

BHARAT ELECTRONICS

RESULT UPDATE

KEY DATA

Rating	BUY
Sector relative	Outperformer
Price (INR)	426
12 month price target (INR)	520
52 Week High/Low	436/240
Market cap (INR bn/USD bn)	3,115/35.1
Free float (%)	47.3
Avg. daily value traded (INR mn)	5,601.2

SHAREHOLDING PATTERN

	Sep-25	Jun-25	Mar-25
Promoter	51.14%	51.14%	51.14%
FII	18.14%	18.56%	17.55%
DII	20.88%	20.60%	20.87%
Pledge	0%	0%	0%

FINANCIALS

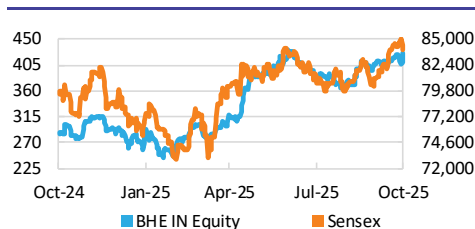
(INR mn)

Year to March	FY25A	FY26E	FY27E	FY28E
Revenue	2,36,580	2,79,383	3,34,326	3,95,720
EBITDA	67,676	79,624	93,611	1,08,823
Adjusted profit	52,883	61,994	72,537	84,839
Diluted EPS (INR)	7.2	8.5	9.9	11.6
EPS growth (%)	31.5	17.2	17.0	17.0
RoAE (%)	29.6	28.4	27.3	26.5
P/E (x)	58.9	50.2	42.9	36.7
EV/EBITDA (x)	44.6	37.2	31.4	26.9
Dividend yield (%)	0.5	0.6	0.7	0.8

CHANGE IN ESTIMATES

	Revised estimates		% Revision	
Year to March	FY26E	FY27E	FY26E	FY27E
Revenue	2,79,383	3,34,326	0.8%	1.8%
EBITDA	79,624	93,611	4.5%	3.6%
Adjusted profit	61,994	72,537	4.3%	3.7%
Diluted EPS (INR)	8.5	9.9	4.3%	3.7%

PRICE PERFORMANCE



Resilient momentum fuels optimism

Bharat Electronics (BHE) delivered robust Q2FY26 performance, with revenue surging 26% YoY and OPM at 29.4% (versus Street's estimate of 26.8%), significantly beating consensus. OI surged ~2x YoY (but down 30% QoQ) to INR53.6bn, bulking up backlog to INR747bn (~3x FY25 sales). Management reaffirmed FY26 guidance of INR270bn+ OI (ex-QRSAM), ~15% revenue growth and ~27%+ OPM, lending comfort.

Retain 'BUY' as our top pick on consistent margin outperformance and order accretion. Higher localisation content, a favourable product mix and cost/operational efficiencies shall bolster earnings momentum. We are raising FY26E/27E/28E EPS by 4%/4%/3% and rolling over the valuation to 45x Mar-28E EPS, yielding a TP of INR520 (earlier INR465).

Healthy Q2 with margin beat; robust backlog reinforces outlook

BHE posted healthy Q2FY26 revenue growth of 25.8% YoY INR57.6bn while order inflows stayed modest at INR53.6bn (up ~2x YoY/down 30% QoQ). H1FY26 revenue rose 16% YoY to INR101.8bn. EBITDA margin stood at 29.4%, *well above Street's expectation of 26.8%*, though slightly lower than 30.3% in Q2FY25. H1FY26 OPM improved 230bp YoY to 28.8% led by operational efficiencies. **BHE has consistently surpassed the upper end of its margin guidance over the past two years.** PAT margin is 22.3% (23.8% in Q2FY25); H1FY26 PAT margin rose 90bp YoY to 22.2%.

Order inflows during the quarter increased 117% YoY (on a low base), taking backlog to INR745bn (~3x FY25 sales) providing strong revenue visibility (FY26 OI guidance of INR270bn+ versus INR148bn YTD FY26). CCE stood at INR80.1bn at end-Sep-25. CFO improved but remained negative at INR8.7bn (versus negative INR23bn in H1FY25) due to higher working capital requirements.

