

## Turns ex-bonus today...

**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
- Focus to increase the non-defence share to ~20% over two to three years

## Turns ex-bonus today:

- The company had made an announcement regarding bonus issue on August 4, 2022. The issue of bonus shares is in the ratio of 2:1 i.e. two new bonus equity shares each for every existing equity share
- Ex-bonus date is today i.e. September 15 and record date for the same is September 16. Accordingly, the share price has been adjusted to opening price of ₹ 112/share against closing price of ₹ 336/share yesterday
- Hence, we revise our target price to ₹ 135/share post this corporate action. We maintain our **BUY** rating on the stock and value Bharat Electronics based on 30x P/E on FY24 EPS

## Key triggers for future price performance:

- Strategy to diversify into non-defence areas, focus on increasing exports and services share would aid long term growth and help de-risk its business
- Order backlog at ₹ 55,333 crore as of June 2022 end (~3.3x TTM revenues). Strong order pipeline in FY23-24E
- The major orders in the pipeline are: Akash Prime from Bharat Dynamics worth ₹ 4,000 crore, Himshakti Electronic Warfare (EW) worth ₹ 3,200 crore, Arudhra Radar worth ₹ 3,000 crore, EW system for Mi-17 helicopters worth ₹ 1,500 crore, electronic warfare systems for ships worth ₹ 12,000 crore, 12 weapon detecting radars (WDR) worth ₹ 1,000 crore
- Major orders expected in FY24E in quick reaction surface-to-air missile (QRSAM) worth ₹ 20,000 crore, medium range surface to air missile (MRSAM) worth ₹ 15,000-20,000 crore. Army is in process of taking up acceptance of necessity (AoN) post which they will issue RFP after approvals
- We expect revenue, EBITDA to grow at a CAGR of 18.5%, 20.1%, respectively, in FY22-FY24E aided by sustained margins in range of ~22%
- Strong balance sheet, double digit returns ratios



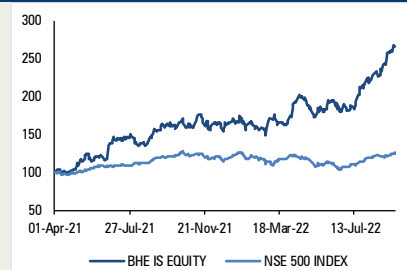
### Particulars

Particular	Amount
Market Capitalization	₹ 81870 Crore
Total Debt (FY22)	₹ 72.1 Crore
Cash and Inv (FY22)	₹ 1297.1 crore
EV (FY22)	₹ 79691 Crore
52 week H/L (₹) (BSE)	341 / 183
Equity capital	₹ 731 Crore
Face value	₹ 1

### Shareholding pattern

%	Sep-21	Dec-21	Mar-22	Jun-22
Promoters	51.1	51.1	51.1	51.1
FII	15.7	17.2	16.8	16.0
DII	28.3	26.8	26.7	27.8
Others	4.8	4.9	5.4	5.1

### Price Chart



### Recent Event & Key risks

- Bonus issue of equity shares in ratio of 2:1
- Key Risk:** (i) dependence on government contracts (ii) Deferral of receivables payment

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## Key Financial Summary

(₹ crore)	FY19	FY20	FY21	FY22	5 Year CAGR	FY23E	FY24E	2 Year CAGR
Revenues	12,085	12,921	14,064	15,314	4.9	18,138	21,512	18.5
EBITDA	2,862	2,730	3,181	3,309	2.9	4,009	4,776	20.1
EBITDA margin (%)	23.7	21.1	22.6	21.6		22.1	22.2	
Net Profit	1,927	1,794	2,065	2,349	4.0	2,751	3,279	18.2
EPS (₹)	2.6	2.5	2.8	3.2		3.8	4.5	
P/E (x)	42.5	45.6	39.6	34.9		29.8	25.0	
EV/EBITDA (x)	28.7	29.6	25.1	24.4		20.2	16.3	
RoCE (%)	33.0	27.4	29.4	26.1		28.4	30.0	
RoE (%)	23.5	19.9	20.7	19.5		21.2	22.4	

Source: Company, ICICI Direct Research

## RATING RATIONALE

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Buy: > 15%

Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: < -15%



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