Bharat Electronics (BHAELE)

CMP: ₹ 390 | Target ₹ 530 (36%) | Target Period: 12 months | BUY

November 4, 2026

Strong order pipeline; execution momentum sustains growth

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, electro-optics, homeland security, civilian products, etc

Investment Rationale:

- Healthy order book and strong pipeline provide sustained execution visibility: BEL ended Q2FY27 with an order backlog of ₹68,717 crore (~2.5x FY26 revenue), providing healthy medium-term revenue visibility. The order book remains diversified across electronic fuses, LRSAM, LCA Mk1, BMP-2 Upgrade, Ashwini Radar and EW systems. Management expects orders worth ~₹20,000 crore from the NGC programme, while the ₹30,000 crore QRSAM order remains a key near-term trigger. Alongside these, expected orders from Shatrughat, Samaghat and HAMMER support the company's FY27 order inflow target of ₹25,000 crore excluding QRSAM ~₹30,000 crore
- Technology leadership and indigenous capabilities support sustainable growth: BEL's strong R&D base, with planned investments of ₹2,200+ crore in FY27, continues to strengthen its position across complex defence electronics. The company has developed capabilities across radars, electronic warfare, communication systems, missile electronics and seekers, with management indicating that electronics account for 60-70% of missile costs. Its combined seeker manufacturing capacity of 1,000+ units annually, with scope to scale up 2-3x, provides an opportunity to increase its participation in missile programmes. Continued investments in R&D and manufacturing infrastructure, alongside capex of ₹1,200+ crore, are expected to support higher indigenisation and new product development
- Emerging opportunities across drones, counter-drone systems and exports provide additional growth levers: BEL is strengthening its presence in high-growth areas such as surveillance and kamikaze drones, counter-drone systems, directed-energy weapons and cybersecurity. The company is working with 6-8 startups to develop reliable drone solutions and expects larger orders to emerge over the next 1-2 years. Its counter-drone solutions, including hard-kill capabilities and high-power microwave technology, have received encouraging responses in overseas demonstrations, creating export opportunities. Further, its AMCA partnership with L&T and growing participation in missile programmes provide additional avenues for growth beyond its existing order book

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 maintain BUY on BEL with a target price of ₹ 530 per share (based on 45x FY28E EPS)

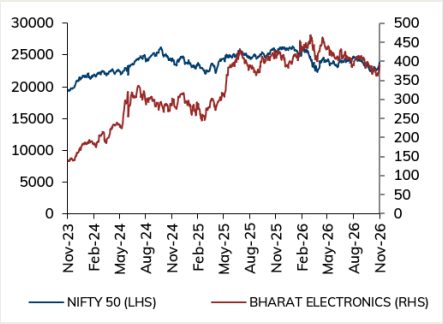
Particulars

Particular	Amount
Market Capitalisation (₹ Crore)	2,85,081
FY26 Gross Debt (₹ Crore)	0.0
FY26 Cash (₹ Crore)	8,572
EV (₹ Crore)	2,76,509
52 Week H/L (₹)	473 / 355
Equity Capital	731
Face Value	1.0

Shareholding pattern

	Dec-25	Mar-26	Jun-26	Sep-26
Promoter	51.1	51.1	51.1	51.1
FII	18.5	19.5	18.0	17.0
DII	20.5	20.0	21.0	21.9
Others	9.9	9.3	9.8	10.0

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

Key Financials (₹ Crore)	FY23	FY24	FY25	FY26	3-year CAGR (FY23-26)	FY27E	FY28E	2-year CAGR (FY26-28E)
Revenues	17,734	20,268	23,769	27,610	15.9	32,304	38,070	17.4
EBITDA	4,086	5,046	6,834	8,049	25.4	9,304	11,135	17.6
EBITDA margin (%)	23.0	24.9	28.8	29.2		28.8	29.3	
Net Profit	2,986	3,985	5,323	6,062	26.6	7,045	8,546	18.7
EPS (Rs)	4.1	5.5	7.3	8.3		9.6	11.7	
P/E (x)	95.5	71.5	53.6	47.0		40.5	33.4	
EV/EBITDA (x)	67.8	54.3	40.3	34.4		29.4	24.3	
RoCE (%)	28.4	32.3	35.6	33.6		33.4	33.6	
RoE (%)	21.5	24.4	26.6	25.3		25.1	25.3	

