

Steady growth continues...

About the stock: Bharat Electronics (BEL) is a leading aerospace and defence electronics company. It primarily manufactures advanced electronics products

- Multi-product, multi-technology - diverse product range including radar, missile systems, electronic warfare & avionics, anti-submarine warfare, electro-optics, homeland security, civilian products, etc
- Company's order backlog stands at ₹ 71650 crore as of Mar-2025 end

Investment Rationale:

- Favourable ecosystem for domestic defence industry:** We believe that the defence electronics market in India is experiencing significant growth, driven by efforts to boost domestic production and reduce dependence on imports. As per the industry reports, defence electronics contribution increased to 30-35% in most platforms and is expected to increase further in the coming years, led by increasing required modernisation in platforms. With having strong capabilities in designing, developing & manufacturing a wide range of strategic electronic products/systems, we believe that BEL is strongly positioned to capture this huge opportunity considering MoD's push for greater indigenous content in large scale programs like aircrafts, warships, submarines, missiles, combat vehicles, unmanned ariel vehicles etc. Furthermore, non-defence areas (like space, railways, metros, civil aviation etc) and exports present sizable opportunity for BEL in the coming years
- Healthy order-book position with robust pipeline provides strong growth visibility:** BEL's order backlog stands at ₹ 71650 crore as of Mar-25 (3x TTM revenues), which provides healthy revenue growth visibility over the next 2-3 years considering the steady execution. Moreover, orders pipeline remains robust for BEL in defence electronic systems (including electronic warfare, radars, communication & control systems, navigation systems, avionics etc for various platforms), non-defence and exports. Management has provided a guidance of ~₹ 27000 crore of order inflow in FY26E (~₹ 2655 crore worth of orders received in YTD FY26). Orders inflow during FY27E is likely to be even much higher than annual run-rate, with the expectation of large-scale order of QRSAM (Rs 30000 crore), getting placed with the company. Management's guidance of ~15% YoY revenue growth with ~27% EBITDA margin has been maintained, showing well-planned execution

Rating and Target Price

- With healthy order-backlog, robust pipeline and improving execution led by increasing indigenisation, we believe that BEL provides strong earnings visibility. We expect revenue & PAT CAGR at ~17% & ~18% respectively over FY25-27E.
- We maintain BUY on BEL with a revised target price of ₹ 430 per share (based on 42x FY27E EPS)



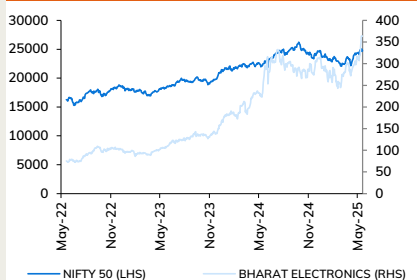
Particulars

Particulars (Rs Crore)	Amount
Market Capitalization	2,66,807
Total Debt (FY25)	0.0
Cash and Inv (FY25)	9,545
EV (FY25)	2,57,262
52 week H/L	374 / 230
Equity capital	731.0
Face value (Rs)	1.0

Shareholding pattern

	Jun-24	Sep-24	Dec-24	Mar-25
Promoter	51.1	51.1	51.1	51.1
FII	17.4	17.3	17.3	17.6
DII	20.6	20.2	20.9	20.9
Others	10.8	11.4	10.6	10.4

Price Chart



Key risks

- Dependent on govt contracts
- High working capital requirement
- Availability of key raw materials/components

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Key Financial Summary

(Year-End March)	FY22	FY23	FY24	FY25	3 Year CAGR (FY22-25)	FY26E	FY27E	2 Year CAGR (FY25-27E)
Revenues	15,368	17,734	20,268	23,769	15.6	27,809	32,537	17.0
EBITDA	3,341	4,086	5,046	6,834	26.9	8,065	9,436	17.5
EBITDA margin (%)	21.7	23.0	24.9	28.8		29.0	29.0	
Net Profit	2,400	2,986	3,985	5,323	30.4	6,312	7,446	18.3
EPS (Rs)	3.3	4.1	5.5	7.3		8.6	10.2	
P/E (x)	111.2	89.3	66.9	50.1		42.3	35.8	
EV/EBITDA (x)	77.6	63.3	50.7	37.6		31.6	26.5	
RoCE (%)	25.8	28.4	32.3	35.6		35.1	34.5	
RoE (%)	19.5	21.5	24.4	26.6		26.3	25.8	

