

## Execution picking-up; Orders pipeline remains strong...

**About the stock:** Bharat Dynamics (BDL), one of the leading defence PSUs in India, is engaged in the manufacture of surface to air missiles (SAMs), anti-tank guided missiles (ATGMs), air to air missiles (AAMs), underwater weapons, launchers, countermeasures and test equipments

- Company's revenue and PAT have grown at 14.1% & 16.9% CAGR respectively over the period FY21-23
- Order backlog is estimated to be at ~₹ 20000 crore

**Q3FY24/9MFY24 performance:** Operational performance in Q3FY24 has improved considerably on YoY basis (led by pick-up in execution) after seeing muted execution during Q3FY23-Q1FY24 on account of delays in receipt of some key components. Revenue was up ~30% YoY with EBITDA margin marginally improved to ~20%, translated into EBITDA increase by ~34% YoY. Revenue for 9MFY24 stands at ₹ 1515.2 crore (down 10% YoY) with EBITDA margin at 14.5% (vs 13.3% in 9MFY23)

### Investment Rationale:

- Healthy order-book position with strong pipeline presents robust growth visibility:** Company's order backlog is estimated at ~₹ 20,000 crore (9x TTM revenue) provides healthy growth visibility. Orders pipeline also remains strong (in both domestic and exports) which includes various SAM (Surface to Air missile) variants including Akash NG, Quick Reaction (QRSAM) & Vertical launched Short Range (VLSRSAM), ATGM (Anti-Tank Guided Missile) like Helina/Dhruvastra, Nag, MPATGM, Smart Anti-Airfield Weapon (SAAW), Astra MK2, torpedoes etc. The strong pipeline provides more comfort on future growth visibility
- Expanding Capabilities to enhance market position:** BDL has been investing in infrastructure, increasing capacity and expanding R&D activities, both in-house and in association with DRDO for various development and production programmes. BDL has also been focused on entering into various agreements with foreign OEMs, both for manufacturing in India as well as joint development programmes, catering to domestic customers and export markets. The products/projects under development includes Amogha-III ATGM, Drone fired missiles and bombs, LBRM (Laser Beam Riding Missile), Mistral short-range missile system, ASRAAM (Advanced Short Range Air-to-Air Missile), SPIKE ER2 etc

### Rating and Target Price

- We believe BDL is strongly placed to benefit from increasing capital outlay for indigenised defence platforms like missiles, torpedoes & Counter measure dispensing systems. We estimate revenue, EBITDA and PAT to grow at 29.4%, 41.4% and 46.9% CAGR respectively over FY23-26E
- Valuation at 27.3x P/E on FY26E basis looks attractive given strong growth ahead led by multiple sectoral tailwinds. We recommend BUY on BDL with target price of ₹ 2010 per share (based on 33x FY26E EPS)



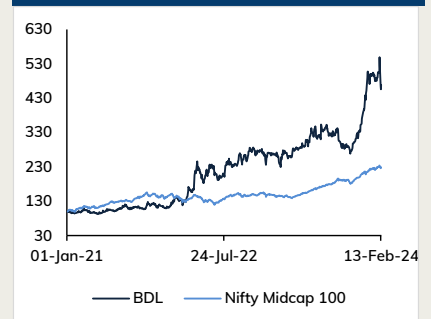
### Particulars

Particular	Amount
Market Capitalisation (Rs Crore)	30,443
FY23 Debt (Rs Crore)	0
FY23 Cash (Rs Crore)	3,859
EV (Rs Crore)	26,584
52 Week H/L (Rs)	1939 / 805
Equity Capital (Rs Crore)	183.3
Face Value	10

### Shareholding pattern

	Mar-23	Jun-23	Sep-23	Dec-23
Promoter	74.9	74.9	74.9	74.9
FII	2.8	3.4	3.1	3.1
DII	14.1	13.8	12.8	13.3
Others	8.1	7.9	9.2	8.7