Source: Company, ICICI Direct Research

Q2FY27 Result Summary

- Revenue reported for Q2FY27 stands at ₹ 7,327.7 crore, up by 26.5% YoY (+32.1% QoQ), driven by healthy execution across key defence electronics programmes
- EBITDA margin declined by (154 bps YoY, +282 bps QoQ) to 27.9%, while EBITDA grew 19.9% YoY (+47.0% QoQ) to ₹2,040.9 crore. PAT increased 19.7% YoY (+46.1% QoQ) to ₹1,540.4 crore
- For H1FY27, revenue grew 25.8% YoY to ₹12,874.7 crore, while EBITDA increased 16.6% to ₹3,429.3 crore, with EBITDA margin contracting 210 bps YoY to 26.6%. PAT grew 15.0% YoY to ₹2,594.9 crore

Q2FY27 highlights

- Management retained FY27 guidance of 15%+ revenue growth and EBITDA margin of ~28%, despite 26% revenue growth in H1FY27 indicating that the higher H1 growth partly reflects efforts to improve execution and achieve a more uniform revenue run-rate across quarters Management highlighted improving on-time deliveries and expects execution to remain strong in H2
- Order inflows stood at ₹7,334 crore for H1FY27, while the order book stands at ₹68,717 crore as of Sep-26. Management remains confident of achieving its order inflow guidance of ₹25,000 crore excluding QRSAM and ₹50,000+ crore including QRSAM, supported by expected orders from QRSAM, NGC, Shatrughat, Samaghat and HAMMER.
- Major projects in the existing order book include Electronic Fuses (~₹4,200 crore), LCA Mk1 (~₹3,200 crore), LRSAM (~₹2,900 crore), BMP-2 Upgrade (~₹2,600 crore), Ashwini Radar (~₹2,500 crore), EW Suite for Mi-17V5 (~₹2,200 crore) and an export order (~₹1,700 crore).
- Management expects the ₹30,000 crore QRSAM order to be awarded shortly, with approval expected at an upcoming CCS meeting. Company remains highly confident of securing the order, given its role as the nominated production agency and its decade-long involvement in developing the complex air defence system with DRDO.
- Following the signing of the Next Generation Corvette (NGC) contracts with GRSE and Goa Shipyard, BEL expects orders worth ~₹20,000 crore for radars, electronic warfare systems, communication equipment and other electronics. Orders are expected in a staggered manner over the next six months, with most expected before FY27-end.
- Management expects additional orders for Shatrughat, Samaghat and HAMMER before Mar-27, while P75-I may spill over into FY28E. The company remains confident of achieving its order inflow guidance even if some NGC orders are delayed.
- BEL is expanding its presence in drones and counter-drone systems, working with 6-8 startups alongside its in-house development efforts. The company is focusing on surveillance, kamikaze and other specialised drones, while strengthening its high-end counter-drone solutions with hard-kill capabilities, including high-power microwave technology. Management expects larger orders and export opportunities to emerge over the next 1-2 years.
- BEL is increasing its participation in missile electronics and seeker systems, with capabilities across both RF and IR seekers. The company currently has combined manufacturing capacity of 1,000+ seekers annually, which can be scaled up 2-3x; management indicated that seekers typically account for 20-30% of a missile's cost.
- BEL, along with L&T, has submitted its bid for the AMCA programme through a 50:50 consortium. Management expects technical evaluation to take 2-3 months, with the price bid potentially opening before March 2027.