Q4 and FY25 Result Summary

- Operational performance during the quarter remains healthy on YoY basis, led by well-planned execution. Revenue increased by 6.8% YoY (+58.6% QoQ) to Rs 9149.6 crore
- EBITDA margin also improved substantially by 407 bps YoY (+185 bps QoQ) to 30.8%, led by lower raw material and other expenses
- Subsequently, absolute EBITDA grew by 23.1% YoY (+68.7% QoQ) to Rs 2816.1 crore
- PAT was up 18.4% YoY (+62.2% QoQ) to Rs 2126.9 crore
- For FY25, revenue is up 17.3% YoY to Rs 23768.8 crore while EBITDA is up 35.4% YoY to Rs 6833.7 crore as EBITDA margin expanded by 385 bps YoY to 28.8%. The PAT for the year stood at Rs 5322.6 crore

Q4 and FY25 Earnings call highlights

- Order backlog stands at Rs 71650 crore as of March 2025 end (vs ₹ 75934 crore as of March 2024). Order inflows during the FY25 stands at ~Rs 19485 crore
- The order book now comprises of major orders consisting of Long-Range Surface to Air Missile (LRSAM), Akash Prime, Himshakti, Arudra radar, Electronic Warfare systems, sub-systems for LCA Tejas Mk-1, Air-Defence Control and Reporting Systems (ADCRS) Akash-teer, BSF programmes. The top 12 orders for the company constitute of 40% of the order book
- Defence contributes ~93% of the order backlog while non-defence and exports segments contribute ~7% respectively
- Company has maintained its guidance for revenue growth at ~15% YoY for FY26E and EBITDA margin at ~27%
- Going forward, the management expects an increase in margins through indigenisation (increase of domestic procurement to 30% from MSME)
- For FY26E, order inflows guidance is ~Rs 27000 crore. To meet the target of securing this order inflow the company is confident in securing Next-Generation Corvettes subsystem order (Rs 6000-10000 crore), Emergency Procurement orders (Rs 4000-5000 crore), Electronic Warfare orders, Shakti and Atulya Radar and exports orders all include to the tune of Rs 20000 crore. The company currently has already received ~Rs 3000 crore in YTD FY26E
- Apart from these orders, management expects a Quick-Reaction Surface to Air Missile (QRSAM) order to the tune of ~Rs 30000 crore by Q4 FY26E or latest by Q1 FY27E. This order would be the biggest till date for the company which will consist of orders from both the Army and Air Force
- Regarding the latest declaration of an Emergency Fund of Rs 50000 crore sanctioned by Defence Acquisition Council (DAC), the management expects orders from this and is prepared to fulfil them earlier than expected
- The company is designing & developing in collaboration with DRDO (Defence Research and Development Organisation) for indigenous S-400 (Project Kusha). Company is involved in this project with many components and sub-components (like radars, control systems etc). Total orders value expected from this project is Rs 20000 crore. Company is also hopeful of system integration of this project, which may increase the total order inflow potential to ~Rs 40000 crore
- On the export side, the management sees a ~15% growth over the next years, and for the currently targets \$120 million (~Rs 1000 crore) in revenue for FY26E
- Concerning capital expenditures, the management is focused on developing new facilities in different locations, some of which may be

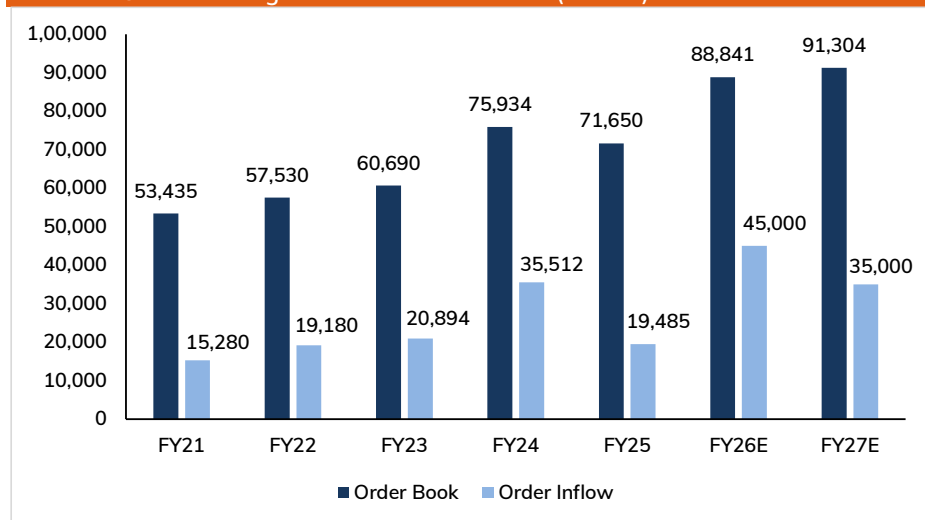
larger than the existing ones. To facilitate this, an annual investment of Rs 1000 crore is proposed. These new locations are deemed to be functional in the next 2-3 years