### Price Chart



### Key risks

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

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### Key Financial Summary

Rs Crore	FY20	FY21	FY22	FY23	3 Year CAGR (FY20-23)	FY24E	FY25E	FY26E	3 Year CAGR (FY23-26E)
Revenues	3,105	1,914	2,817	2,489	(7.1)	2,864	4,000	5,392	29.4
EBITDA	755	345	726	408	(18.6)	552	821	1,153	41.4
EBITDA margin (%)	24.3	18.0	25.8	16.4		19.3	20.5	21.4	
Net Profit	535	258	492	352	(13.0)	619	840	1,117	46.9
EPS (Rs)	29.2	14.1	26.8	19.2		33.8	45.8	60.9	
P/E (x)	56.9	118.1	59.1	86.4		49.2	36.2	27.3	
EV/EBITDA (x)	39.4	83.8	39.3	65.1		50.5	34.2	24.4	
RoCE (%)	28.6	12.8	24.6	15.1		23.2	27.6	31.5	
RoE (%)	20.5	9.6	17.0	11.0		17.1	20.3	23.2	

Source: Company, ICICI Direct Research

Exhibit 1: Product Range

Surface – to – Air Missile (SAM) & Air –to– Air Missile	Akash-SAM		Anti Tank Guided Missile (ATGM)	Milan-2T	
	MR-SAM			Konkurs-M	
	ASTRA Missile			INVAR	
Underwater Weapons	Heavy Weight Torpedo		Counter Measure Devices	CMDS-Aircrafts	
	Light Weight Torpedo			Anti-Torpedo System	

Source: Company, ICICI Direct Research

Exhibit 2: Future programs – In association with DRDO (1)

- 1 QRSAM \*(FY 2025-26)
- 2 AKASH NG SAM \*(FY 2026-27)
- 3 VLSRSAM \*(FY 2026-27)
- 4 DHRUVA/HELIKA ATGM \*(FY 2025-26)
- 5 NAG ATGM \*(FY 2025-26)
- 6 MPATGM \*(FY 2026-27)
- 7 LRLACM \*(FY 2027-28)

Source: Company, ICICI Direct Research  
\* denotes expected year of order realisation

Exhibit 3: Future programs – In association with DRDO (2)

- 8 SAAW (Smart Anti Air Field Weapon) \*(FY 2024-25)
- 9 Electrical Heavy Weight Torpedo \*(FY 2026-27)
- 10 Advanced Light Weight Torpedo \*(FY 2025-26)
- 11 MIGM (Multi Influence Ground Mines) \*(FY 2025-26)
- 12 SONOBUOY \*(FY 2025-26)
- 13 ULPGM \*(FY 2024-25)

Source: Company, ICICI Direct Research

Exhibit 4: Future programs (in-house R&D)

	
AMOGHA III ATGM *(FY 2026-27)	Drone Fired Missile *(FY 2026-27)
	
Drone Fired 3.5 Kg Bomb *(FY 2024-25)	Drone Fired 1 Kg Bomb *(FY 2024-25)

Source: Company, ICICI Direct Research  
\* denotes expected year of order realisation

Exhibit 5: Foreign collaboration programs

		
LBRM *(FY 2023-24)	MISTRAL *(FY 2026-27)	ASRAAM *(FY 2026-27)
		
SPIKE ER2 *(FY 2024-25)	122 mm GRAD ROCKETS *(FY 2025-26)	70MM LGR *(FY 2024-25)

Source: Company, ICICI Direct Research

## Financial summary

**Exhibit 6: Profit and loss statement** ₹ crore

(Year-end March)	FY23	FY24E	FY25E	FY26E
Revenue	2,489	2,864	4,000	5,392
% Growth	(11.6)	15.1	39.7	34.8
Other income	155.4	363.3	399.7	447.6
Total Revenue	2,489	2,864	4,000	5,392
% Growth	(11.6)	15.1	39.7	34.8
Total Raw Material Costs	1,191	1,203	1,720	2,346
Employee Expenses	532	612	704	761
other expenses	357	497	755	1,133
Total Operating Expenditure	2,081	2,312	3,179	4,239
Operating Profit (EBITDA)	408	552	821	1,153
% Growth	(43.8)	35.3	48.6	40.5
Interest	5	3	3	3
PBDT	559	912	1,217	1,598
Depreciation	77	76	82	89
PBT before Exceptional Items	482	837	1,135	1,509
Total Tax	130	217	295	392
PAT before MI	352	619	840	1,117
PAT	352	619	840	1,117
% Growth	(28.3)	75.8	35.7	32.9
EPS	19.2	33.8	45.8	60.9

