

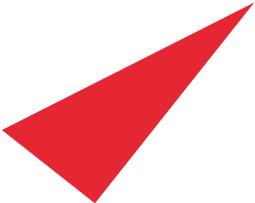


Quarterly Results Pick

Bharat Electronics Ltd.



Aug 25, 2025



Industry	LTP	Recommendation	Base Case Fair Value	Bull Case Fair Value	Time Horizon
Aerospace & Defence	Rs 374.85	Buy in Rs 370-380 band and add on dips in Rs 335-340 band	Rs 410	Rs 444	2-3 quarters

HDFC Scrip Code	BHAELE
BSE Code	500049
NSE Code	BEL
Bloomberg	BHE IN
CMP Aug 22, 2025	374.85
Equity Capital (Rs Cr)	731.0
Face Value (Rs)	1.0
Equity Share O/S (Cr)	731.0
Market Cap (Rs Cr)	274,007.1
Book Value (Rs)	27.3
Avg. 52 Wk Volumes	23,745,217
52 Week High	436.0
52 Week Low	240.2

Share holding Pattern % (June, 2025)	
Promoters	51.1
Institutions	39.2
Non Institutions	9.7
Total	100



* Refer at the end for explanation on Risk Ratings

Fundamental Research Analyst

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Our Take:

Bharat Electronics Ltd. (BEL) is the largest domestic electronics manufacturer and a defence public sector undertaking enjoying benefits associated with the economies of scale. BEL is the dominant supplier of radar, communication and electronic warfare equipment to the Indian armed forces. Besides, the government ownership leads to a sizeable inflow of orders on a nominated basis, providing a steady earnings stream to the company. BEL is one of sixteen PSUs under the administration of the Ministry of Defence of India.

BEL's unexecuted order book stood at Rs 74,859 crore as of July 01, 2025, order book composition was ~85% defence, 11% non-defence, and 4-5% export. The order book stands at 3.1 times of the operating income on TTM basis, which provides adequate revenue visibility over the medium term. The company expects order inflow of Rs 27,000+ crore (excluding QRSAM) in FY26E. Big-ticket orders for QRSAM, MRSAM and naval platforms could provide a multi-year revenue growth opportunity in the medium term.

BEL has been conservative in giving profitability guidance over the past. BEL has been focused on cost-control measures and extensive indigenisation efforts to improve profitability that could lead to the company achieving its margin guidance as well. The company guided 15%+ revenue growth and EBITDA margin at 27% for FY26E. We expect revenue/EBITDA/PAT at a CAGR of 17.8%/16%/16.4% over FY25-28E, respectively.

Q1FY26 Result Update:

- BEL's revenue was below expectations and net profit was above expectations in Q1FY26, and margins surged on YoY basis. With a robust order book, the company could report strong revenue growth going forward. The order book position of the company as on July 01, 2025, stood at Rs 74,859 crore, book to bill stood at 3.1x TTM Sales.
- Its consolidated revenue grew by 4.6% YoY to Rs 4,440 crore in Q1FY26. The company's EBITDA was up by 30.6% on YoY basis to Rs 1,238 crore, supported by lower raw material costs. EBITDA margin was at 27.9% in Q1FY26 vs. 22.3% in Q1FY25.
- Its net profit rose 22.5% on YoY basis to Rs 969 crore and net profit margin stood at 21.8% in Q1FY26 vs. 18.6% in Q1FY25.

Concall takeaways:

- BEL expects order Inflow of Rs 27,000 crore (excluding QRSAM) for FY26E with confidence of exceeding this aided by emergency procurement (EP) orders.
- Revenue growth guidance for FY26E stood at 15%+, the company is "internally aiming for 17.5%+" and does not see sustaining 16%

growth as a challenge for the next 3–4 years. The company maintained EBITDA margin guidance at 27% for FY26E, with management maintaining this despite Q1 outperformance.

- The company is confident to get QRSAM (Quick Reaction Surface to Air Missile) order by February/March (Q4FY26), potential size is Rs 30,000–40,000 crore.
- BEL in advanced discussions for subsystem configuration of MSR/NGC (Next-Generation Corvettes). Expecting major portion of subsystem orders in Q3/Q4FY26 (Rs 6,000–10,000 crore addressable, 60–70% indigenous content). Five to six different subsystem orders, majority expected in Q3/Q4, some spillover to Q1FY27.
- Four to five major leads—Archer UAV, loitering munitions, logistic drones, MALE UAVs. Archer UAV order expected by year-end; others in pipeline. BEL has started receiving EP orders (e.g., LLLR radar). More expected by September 2025.
- The company estimates ~Rs 200 crore revenue delayed due to “geopolitical situation, especially Israel-Iran conflict,” impacting component supplies from Israel.
- Its export contributes 4–5% of revenue; targeting 10% in five years (20%+ CAGR in exports). FY26E export order inflow guidance: \$120+ million. Currently service business is 10–11% of revenue, targeted to increase to 13–15% over next 2 years; recent wins in non-defense (financial services software).

Valuation & Recommendation:

BEL has an advantage over its competitors due to its dominant market position, proven track record and association with the armed forces, established infrastructure and manufacturing facilities, along with strong R&D capabilities. Government ownership leads to a sizeable inflow of orders on a nomination basis and large defence offset requirements of foreign suppliers provide opportunities for business growth over the medium term.