- Recently, after the developments and scope in the European markets, the management is in constant positive discussion with EU countries and is aiming to establish contract manufacturing
- In other in-house developments, the company is working on Akash programme, drone and anti-drone warfare where it recently received orders from BSF and Army for both Soft and Hard kill to the tune of Rs 25-50 crore. They expect repeat orders to flow in the future
- The company had received a Software Designed Radio (SDR) order from Navy for ~Rs 3000 crore in the last year and expect repeat order in the next 1-1.5 year. Similar order for higher volumes (40000-50000 units) is also expected from the Army
- The other current liabilities was down YoY in FY25 on account of lower order inflows during the year

Exhibit 1: Q4FY25 and FY25 result snapshot (₹ crore)

	Q4FY25	Q4FY24	YoY (%)	Q3FY25	QoQ (%)	FY25	FY24	YoY(%)
Net Sales	9,149.6	8,564.1	6.8	5,770.7	58.6	23,768.8	20,268.2	17.3
Other income	194.6	225.4		186.4	4.4	742.4	670.1	
Total Revenue	9,344.2	8,789.5		5,957.1	56.9	24,511.1	20,938.4	
Raw materials costs	4,748.9	4,410.9		2,981.4	59.3	12,187.2	10,576.3	
Employees Expenses	766.1	637.4		672.0	14.0	2,760.6	2,489.5	
Other Expenses	818.5	1,228.6		447.9	82.8	1,987.2	2,156.0	
Total Expenditure	6,333.5	6,276.9		4,101.2	54.4	16,935.1	15,221.8	
EBITDA	2,816.1	2,287.2	23.1	1,669.5	68.7	6,833.7	5,046.4	35.4
EBITDA margins (%)	30.8	26.7	407 bps	28.9	185 bps	28.8	24.9	385 bps
Interest	5.9	4.1		1.3	343.9	9.7	7.1	
Depreciation	137.6	118.5		110.9	24.0	467.4	443.2	
Tax	746.4	604.4		442.4	68.7	1,812.0	1,323.1	
PAT	2,126.9	1,796.7	18.4	1,311.6	62.2	5,322.6	3,985.2	33.6

Source: Company, ICICI Direct Research

Exhibit 2: Order backlog and order inflows trend (₹ crore)


Source: Company, ICICI Direct Research

Financial Summary

Exhibit 3: Profit and loss statement

₹ crore

Year-End March	FY24	FY25	FY26E	FY27E
Revenue	20,268	23,769	27,809	32,537
% Growth	14.3	17.3	17.0	17.0
Other income	670.1	742.4	890.8	1,113.5
Total Revenue	20,268	23,769	27,809	32,537
% Growth	14.3	17.3	17.0	17.0
Total Raw Material Costs	10,576	12,187	14,183	16,594
Employee Expenses	2,489	2,761	3,337	3,904
other expenses	2,156	1,987	2,225	2,603
Total Operating Expenditure	15,222	16,935	19,745	23,101
Operating Profit (EBITDA)	5,046	6,834	8,065	9,436
% Growth	23.5	35.4	18.0	17.0
Interest	7	10	10	10
PBDT	5,709	7,566	8,946	10,539
Depreciation	443	467	534	612
PBT before Exceptional Items	5,266	7,099	8,412	9,928
Total Tax	1,323	1,812	2,145	2,532
PAT before MI	3,943	5,287	6,267	7,396
PAT	3,985	5,323	6,312	7,446
% Growth	33.5	33.6	18.6	18.0
EPS	5.5	7.3	8.6	10.2

