

# **Shubh Nivesh**



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## Improving execution, strong pipeline to drive growth ahead...

**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 ₹ 74,000 crore as of Mar'26 end

### Investment Rationale:

- **Favourable ecosystem for domestic defence industry: Longer-term growth visibility remains healthy:** BEL, being a dominant leader in India's defence electronics segment, is one of the biggest beneficiaries of growing usage of electronics in defence sector in both domestic and export markets, led by increasing required modernisation in platforms. Company already has strong manufacturing expertise to deliver a wide range of products including radar systems, electronic warfare solutions, avionics etc. 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). In terms of exports, management targets a long-term revenue contribution of 10% (currently at 5%).
- **Healthy order-book position with robust pipeline:** BEL has recorded a standalone revenue (provisional & unaudited) of ~₹26,750 crores (excluding other operating income for FY26, obtaining a growth of ~16% YoY. Implied Q4FY26 revenue growth stands at ~11% YoY. Order backlog stands at ₹ 74,000 crore as of Mar-26 (2.7x FY26 revenue), which provides healthy revenue growth visibility over the next 2-3 years considering the steady execution. The order inflow for FY26 stood at ₹30,000 crores (as against ₹27,000 crores guided by the management). Moreover, FY27E order inflows are expected to surpass ₹50,000 crore considering that large QRSAM contract (₹30,000 crore) is likely to be concluded in Q1FY27E. Company remains well placed for sustained growth driven by execution of a robust backlog and continued inflow of large defence orders. Company plans annual capex of Rs 1000 crore over the next 3-4 years to augment its overall capacity and new product developments

### 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)

### 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)	128.5	103.3	77.4	58.0		52.5	43.2	35.9	
EV/EBITDA (x)	90.1	73.5	58.9	43.7		39.7	32.4	26.8	
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



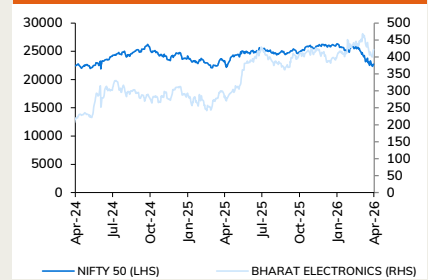
### Particulars

Particulars (Rs Crore)	Amount
Market Capitalization	3,08,473
Total Debt (FY25)	0.0
Cash and Inv (FY25)	9,545
EV (FY25)	2,98,928
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

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

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Buy: >15%

Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%

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