Others: Management reiterated FY26 guidance with revenue growth of 15%-plus, 27% OPM and planned capex of ~INR10bn. Backlog as of today stands at INR756bn, including exports orders of ~USD326mn, LRSAM (INR50bn), electronic fuses (INR45bn), BMP-2 upgrade (INR30bn) and Akash – Army (INR27bn). Altogether, the top seven orders total about INR250bn. [Click here](#) to read KTAs.

Key variables to watch out for over 12–18 months

Timely awarding of large ticket-size orders from the [INR1.1tn pipeline](#), which is expected to materialise over the next two years (including INR300bn QRSAM order likely by Q4FY26 following DAC approval in Jul-25), along with sustained execution/margin momentum could serve as key re-rating catalysts. We believe BHE's positive triggers outweigh the negatives given its consistent track record of surpassing both internal guidance and Street profitability expectations.

Financials

Year to March	Q2FY26	Q2FY25	% Change	Q1FY26	% Change
Net Revenue	57,637	45,834	25.8	44,168	30.5
EBITDA	16,953	13,885	22.1	12,399	36.7
Adjusted Profit	12,861	10,913	17.9	9,691	32.7
Diluted EPS (INR)	1.8	1.5	17.9	1.3	32.7

Financial Statements

Income Statement (INR mn)

Year to March	FY25A	FY26E	FY27E	FY28E
Total operating income	2,36,580	2,79,383	3,34,326	3,95,720
Gross profit	1,14,770	1,41,088	1,65,492	1,93,903
Employee costs	27,344	33,526	37,445	43,529
Other expenses	19,751	27,938	34,436	41,551
EBITDA	67,676	79,624	93,611	1,08,823
Depreciation	4,356	4,570	4,886	6,330
Less: Interest expense	96	101	106	111
Add: Other income	7,676	7,706	8,097	10,737
Profit before tax	70,900	82,659	96,717	1,13,119
Prov for tax	18,017	20,665	24,179	28,280
Less: Other adj	0	0	0	0
Reported profit	52,883	61,994	72,537	84,839
Less: Excp.item (net)	0	0	0	0
Adjusted profit	52,883	61,994	72,537	84,839
Diluted shares o/s	7,310	7,310	7,310	7,310
Adjusted diluted EPS	7.2	8.5	9.9	11.6
DPS (INR)	2.2	2.6	3.0	3.5
Tax rate (%)	25.4	25.0	25.0	25.0

Important Ratios (%)

Year to March	FY25A	FY26E	FY27E	FY28E
COGS (% of rev)	51.5	49.5	50.5	51.0
Employee cost (% of rev)	11.6	12.0	11.2	11.0
Other exp (% of rev)	8.3	10.0	10.3	10.5
EBITDA margin (%)	28.6	28.5	28.0	27.5
Net profit margin (%)	22.4	22.2	21.7	21.4
Revenue growth (% YoY)	16.2	18.9	18.5	17.7
EBITDA growth (% YoY)	35.4	17.7	17.6	16.2
Adj. profit growth (%)	31.5	17.2	17.0	17.0

Assumptions (%)

Year to March	FY25A	FY26E	FY27E	FY28E
GDP (YoY %)	6.5	6.6	7.0	7.5
Repo rate (%)	6.3	5.0	4.5	5.5
USD/INR (average)	84.6	87.5	87.0	88.0
Order inflow	187.2	570.0	285.0	313.5
Rev growth (% YoY)	17.3	18.1	19.7	18.4
EBITDA margin (%)	28.6	28.5	28.0	27.5
Depreciation (% of FA)	7.2	6.8	6.6	7.9
Tax rate (%)	25.4	25.0	25.0	25.0
Capex (INR mn)	10,010.3	6,050.0	6,050.0	7,050.0

Valuation Metrics

Year to March	FY25A	FY26E	FY27E	FY28E
Diluted P/E (x)	58.9	50.2	42.9	36.7
Price/BV (x)	15.8	13.0	10.7	8.9
EV/EBITDA (x)	44.6	37.2	31.4	26.9
Dividend yield (%)	0.5	0.6	0.7	0.8

