Bharat Electronics (BHAELE)

ICICI Direct

CMP: ₹ 445 | Target: ₹ 530 (19%) | Target Period: 12 months | BUY

January 29, 2026

Execution well on track...

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 ₹ 73015 crore as of Dec'25 end

Investment Rationale:

- **Healthy order-book position with robust pipeline**: BEL's order backlog stands at ₹ 73015 crore as of Dec-25 (2.8x 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 is confident in achieving their guidance of ~₹ 27000+ crore of order inflow in FY26E (~₹ 19500 crore worth of orders received in YTDFY26). Moreover, management expects large-scale QRSAM order (~Rs 30000 crore) to be placed in Q4FY26E (90% chances) or Q1FY27E with the company. Management's guidance of ~15+% YoY revenue growth with ~27% EBITDA margin has been reiterated, showing well-planned execution and increasing localisation of sub-systems and components

- **Favourable ecosystem for domestic defence industry; Longer-term growth visibility remains healthy:** 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. Management guides ~15% revenue CAGR over the next 3-4 years with gradual improvement in margins (led by increasing localisation and favourable product mix)

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% each over FY25-28E.
- We maintain BUY on BEL with a revised target price of ₹ 530 per share (based on 45x FY28E EPS)

BHARAT ELECTRONICS
QUALITY, TECHNOLOGY, INNOVATION

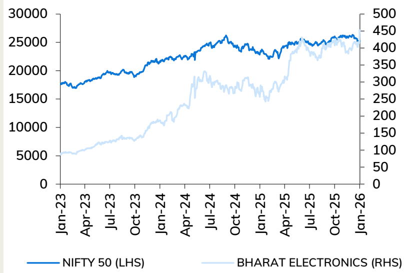
Particulars

Particulars (Rs Crore)	Amount
Market Capitalization	3,25,285
Total Debt (FY25)	0.0
Cash and Inv (FY25)	9,545
EV (FY25)	3,15,740
52 week H/L	436 / 240
Equity capital	731.0
Face value (Rs)	1.0

Shareholding pattern

	Mar-25	Jun-25	Sep-25	Dec-25
Promoter	51.1	51.1	51.1	51.1
FII	17.6	18.6	18.1	18.5
DII	20.9	20.6	20.9	20.5
Others	10.4	9.7	9.8	9.9

Price Chart



Key risks

(i) Dependent on govt contracts

(ii) High working capital requirement

(iii) Availability of key raw materials/components

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Result Update

ICICI Securities – Retail Equity Research

Key Financial Summary

(Year-End March)	FY22	FY23	FY24	FY25	3 Year CAGR (FY22-25)	FY26E	FY27E	FY28E	3 Year CAGR (FY25-28E)
Revenues	15,368	17,734	20,268	23,769	15.6	27,453	32,175	37,966	16.9
EBITDA	3,341	4,086	5,046	6,834	26.9	7,467	9,009	10,744	16.3
EBITDA margin (%)	21.7	23.0	24.9	28.8		27.2	28.0	28.3	
Net Profit	2,400	2,986	3,985	5,323	30.4	5,873	7,137	8,583	17.3
EPS (Rs)	3.3	4.1	5.5	7.3		8.0	9.8	11.7	
P/E (x)	135.5	108.9	81.6	61.1		55.4	45.6	37.9	
EV/EBITDA (x)	95.1	77.6	62.3	46.2		42.0	34.3	28.4	
RoCE (%)	25.8	28.4	32.3	35.6		33.0	33.4	33.5	
RoE (%)	19.5	21.5	24.4	26.6		24.8	25.1	25.1	

Source: Company, ICICI Direct Research

Q3 and 9MFY26 Result Summary

- Operational performance during the quarter improved significantly on YoY basis led by strong execution
- Revenue increased by 24% YoY (+23.5% QoQ) to ₹ 7154 crore
- EBITDA margin improved by 81 bps on YoY basis (+35 bps on QoQ) to 29.7%, led by better execution and increasing indigenisation
- EBITDA grew by 27.4 % YoY (+25 % QoQ) to ₹ 2127 crore. PAT was up 20.4% YoY (+22.7 % QoQ) to ₹ 1580 crore
- For 9MFY26, revenue stood at ₹17,386 crore (+18.9% YoY) with EBITDA margin improving to 29.1% (+167 bps YoY) as execution remained healthy. PAT for the period increased by 20.0% YoY to ₹3,836 crore.