The company is also strengthening its missile capabilities through its role as a development-cum-production partner for LRLACM and Pralay.

- The company is expanding its cybersecurity business through a dedicated SBU, with ₹400-500 crore of civilian cybersecurity orders currently under execution and a pipeline of opportunities worth thousands of crores. Cybersecurity capabilities are also being integrated into its defence C4I solutions
- The company has maintained capex guidance of ₹1,200+ crore and R&D investments of ₹2,200+ crore, with defence and non-defence revenue mix of 90:10

Exhibit 1: Q2FY27 consolidated result overview (₹ crore)

Particulars	Q2FY27	Q2FY26	YoY (%)	Q1FY27	QoQ (%)	Comments	H1FY27	H1FY26	YoY (%)
Net Sales	7,327.7	5,792.1	26.5	5,547.0	32.1	Execution remained in-line with guidance	12,874.7	10,231.8	25.8
Other income	187.1	153.9		169.6			356.7	317.2	
Total Revenue	7,514.9	5,946.0		5,716.5			13,231.4	10,549.1	
Raw materials costs	3,979.4	2,838.6		3,021.0			7,000.3	4,914.6	
Employees Expenses	766.6	767.8		792.8			1,559.4	1,464.3	
Other Expenses	540.9	483.6		344.8			885.7	912.5	
Total Expenditure	5,286.9	4,089.9		4,158.6			9,445.4	7,291.4	
EBITDA	2,040.9	1,702.2	19.9	1,388.4	47.0		3,429.3	2,940.4	16.6
EBITDA margins (%)	27.9	29.4	-154 bps	25.0	282 bps	Margins improved through operational capabilities	26.6	28.7	-210 bps
Interest	2.6	1.7		1.2			3.8	3.1	
Depreciation	171.3	126.5		160.6			331.8	247.3	
Tax	522.8	449.5		352.4			875.1	768.2	
PAT	1,540.4	1,287.2	19.7	1,054.5	46.1		2,594.9	2,256.2	15.0

Source: Company, ICICI Direct Research

Financial summary

Exhibit 2: Profit and loss statement ₹ crore

(₹Crore)	FY25	FY26	FY27E	FY28E
Revenue	23,769	27,610	32,304	38,070
% Growth	17.3	16.2	17.0	17.9
Other income	742.4	566.0	707.5	884.4
Total Revenue	23,769	27,610	32,304	38,070
% Growth	17.3	16.2	17.0	17.9
Total Raw Material Costs	12,187	14,033	16,798	19,796
Employee Expenses	2,761	3,116	3,553	4,073
other expenses	1,987	2,412	2,649	3,065
Total Operating Expenditure	16,935	19,561	23,000	26,935
Operating Profit (EBITDA)	6,834	8,049	9,304	11,135
% Growth	35.4	17.8	15.6	19.7
Interest	10	7	6	6
PBDT	7,566	8,609	10,005	12,014
Depreciation	467	556	646	685
PBT before Exceptional Items	7,099	8,053	9,359	11,329
Total Tax	1,812	2,029	2,358	2,832
PAT before MI	5,287	6,023	7,000	8,496
PAT	5,323	6,062	7,045	8,546
% Growth	33.6	13.9	16.2	21.3
EPS	7.3	8.3	9.6	11.7