Source: Company and Nuvama estimates

Balance Sheet (INR mn)

Year to March	FY25A	FY26E	FY27E	FY28E
Share capital	7,310	7,310	7,310	7,310
Reserves	1,89,667	2,32,809	2,83,288	3,42,327
Shareholders funds	1,96,977	2,40,119	2,90,597	3,49,637
Minority interest	0	0	0	0
Borrowings	0	0	0	0
Trade payables	33,151	56,833	69,384	88,468
Other liabs & prov	1,58,493	1,85,699	2,06,123	2,28,805
Total liabilities	3,98,840	4,92,869	5,76,324	6,77,129
Net block	31,242	32,702	33,847	34,550
Intangible assets	489	509	528	545
Capital WIP	10,436	10,436	10,436	10,436
Total fixed assets	42,167	43,647	44,811	45,531
Non current inv	8,204	8,204	8,204	8,204
Cash/cash equivalent	93,973	1,49,947	1,78,956	1,82,424
Sundry debtors	90,920	1,14,815	1,37,394	2,05,991
Loans & advances	81	0	0	0
Other assets	1,63,495	1,76,257	2,06,959	2,34,978
Total assets	3,98,840	4,92,869	5,76,324	6,77,129

Free Cash Flow (INR mn)

Year to March	FY25A	FY26E	FY27E	FY28E
Reported profit	52,883	61,994	72,537	84,839
Add: Depreciation	4,356	4,570	4,886	6,330
Interest (net of tax)	72	76	79	83
Others	11,509	(7,781)	(8,177)	(10,821)
Less: Changes in WC	(64,015)	14,312	(20,306)	(54,851)
Operating cash flow	4,804	73,171	49,020	25,581
Less: Capex	10,010	6,050	6,050	7,050
Free cash flow	(5,206)	67,121	42,970	18,531

Key Ratios

Year to March	FY25A	FY26E	FY27E	FY28E
RoE (%)	29.6	28.4	27.3	26.5
RoCE (%)	39.7	37.9	36.5	35.4
Inventory days	247	245	227	225
Receivable days	127	134	138	158
Payable days	105	119	136	143
Working cap (% sales)	25.0	15.8	19.6	31.0
Gross debt/equity (x)	0	0	0	0
Net debt/equity (x)	(0.5)	(0.6)	(0.6)	(0.5)
Interest coverage (x)	658.9	743.8	837.4	921.3

Valuation Drivers

Year to March	FY25A	FY26E	FY27E	FY28E
EPS growth (%)	31.5	17.2	17.0	17.0
RoE (%)	29.6	28.4	27.3	26.5
EBITDA growth (%)	35.4	17.7	17.6	16.2
Payout ratio (%)	30.4	30.4	30.4	30.4

Q2FY26 conference call highlights

Order backlog, order inflows and execution

- Backlog stood at INR745bn as of Sep-25, and as of today is INR756bn.
- Orders received until 1st Oct'25 in this FY is INR125.39bn; until today, it is INR147.5bn.
- Current backlog is almost equally distributed across the three armed forces. Indigenization is highest for the Army, followed by Navy, and then Air Force.
- OI guidance of INR270bn includes partial NGC orders (~INR45bn) to come this year. Remaining INR80–100bn worth will flow next year from NGC. LCA order expected in the next 1–1.5 years for avionics (~INR20bn).
- All existing orders have separate delivery timelines, and execution plans are evaluated periodically. BEL expects 90–95% of order deliveries on time.
- Large orders worth INR300–400bn worth of orders come in only once in 4–5 years. BEL expects multiple smaller orders totalling INR200–300bn annually.
- **Major programs worth ~INR40bn executed in H1FY26** include LRSAM, Himshakti, Battle Surveillance Systems (Army), Akash (Army), LRUs for LCA Tejas, FCS, and Shakti EWS.
- **Around seven projects will be executed in H2FY26:** LRSAM, Himshakti radar, Akash (Army), Arudhra radar, EWS systems, LRUs for Tejas, and Electronic fuses.