BEL's established track record, large manufacturing capacities, strong R&D base, robust order book with healthy order prospects and strong financial profile led by zero debt, attractive return ratios and better profitability keeps us positive towards the stock. **We feel investors can buy the stock in the Rs 370-380 band and add more on dips to Rs. 335-340 band (32x Sept'27E EPS) for the base target of Rs. 410 (38.75x Sept'27E EPS) and bull case target of Rs. 444 (42x Sept'27E EPS) over the next two to three quarters. The stock is currently trading at 35.4x Sept'27E EPS.**

Key Risks:

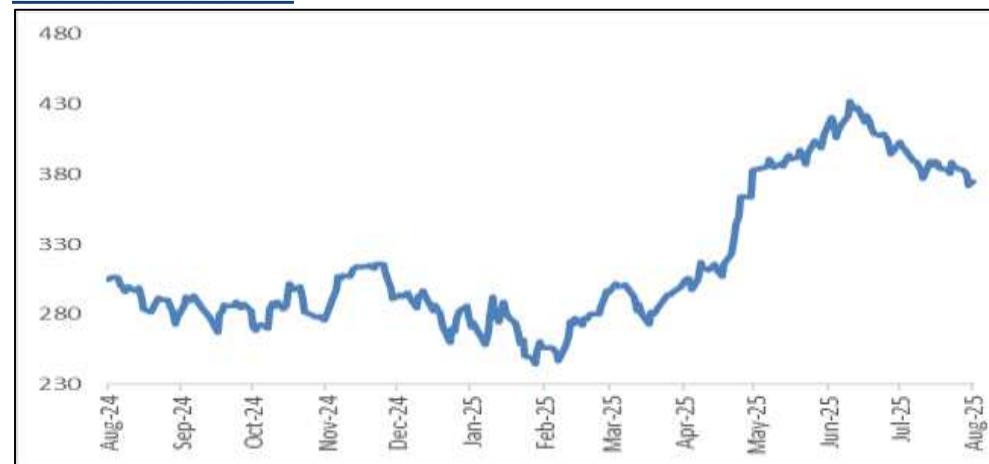
- Largely depending on the Government order/Mod,
- Competition from other PSU companies and IT players,
- Delays in order execution or timely completion,
- Dependence on foreign OEMs for the supply of critical components.

Financial Summary:

Particulars (Rs Cr)	Q1FY26	Q1FY25	YoY-%	Q4FY25	QoQ-%	FY24	FY25	FY26E	FY27E	FY28E
Total Operating Income	4440	4244	4.6	9150	-51.5	20,268	23,769	28,080	32,831	38,734
EBITDA	1238	948	30.6	2816	-56.0	5,046	6,834	7,638	9,045	10,787
Depreciation	121	108	12.2	138	-12.2	443	467	499	474	527
Other Income	163	204	-19.8	195	-16.1	670	742	814	870	968
Interest Cost	1	1	22.0	6	-75.4	7	10	10	10	10
Tax	319	262	21.7	746	-57.3	1,323	1,812	2,025	2,405	2,861
RPAT	961	781	23.0	2121	-54.7	3,943	5,287	5,917	7,026	8,358
APAT	970	791	22.6	2127	-54.4	3,985	5,321	5,953	7,064	8,398
Diluted EPS (Rs)	1.3	1.1	22.6	2.9	-54.4	5.5	7.3	8.1	9.7	11.5
RoE-%						26.4	29.3	27.2	27.1	26.8
P/E (x)						68.8	51.5	46.0	38.8	32.6
EV/EBITDA (x)						52.1	38.7	34.5	29.0	24.2

(Source: Company, HDFC sec)

One-Year Price Chart



(Source: Company, HDFC sec)

HDFC Sec Prime Research Rating description

Green Rating stocks

This rating is given to stocks that represent large and established business having track record of decades and good reputation in the industry. They are industry leaders or have significant market share. They have multiple streams of cash flows and/or strong balance sheet to withstand downturn in economic cycle. These stocks offer moderate returns and at the same time are unlikely to suffer severe drawdown in their stock prices. These stocks can be kept as a part of long term portfolio holding, if so desired. These stocks offer low risk and lower reward and are suitable for beginners. They offer stability to the portfolio.

Yellow Rating stocks

This rating is given to stocks that have strong balance sheet and are from relatively stable industries which are likely to remain relevant for long time and unlikely to be affected much by economic or technological disruptions. These stocks

have emerged stronger over time but are yet to reach the level of green rating stocks. They offer medium risk, medium return opportunities. Some of these have the potential to attain green rating over time.

Red Rating stocks

This rating is given to emerging companies which are riskier than their established peers. Their share price tends to be volatile though they offer high growth potential. They are susceptible to severe downturn in their industry or in overall economy. Management of these companies need to prove their mettle in handling cyclicity of their business. If they are successful in navigating challenges, the market rewards their shareholders with handsome gains; otherwise their stock prices can take a severe beating. Overall these stocks offer high risk high return opportunities.

Rating Criteria

Buy - > 15%+ return potential

Add - +5% to +15% return potential

Reduce - -10% to +5% return potential

Sell - >10% downside return potential

Disclosure:

I, **(Abdul Karim)**, Research Analyst, **(MBA)**, author and the name subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect our views about the subject issuer(s) or securities. SEBI conducted the inspection and based on their observations have issued advise/warning. The said observations have been complied with. We also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report.

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Any holding in stock – Yes

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