Q3FY26 highlights

- Management has reiterated its guidance for revenue growth at ~15+% YoY with an EBITDA margin at ~27+% for FY26E
- Order inflow guidance for the year also remained at ~₹ 27000 crore. This is excluding QRSAM contract worth Rs 30000 crore. However, management expects 90% chances of receiving this contract by Mar-26
- Order backlog stands at ₹ 73015 crore as of Dec-25 end which has an equal spread of orders from the tri-services. Order inflows during the 9MFY26 stands at ₹ 19300 crore
- The order book now comprises of major orders consisting of Long-Range Surface to Air Missile (LRSAM), Electric Fuses, Akash Prime, BMP 2 upgrade, together contributing ~₹ 20,000 crore to the order book
- Defence contributes ~90% of the revenue while non-defence segment contributes ~10%
- During the quarter major orders executed include LRSAM project, Himshakti project, Battlefield Surveillance Project, Lynx Fire Control Solution, Akash Prime, LRUs for LCA Mk1A, and Shakti EW system.
- The management is planning to complete 90% of Akash Prime this year while post clearance of Akash NG and order of ₹ 2500-3000 crore is expected earliest by Q4FY27E
- Major orders that the company expects to execute in Q4FY26E consists of LRFM, Himshakti project, Akash Prime, D-29 AW system, LRUs for LCA Mk1A, Arudra MPR, BMP-2 etc
- The management expects orders to the tune of ₹ 25,000+ crore in FY27E
- During Q4FY26E, the management expects any one of Shatrughat and Samaghat projects (remaining by H1FY27E), Next-Generation Corvette (NGC) orders of about ₹ 2500-3000 crore (remaining by H1FY27E), LCA-Tejas avionics for follow-on 97 jets, Chatrah project
- RFP for QRSAM has now been submitted. This order would have an execution timeline of 5-6 years as it has various stages
- On the Advance-Medium Combat Aircraft (AMCA) front the company has entered in a 50:50 partnership with L&T
- With regard to Project Kusha (indigenous S-400), the company expects orders similar to QRSAM by FY28-29
- Company targets non-defence revenue contribution to increase to 10% in medium term and 15% in long term
- In terms of exports, management targets to increase its share to 5% in near term and 10% in long-term
- 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 ₹ 1000 crore is expected.

- The company invests 6-7% of its revenue towards R&D and has planned a ~₹ 1700 crore investment in FY26E for the same and aims to increase these expenses by 20% every year going forward
- In regarding to Free-Trade Agreement, the management is positive about a possibility of setting up a research laboratory in collaboration with EU nations

Exhibit 1: Q2 and H2FY26 result snapshot (₹ crore)

	Q3FY26	Q3FY25	YoY (%)	Q2FY26	QoQ (%)	Comments	9MFY26	9MFY25	YoY(%)
Net Sales	7,153.9	5,770.7	24.0	5,792.1	23.5	Revenue growth steady led by strong execution	17,385.7	14,619.2	18.9
Other income	138.5	186.4		153.9			455.8	547.7	
Total Revenue	7,292.4	5,957.1		5,946.0			17,841.5	15,166.9	
Raw materials costs	3,824.5	2,981.4		2,838.6			8,739.1	7,438.3	
Employees Expenses	819.9	672.0		767.8			2,284.1	1,994.6	
Other Expenses	382.2	447.9		483.6			1,294.7	1,168.7	
Total Expenditure	5,026.6	4,101.2		4,089.9			12,318.0	10,601.5	
EBITDA	2,127.2	1,669.5	27.4	1,702.2	25.0		5,067.7	4,017.6	26.1
EBITDA margins (%)	29.7	28.9	81 bps	29.4	35 bps	Margin improved led by better execution and increasing indigenisation	29.1	27.5	167 bps
Interest	2.0	1.3		1.7			5.1	3.8	
Depreciation	135.4	110.9		126.5			382.7	329.8	
Tax	558.1	442.4		449.5			1,326.3	1,065.6	
PAT	1,579.7	1,311.6	20.4	1,287.2	22.7		3,835.9	3,195.7	20.0

Source: Company, ICICI Direct Research

Financial Summary

Exhibit 2: Profit and loss statement ₹ crore

Year-End March	FY25	FY26E	FY27E	FY28E
Revenue	23,769	27,453	32,175	37,966
% Growth	*17.3*	*15.5*	*17.2*	*18.0*
Other income	742.4	890.8	1,113.5	1,391.9
Total Revenue	23,769	27,453	32,175	37,966
% Growth	*17.3*	*15.5*	*17.2*	*18.0*
Total Raw Material Costs	12,187	14,358	16,731	19,629
Employee Expenses	2,761	3,294	3,861	4,556
other expenses	1,987	2,333	2,574	3,037
Total Operating Expenditure	16,935	19,986	23,166	27,222
Operating Profit (EBITDA)	6,834	7,467	9,009	10,744
% Growth	*35.4*	*9.3*	*20.6*	*19.3*
Interest	10	8	9	9
PBDT	7,566	8,350	10,114	12,128
Depreciation	467	527	602	676
PBT before Exceptional Items	7,099	7,823	9,512	11,452
Total Tax	1,812	1,995	2,426	2,920
PAT before MI	5,287	5,828	7,087	8,532
PAT	5,323	5,873	7,137	8,583
% Growth	*33.6*	*10.3*	*21.5*	*20.3*
EPS	7.3	8.0	9.8	11.7