Source: Company, ICICI Direct Research

**Exhibit 7: Cash flow statement** ₹ crore

(Year-end March)	FY23	FY24E	FY25E	FY26E
Profit after Tax	352	619	840	1,117
Depreciation	77	76	82	89
Interest	5	3	3	3
Cash Flow before WC changes	434	698	925	1,209
Changes in inventory	(168)	(139)	(778)	(954)
Changes in debtors	120	(67)	(132)	(134)
Changes in loans & Advances	(0)	0	-	(1)
Changes in other current assets	54	(55)	(136)	(167)
Net Increase in Current Assets	(118)	(136)	(1,427)	(1,771)
Changes in creditors	(88)	101	224	275
Changes in provisions	42	21	148	181
Net Inc in Current Liabilities	(375)	178	839	1,028
Net CF from Operating activities	(59)	740	336	466
Changes in deferred tax assets	1	-	-	-
(Purchase)/Sale of Fixed Assets	(46)	(100)	(100)	(100)
Net CF from Investing activities	2,194	(1,844)	(134)	(142)
Dividend and Dividend Tax	(171)	(234)	(330)	(440)
Net CF from Financing Activities	(176)	(222)	(333)	(443)
Net Cash flow	1,959	(1,326)	(131)	(119)
Opening Cash/Cash Equivalent	1,900	3,859	2,533	2,403
Closing Cash/ Cash Equivalent	3,859	2,533	2,403	2,284

Source: Company, ICICI Direct Research

**Exhibit 8: Balance sheet** ₹ crore

(Year-end March)	FY23	FY24E	FY25E	FY26E
Equity Capital	183.3	183.3	183.3	183.3
Reserve and Surplus	3,028	3,436	3,946	4,623
Total Shareholders funds	3,211	3,619	4,130	4,806
Other Non Current Liabilities	3,205.3	1,400.0	1,400.0	1,400.0
Total Debt	-	-	-	-
Total Liabilities	6,466	5,111	5,621	6,298
Gross Block	1,141	1,270	1,370	1,470
Acc. Depreciation	494	570	652	741
Net Block	646	700	718	729
Capital WIP	74	45	45	45
Total Fixed Assets	883	915	933	944
Non Current Assets	189	169	203	245
Inventory	1,822	1,962	2,740	3,693
Debtors	185	251	384	517
Loans and Advances	2	2	2	3
Other Current Assets	289	344	480	647
Cash	3,859	2,533	2,403	2,284
Total Current Assets	7,600	6,411	7,708	9,360
Current Liabilities	464	565	789	1,064
Provisions	0	45	45	46
Total Current Liabilities	2,206	2,384	3,223	4,251
Net Current Assets	5,394	4,027	4,485	5,109
Total Assets	6,466	5,111	5,621	6,298

Source: Company, ICICI Direct Research

**Exhibit 9: Key ratios**

(Year-end March)	FY23	FY24E	FY25E	FY26E
EPS	19.2	33.8	45.8	60.9
Cash per Share	210.5	138.2	131.1	124.6
BV	175.2	197.5	225.3	262.2
Dividend per share	9.4	12.8	18.0	24.0
Dividend payout ratio	49%	38%	39%	39%
EBITDA Margin	16.4	19.3	20.5	21.4
PAT Margin	14.1	21.6	21.0	20.7
RoE	11.0	17.1	20.3	23.2
RoCE	15.1	23.2	27.6	31.5
RoIC	(51.1)	43.9	42.8	42.2
EV / EBITDA	65.1	50.5	34.2	24.4
P/E	86.4	49.2	36.2	27.3
EV / Net Sales	10.7	9.7	7.0	5.2
Sales / Equity	0.8	0.8	1.0	1.1
Market Cap / Sales	12.2	10.6	7.6	5.6
Price to Book Value	9.5	8.4	7.4	6.3
Asset turnover	0.8	0.8	1.0	1.1
Debtors Turnover Ratio	10.2	13.1	12.6	12.0
Creditors Turnover Ratio	4.9	5.6	5.9	5.8
Debt / Equity	-	-	-	-
Current Ratio	2.3	2.3	2.4	2.5
Quick Ratio	0.5	0.5	0.6	0.6

Source: Company, ICICI Direct Research

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