Margins expectations and guidance

- Product mix for H1 and H2 was almost similar. Management is confident of achieving 27%+ OPMs on the back of increased operational efficiencies and higher indigenization levels.
- Product mix comprises more than 350 equipment and over 1000 sub-equipment and other line items.
- BEL remains on track to meet FY26 guidance of 15%+ revenue growth, 27%+ OPMs, and INR270bn+ order inflows.
- Planned R&D spend of INR16bn and capex of ~INR10bn.

Emergency procurement ordering and top 10 projects' contribution

- Received 11 orders worth INR13.5bn so far and expect around INR20bn worth of emergency procurement orders in the pipeline where CLCs are concluded – expected mostly in the next two weeks.
- Other main orders include QRSAM (expected before March; RFP response submitted), Shatrughat, Samaghat, NGC subsystems, additional 97 LCA avionics, GBMES, Shakti, and MFSTAR.
- As of 1st Oct'25 – LRSAM is ~INR50bn; Electronic fuses ~INR45bn, BMP-2 upgrade INR30bn, and Akash (Army) INR27bn. All together, the top seven orders total around INR250bn.

Status of Project KUSHA

- It is a DRDO programme, with BEL as a development partner for radars and control systems. It involves three types of radars and two types of

communication/control systems (currently under prototype stage – to take one more year).

- BEL is working jointly with LRDE, and integrated trials by DRDO will be conducted after prototype finalization. Production order expected by Dec 2029, valued at more than the QRSAM order (~INR300bn).

BEL's share in INR790bn AoN

- Three–four main BEL products are part of this AoN; expecting INR100bn ordering from the recent AoN and another INR500bn worth of orders from previously approved AoNs.

AMCA Program – Capex and capacity

- BEL aims to move into higher-level integration, and has tied up with L&T. It plans to supply avionics, subsystems and undertake full aircraft integration, testing, and validation.
- BEL is already developing modules and subsystems with ADA, which will be used by whoever is selected for production—ensuring BEL benefits from the program.
- The AMCA program over the next 6–8 years covers 5–6 prototypes to be manufactured with ADA using ADA's infrastructure. Hence, no major capex planned yet for this project.

QRSAM execution timeline

- QRSAM is a complex program; management wants another round of detailed evaluation before production (FOPM stage).
- Due to this, the overall execution timeline is now five–six years. The first production model will take 12–18 months to realise, so no revenue expected next year from QRSAM.
- It will have parallel production for both Army and Air Force (50:50 split). BDL is the strategic partner for missiles.

Capex in Andhra Pradesh

- BEL has a joint investment with the AP government for a DSIC complex where QRSAM and other subsystems will be manufactured.
- The project spans 920 acres with an investment of ~INR14bn over the next three–four years.

Super Alloys from China and Rare Earth Metals

- Currently, BEL is not directly dealing with alloys and rare earth metals. These are more relevant to HAL and MIDHANI.

Assessment of 8th Pay Commission

- The 8th Pay Commission applies to central government employees, not BEL/PSUs.
- For PSUs, the 4th PRC (Pay Revision Committee) will apply from FY27 onwards, providing general guidelines.
- BEL has flexibility in implementation, and overall employee cost increases will not materially impact growth.

Exports

- Targeting 3–4% export exposure currently, with plans to reach 5% in the next 2–3 years and around 10% thereafter.
- The export order book currently stands at ~USD326mn.

Archer UAV Program, contribution in LPDs and GBMES size in recent AoN

- BEL is the nominated development/production partner. Prototypes realized and trials successfully completed; production will begin soon.
- Archer is not a MALE drone – it is smaller. Archer NG is a larger program that will compete with the MALE UAV program.
- BEL's contribution will be limited, as large complex systems in LPDs are relatively fewer.
- GBMES size in recent AoN is estimated at INR15–20bn.

