	249.6	153.3	106.0	78.4	56.7	28.3	31.4	31.5	31.9
Bharat Dynamics	1,522	BUY	2,250	24	33	56	85	22.6	14.1	22.5	23.1	16.7	15.0	33.5	50.1	91.1	101.5	45.5	30.4	17.9	14.4	27.3	32.1
Hindustan Aeronautics	4,858	BUY	6,000	304	310	369	454	32.1	31.1	27.5	27.0	113.6	124.3	131.3	150.0	42.8	39.1	37.0	32.4	28.9	26.0	22.9	21.9
Data Patterns	2,830	BUY	3,700	5	7	9	12	42.6	38.8	39.0	38.0	32.4	39.6	48.4	61.8	87.2	71.5	58.4	45.8	14.6	15.7	16.8	18.6
Bloomberg Estimates																							
Astra Microwave Products	1,160	-	1,259	9	11	13	15	21.1	25.6	25.6	26.3	12.9	16.2	19.1	23.7	90.2	71.7	60.9	48.9	15.1	14.9	14.4	15.2
Cochin Shipyard	1,790	-	1,588	36	45	49	62	24.0	19.3	20.2	19.1	30.9	32.0	32.0	38.5	57.9	55.9	55.9	46.5	17.2	15.8	14.3	15.5
Dcx Systems	243	-	281	14	11	13	16	5.6	0.4	2.8	4.1	7.6	3.5	6.2	8.5	31.9	69.6	39.2	28.6	9.0	3.1	4.8	6.2
Garden Reach Shipbuilders	2,753	-	2,934	36	51	69	90	6.5	8.3	8.9	9.3	31.2	46.0	60.0	82.1	88.2	59.8	45.9	33.5	23.1	28.1	28.0	29.9
ideaForge Technology	496	-	500	3	2	3	4	31.0	(32.7)	16.9	20.5	10.8	(14.4)	6.4	14.2	46.1	-	77.5	34.9	9.2	(9.8)	4.4	9.1
MTAR Technologies	1,950	-	2,047	6	7	9	11	19.7	18.2	20.3	22.8	18.2	17.2	31.0	48.9	106.9	113.4	62.8	39.9	8.7	7.5	11.2	16.5
Mazagon Dock Shipbuilders	2,901	-	3,145	95	114	136	165	14.9	18.0	17.9	19.4	48.0	59.8	75.3	84.1	60.4	48.5	38.5	34.5	37.9	36.5	30.9	30.5
Mishra Dhatu Nigam	394	-	490	10	13	15	19	18.8	19.0	22.0	22.0	4.9	8.3	11.1	13.7	80.5	47.4	35.6	28.8	7.0	8.1	11.0	13.2
Paras Defence & Space	730	-	-	3	4	5	7	20.1	26.7	27.2	27.3	4.1	8.0	11.4	15.2	177.6	91.1	64.0	48.0	7.5	11.7	13.5	15.5

Source: Bloomberg, Nuvama Research

All price charts cannot be included given the large of number of companies in our coverage. Specific charts may be available upon request.

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