Source: Company, ICICI Direct Research

Exhibit 3: Cash flow statement ₹ crore

(₹Crore)	FY25	FY26	FY27E	FY28E
Profit after Tax	5,323	6,062	7,045	8,546
Depreciation	467	556	646	685
Interest	10	7	6	6
Cash Flow before WC chg	5,800	6,625	7,698	9,238
Changes in inventory	(1,672)	(1,057)	(1,772)	(2,133)
Changes in debtors	(1,724)	(3,759)	(400)	(2,370)
Changes in loans & Advances	(0)	(0)	(0)	(0)
Changes in other CA	941	491	(1,116)	(1,269)
Net Incr in Current Assets	(2,306)	(4,172)	(3,289)	(5,771)
Changes in creditors	(368)	245	665	758
Changes in provisions	45	115	80	67
Net Inc in Current Liabilities	(2,274)	(493)	2,992	3,586
Net CF from Op activities	1,219	1,960	7,401	7,053
Chg in deferred tax assets	40	(53)	-	-
(Pur)/Sale of Fixed Assets	(904)	(841)	(1,200)	(1,100)
Net CF from Inv activities	(940)	(783)	(1,288)	(1,270)
Dividend and Dividend Tax	(1,754)	(2,485)	(2,339)	(2,778)
Net CF from Fin Activities	(1,790)	(2,150)	(3,090)	(2,862)
Net Cash flow	(1,512)	(973)	3,023	2,920
Opening Cash/Cash Eq	11,057	9,545	8,572	11,595
Closing Cash/ Cash Eq	9,545	8,572	11,595	14,514

Source: Company, ICICI Direct Research

Exhibit 4: Balance sheet ₹ crore

(₹ Crore)	FY25	FY26	FY27E	FY28E
Equity Capital	731.0	731.0	731.0	731.0
Reserve and Surplus	19,243	23,257	27,295	32,985
Total Shareholders' funds	19,974	23,988	28,026	33,716
Other Non-Current Liabilities	73.3	84.8	84.8	84.8
Total Debt	-	-	-	-
Total Liabilities	21,079	25,278	29,315	35,006
Gross Block	6,584	7,417	8,678	9,778
Acc: Depreciation	3,379	3,935	4,581	5,266
Net Block	3,205	3,482	4,097	4,512
Capital WIP	477	486	500	500
Total Fixed Assets	4,471	4,852	5,482	5,897
Non-Current Assets	1,342	1,454	1,542	1,713
Inventory	9,119	10,176	11,948	14,081
Debtors	9,116	12,876	13,276	15,645
Loans and Advances	1	2	2	2
Other Current Assets	6,481	5,990	7,107	8,375
Cash	9,545	8,572	11,595	14,514
Total Current Assets	34,858	38,057	44,369	53,060
Current Liabilities	3,339	3,583	4,248	5,006
Provisions	902	1,084	1,084	1,084
Total Current Liabilities	19,753	19,260	22,252	25,838
Net Current Assets	15,105	18,797	22,116	27,221
Total Assets	21,079	25,278	29,315	35,006

Source: Company, ICICI Direct Research

Exhibit 5: Key ratios

(Year-end March)	FY25	FY26	FY27E	FY28E
EPS	7.3	8.3	9.6	11.7
Cash per Share	13.1	11.7	15.9	19.9
BV	27.3	32.8	38.3	46.1
Dividend per share	2.4	3.4	3.2	3.8
Dividend payout ratio	33%	41%	33%	33%
EBITDA Margin	28.8	29.2	28.8	29.3
PAT Margin	22.4	22.0	21.8	22.4
RoE	26.6	25.3	25.1	25.3
RoCE	35.6	33.6	33.4	33.6
RoIC	61.0	48.6	52.7	54.4
EV / EBITDA	40.3	34.4	29.4	24.3
P/E	53.6	47.0	40.5	33.4
EV / Net Sales	11.6	10.0	8.5	7.1
Sales / Equity	1.2	1.2	1.2	1.1
Market Cap / Sales	12.0	10.3	8.8	7.5
Price to Book Value	14.3	11.9	10.2	8.5
Asset turnover	1.2	1.2	1.2	1.1
Debtors Turnover Ratio	2.9	2.5	2.5	2.6
Creditors Turnover Ratio	6.7	8.0	8.2	8.2
Debt / Equity	-	-	-	-
Current Ratio	4.5	4.8	4.8	5.0
Quick Ratio	2.9	3.1	3.0	3.2

Source: Company, ICICI Direct Research

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Reduce: -15% to -5%;

Sell: <-15%

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