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	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	1,135	

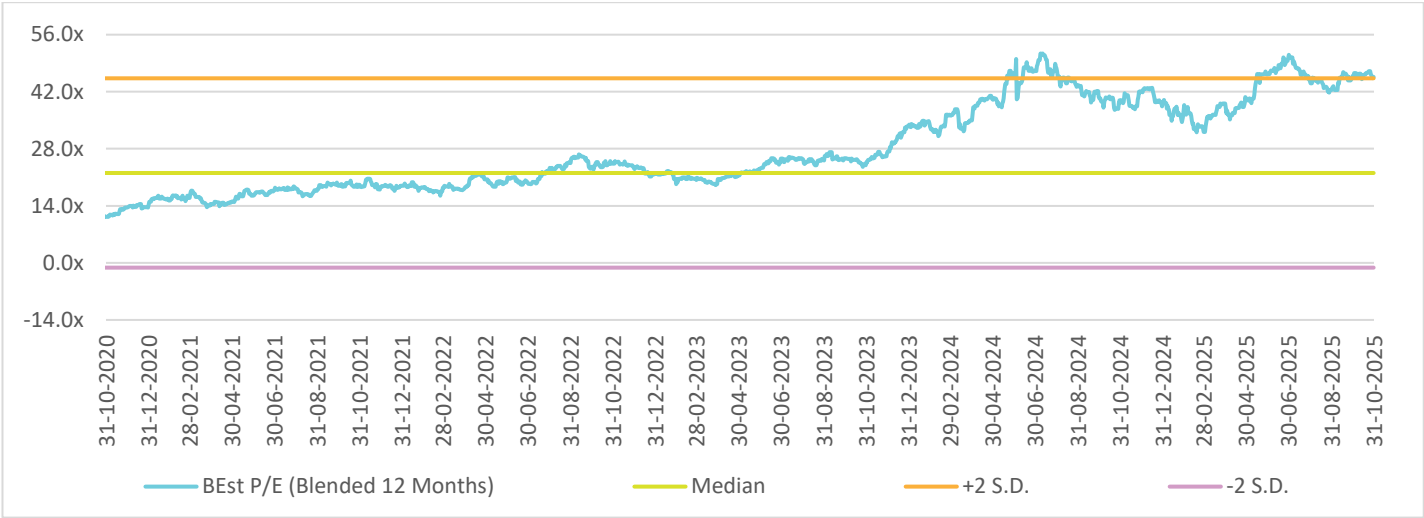
Source: Company, Nuvama Research

Exhibit 2: Financial snapshot (INR mn)

Year to March	Q2FY26	Q2FY25	YoY (%)	Q1FY25	QoQ (%)	FY25A	FY26E	FY27E
Revenues	57,637	45,834	25.8	41,988	37.3	2,36,580	2,79,383	3,34,326
Materials cost	28,279	21,416	32.0	22,906	23.5	1,21,810	1,38,295	1,68,835
Staff costs	7,612	6,500	17.1	6,608	15.2	27,344	33,526	37,445
Other expenses	4,793	4,032	18.9	3,106	54.3	19,751	27,938	34,436
Total expenditure	40,683	31,949	27.3	32,620	24.7	1,68,904	1,99,759	2,40,715
EBITDA	16,953	13,885	22.1	9,367	81.0	67,676	79,624	93,611
Interest	17	13		12		96	101	106
Depreciation	1,185	1,032	14.8	997	18.8	4,356	4,570	4,886
Other income	1,591	1,668	(4.6)	2,015	(21.0)	7,676	7,706	8,097
Add: Exceptional items						-	-	-
PBT	17,343	14,509	19.5	10,373	67.2	70,900	82,659	96,717
Tax	4,482	3,596	24.6	2,612	71.6	18,017	20,665	24,179
Reported profit	12,861	10,913	17.9	7,761	65.7	52,883	61,994	72,537
Adjusted profit	12,861	10,913	17.9	7,761	65.7	52,883	61,994	72,537
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)	1.8	1.5		1.1		7.2	8.5	9.9
As % of net revenues								
Raw material	49.1	46.7		54.6		51.5	49.5	50.5
Staff expenses	13.2	14.2		15.7		11.6	12.0	11.2
Other expenses	8.3	8.8		7.4		8.3	10.0	10.3
EBITDA	29.4	30.3		22.3		28.6	28.5	28.0
Adjusted profit	22.3	23.8		18.5		22.4	22.2	21.7