Source: Company, ICICI Direct Research

Exhibit 4: Cash Flow Statement

Year-End March	FY24	FY25	FY26E	FY27E
Profit after Tax	3,985	5,323	6,312	7,446
Depreciation	443	467	534	612
Interest	7	10	10	10
Cash Flow before WC changes	4,436	5,800	6,856	8,068
Changes in inventory	(999)	(1,672)	(1,548)	(1,368)
Changes in debtors	(359)	(1,724)	(1,550)	(1,368)
Changes in loans & Advances	0	(0)	(0)	(0)
Changes in other current assets	425	941	(1,028)	(1,276)
Net Increase in Current Assets	(1,070)	(2,306)	(4,126)	(4,012)
Changes in creditors	376	(368)	852	1,158
Changes in provisions	67	45	98	232
Net Inc in Current Liabilities	1,461	(2,274)	3,905	4,321
Net CF from Operating activities	4,826	1,219	6,635	8,377
Changes in deferred tax assets	(71)	40	-	-
(Purchase)/Sale of Fixed Assets	(633)	(904)	(1,000)	(1,000)
Net CF from Investing activities	(452)	(940)	(1,811)	(1,275)
Dividend and Dividend Tax	(1,608)	(1,754)	(2,120)	(2,558)
Net CF from Financing Activities	(1,449)	(1,790)	(2,402)	(2,603)
Net Cash flow	2,925	(1,512)	2,422	4,498
Opening Cash/Cash Equivalent	8,132	11,057	9,545	11,967
Closing Cash/ Cash Equivalent	11,057	9,545	11,967	16,465

Source: Company, ICICI Direct Research

Exhibit 5: Balance Sheet

₹ crore

Year-End March	FY24	FY25	FY26E	FY27E
Equity Capital	731.0	731.0	731.0	731.0
Reserve and Surplus	15,596	19,243	23,239	28,091
Total Shareholders funds	16,327	19,974	23,970	28,822
Other Non Current Liabilities	65.1	73.3	73.3	73.3
Total Debt	-	-	-	-
Total Liabilities	17,500	21,079	25,075	29,928
Gross Block	5,701	6,584	7,637	8,637
Acc: Depreciation	2,912	3,379	3,913	4,525
Net Block	2,788	3,205	3,724	4,112
Capital WIP	456	477	500	500
Total Fixed Assets	3,929	4,471	5,013	5,402
Non Current Assets	1,383	1,342	2,153	2,428
Inventory	7,447	9,119	10,667	12,034
Debtors	7,392	9,116	10,667	12,034
Loans and Advances	1	1	2	2
Other Current Assets	7,422	6,481	7,509	8,785
Cash	11,057	9,545	11,967	16,465
Total Current Assets	34,063	34,858	41,405	49,915
Current Liabilities	3,706	3,339	4,190	5,349
Provisions	967	902	902	902
Total Current Liabilities	22,027	19,753	23,657	27,978
Net Current Assets	12,036	15,105	17,748	21,937
Total Assets	17,500	21,079	25,075	29,928

Source: Company, ICICI Direct Research

Exhibit 6: Key ratios

(Year-end March)	FY24	FY25	FY26E	FY27E
EPS	5.5	7.3	8.6	10.2
Cash per Share	15.1	13.1	16.4	22.5
BV	22.3	27.3	32.8	39.4
Dividend per share	2.2	2.4	2.9	3.5
Dividend payout ratio	40%	33%	34%	34%
EBITDA Margin	24.9	28.8	29.0	29.0
PAT Margin	19.7	22.4	22.7	22.9
RoE	24.4	26.6	26.3	25.8
RoCE	32.3	35.6	35.1	34.5
RoIC	87.3	61.0	62.7	71.4
EV / EBITDA	50.7	37.6	31.6	26.5
P/E	66.9	50.1	42.3	35.8
EV / Net Sales	12.6	10.8	9.2	7.7
Sales / Equity	1.2	1.2	1.2	1.1
Market Cap / Sales	13.2	11.2	9.6	8.2
Price to Book Value	16.3	13.4	11.1	9.3
Asset turnover	1.2	1.2	1.2	1.1
Debtors Turnover Ratio	2.8	2.9	2.8	2.9
Creditors Turnover Ratio	5.8	6.7	7.4	6.8
Debt / Equity	-	-	-	-
Current Ratio	3.9	4.5	4.5	4.2
Quick Ratio	2.6	2.9	2.8	2.7

Source: Company, ICICI Direct Research

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Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%



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