Source: Company, ICICI Direct Research

Exhibit 3: Cash Flow Statement

Year-End March	FY25	FY26E	FY27E	FY28E
Profit after Tax	5,323	5,873	7,137	8,583
Depreciation	467	527	602	676
Interest	10	8	9	9
Cash Flow before WC changes	5,800	6,408	7,747	9,267
Changes in inventory	(1,672)	(1,411)	(1,370)	(2,246)
Changes in debtors	(1,724)	(1,414)	(1,370)	(2,142)
Changes in loans & Advances	(0)	(0)	(0)	(0)
Changes in other current assets	941	(931)	(1,275)	(1,564)
Net Increase in Current Assets	(2,306)	(3,756)	(4,016)	(5,952)
Changes in creditors	(368)	798	1,152	952
Changes in provisions	45	88	230	190
Net Inc in Current Liabilities	(2,274)	3,619	4,310	4,733
Net CF from Operating activities	1,219	6,272	8,041	8,048
Changes in deferred tax assets	40	-	-	-
(Purchase)/Sale of Fixed Assets	(904)	(1,000)	(1,000)	(1,000)
Net CF from Investing activities	(940)	(1,790)	(1,275)	(1,337)
Dividend and Dividend Tax	(1,754)	(1,937)	(2,339)	(2,778)
Net CF from Financing Activities	(1,790)	(2,217)	(2,383)	(2,865)
Net Cash flow	(1,512)	2,264	4,384	3,846
Opening Cash/Cash Equivalent	11,057	9,545	11,809	16,193
Closing Cash/ Cash Equivalent	9,545	11,809	16,193	20,039

Source: Company, ICICI Direct Research

Exhibit 4: Balance Sheet ₹ crore

Year-End March	FY25	FY26E	FY27E	FY28E
Equity Capital	731.0	731.0	731.0	731.0
Reserve and Surplus	19,243	22,983	27,745	33,472
Total Shareholders funds	19,974	23,714	28,476	34,203
Other Non Current Liabilities	73.3	73.3	73.3	73.3
Total Debt	-	-	-	-
Total Liabilities	21,079	24,819	29,582	35,308
Gross Block	6,584	7,637	8,637	9,636
Acc: Depreciation	3,379	3,907	4,508	5,184
Net Block	3,205	3,731	4,129	4,452
Capital WIP	477	500	500	501
Total Fixed Assets	4,471	5,020	5,419	5,743
Non Current Assets	1,342	2,132	2,407	2,744
Inventory	9,119	10,530	11,900	14,146
Debtors	9,116	10,530	11,900	14,042
Loans and Advances	1	2	2	2
Other Current Assets	6,481	7,412	8,687	10,251
Cash	9,545	11,809	16,193	20,039
Total Current Assets	34,858	40,878	49,277	59,076
Current Liabilities	3,339	4,137	5,289	6,241
Provisions	902	902	902	902
Total Current Liabilities	19,753	23,372	27,682	32,415
Net Current Assets	15,105	17,506	21,595	26,660
Total Assets	21,079	24,819	29,582	35,308

Source: Company, ICICI Direct Research

Exhibit 5: Key ratios

(Year-end March)	FY25	FY26E	FY27E	FY28E
EPS	7.3	8.0	9.8	11.7
Cash per Share	13.1	16.2	22.2	27.4
BV	27.3	32.4	39.0	46.8
Dividend per share	2.4	2.7	3.2	3.8
Dividend payout ratio	33%	33%	33%	32%
EBITDA Margin	28.8	27.2	28.0	28.3
PAT Margin	22.4	21.4	22.2	22.6
RoE	26.6	24.8	25.1	25.1
RoCE	35.6	33.0	33.4	33.5
RoIC	61.0	58.3	68.4	71.1
EV / EBITDA	46.2	42.0	34.3	28.4
P/E	61.1	55.4	45.6	37.9
EV / Net Sales	13.3	11.4	9.6	8.0
Sales / Equity	1.2	1.2	1.1	1.1
Market Cap / Sales	13.7	11.8	10.1	8.6
Price to Book Value	16.3	13.7	11.4	9.5
Asset turnover	1.2	1.2	1.1	1.1
Debtors Turnover Ratio	2.9	2.8	2.9	2.9
Creditors Turnover Ratio	6.7	7.3	6.8	6.6
Debt / Equity	-	-	-	-
Current Ratio	4.5	4.5	4.2	4.3
Quick Ratio	2.9	2.8	2.7	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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