Source: Company, Nuvama Research

Exhibit 3: One-year forward PE



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

Chairman/Managing Director	Manoj Jain
CFO	Damodar S Bhattad
Director (Marketing)	K. V. Suresh Kumar
Director (HR)	Vikraman N
Company Secretary	S Sreenivas

Holdings – Top 10*

% Holding		% Holding	
Nippon Life Ind	2.81	LIC	1.52
Kotak Mahindra	2.52	UTI AMC	1.03
Vanguard Group	2.07	HDFC AMC	1.01
SBI Funds Manag	1.94	Axis AMC	0.87
Blackrock Inc	1.79	ICICI Prudentia	0.80

*Latest public data

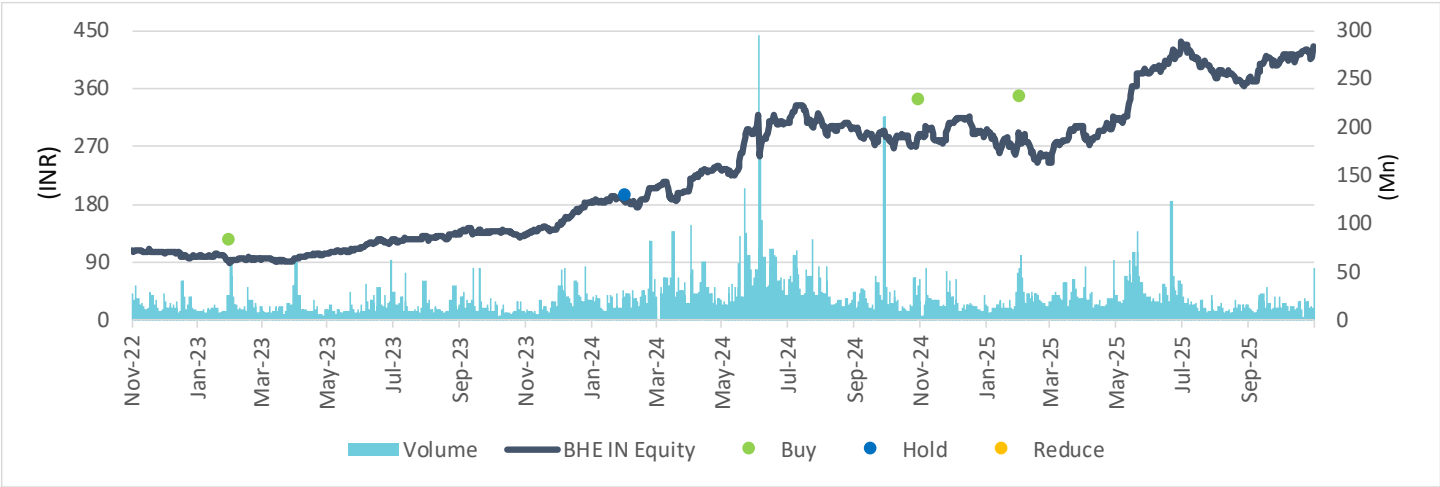
Recent Company Research

Date	Title	Price	Reco
30-Jul-25	Quality growth; more to come; <i>Result Update</i>	388	Buy
20-May-25	Margin story taking shape; <i>Result Update</i>	364	Buy
30-Jan-25	Befitting optimism on a growing giant; <i>Result Update</i>	268	Buy

Recent Sector Research

Date	Name of Co./Sector	Title
28-Oct-25	Zen Technologies	Biding time: Waiting for tide to rise; <i>Result Update</i>
10-Oct-25	Defence	Selective momentum amid seasonality; <i>Sector Update</i>
12-Aug-25	Bharat Dynamics	Hockey stick growth in sight; <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%	68
Reduce	<-5%	37

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