

Price: 288

Recommendation: Buy

Industry: Aerospace & Defense

Sector: Industrials

Report Date: 03-Apr-2025

Bharat Electronics Limited (BEL) is a leading Indian defense electronics company, showcasing impressive growth and strategic initiatives. In a recent conference call, BEL reported a 23.41% increase in turnover to INR14,174 crores and a 42.34% rise in profit after tax to INR3,183 crores. The company is diversifying into non-defense sectors, aiming for a 20-25% revenue share. BEL is optimistic about future orders and is enhancing its R&D; capabilities to maintain a competitive edge.

Sales		Profit & Loss		Profitability Matrix	
Current Year	23067 Cr	Operating Profit(Year)	6259 Cr	Operating Profit Margin	27.1 %
Previous Year	17646 Cr	Operating Profit(Quarter)	1653 Cr	EBITDA Margin	24.87 %
Current Quarter	5756 Cr	PAT (Year)	4003 Cr	Net Profit Margin	19.8 %
Previous Quarter	4583 Cr	PAT (Quarter)	1316 Cr	EPS	6.79
Revenue (QYoY)	4137 Cr				
Valuation Matrix		Growth(YoY)		Growth(QoQ)	
Trailing P/E	42.3	Sales Growth	27.5 %	Sales Growth	25.59 %
PEG Ratio	2.69	PAT Growth	33.39 %	Sales Growth QYoY	39.13 %
EV/EBITDA	28.6	EPS Growth	23.45 %	PAT Growth	20.62 %
P/B	12.1	Dividend Yield	0.77	PAT Growth QYoY	47.37 %
Capital Allocation		Holdings		Leverage	
RoE	27.0 %	Promoter	51.1 %	Debt/Equity	0.00
RoA	10.8 %	FII	17.3 %	Debt	60.8 Cr
RoCE	35.7 %	DII	20.9 %	Market Cap	210193 Cr
RoIC	27.4 %	Public	10.6 %	Enterprise value	202020 Cr
		No of Shares	731 Cr	Cash Equivalents	8233 Cr

source : Company filings

Company's Overview Based on Recent Concall and Performance:

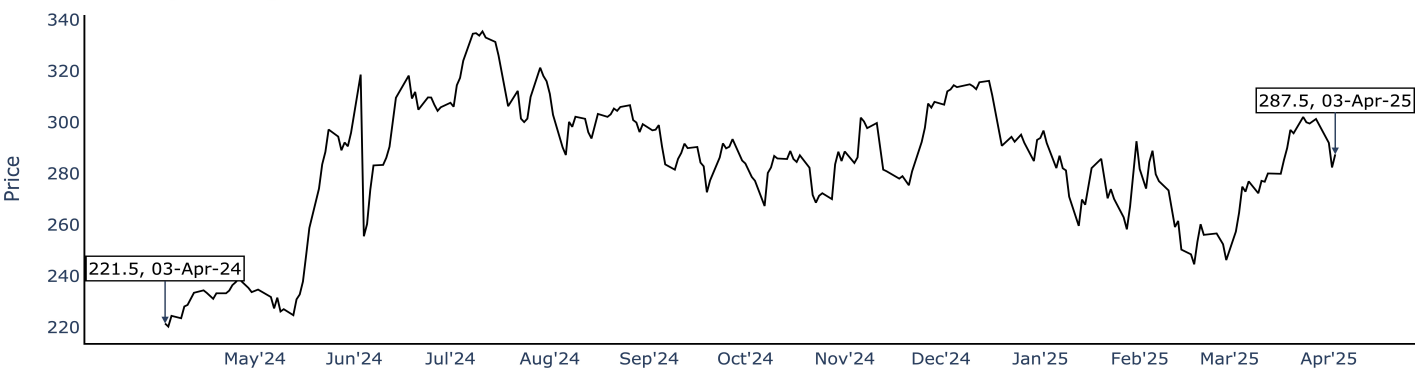
In the recent conference call, Bharat Electronics Limited (BEL) highlighted several key initiatives and strategies aimed at bolstering its market position and expanding its business horizons. The company reported a significant increase in turnover to INR14,174 crores, marking a 23.41% growth compared to the previous year. Profit before tax rose by 43.86% to INR4,242 crores, while profit after tax increased by 42.34% to INR3,183 crores. The EBITDA margin improved to 28.07%, reflecting a robust financial performance. BEL's order book stood at INR71,100 crores as of January 2025, indicating a strong pipeline of projects. The company is confident in achieving its target of INR25,000 crores in order inflows by the end of the financial year, with several projects in the final stages of contract finalization.

BEL is actively pursuing new initiatives and diversification strategies to enhance its growth prospects. The company is focusing on indigenization, particularly in missile systems, to secure future orders. It is also exploring opportunities in the non-defense sector, aiming to increase its revenue share from this segment to 20-25% over the next five years. BEL is venturing into network and cybersecurity-related businesses, homeland security, and data center projects. The company is also targeting the telecom civilian domain and e-governance-related activities, which are expected to contribute significantly to its non-defense revenue. These diversification efforts are part of BEL's strategy to reduce dependency on defense contracts and tap into emerging markets.

Looking ahead, BEL is optimistic about its growth and scaling prospects. The company expects substantial orders from the QRSAM and MRSAM programs, with potential order inflows ranging from INR25,000 crores to INR50,000 crores in the next financial year. BEL is also anticipating significant contributions from the next-generation corvette and submarine programs. The company is poised to benefit from the Ministry of Defence's focus on reforms and technological advancements, which align with BEL's strategic objectives. The management is confident that these initiatives will drive revenue growth and enhance profitability in the coming years.

While BEL's financial performance and strategic initiatives are commendable, there are areas for improvement. The company could accelerate its diversification efforts to achieve a more balanced revenue mix between defense and non-defense sectors. Additionally, BEL should focus on enhancing its execution capabilities to mitigate delays in project deliveries. Strengthening its R&D; capabilities and fostering innovation will be crucial for maintaining a competitive edge in the rapidly evolving defense and technology landscape. Overall, BEL's strategic direction and growth prospects are promising, but continued focus on execution and diversification will be key to sustaining its momentum.

BEL Daily Closing One Year Price Chart



Name	Mar Cap (Rs. Cr.)	P/E	ROE	Sales(G) QoQ	Sales(G) QYoY	PAT(G) QoQ	PAT(G) QYoY
Data Pattern	9749.36	54.52	14.26%	28.59%	-16.11%	47.49%	-12.38%
Apollo Micro Sys	3775.05	67.35	7.04%	-7.67%	62.46%	16.19%	82.39%
DCX Systems	2701.36	51.64	8.08%	44.84%	43.00%	14.10%	-2.02%
Bharat Electron	210192.69	42.32	26.99%	25.59%	39.15%	20.60%	47.33%

Aspect	Commentary
Revenue	The company shows strong revenue growth with a 27.5% YoY increase, indicating robust sales performance. The quarterly growth of 25.59% further highlights its ability to maintain momentum. This consistent growth suggests effective market strategies and product demand, positioning the company well for future expansion.
Profit & Loss	Operating profit margins are healthy at 27.1%, with a PAT growth of 33.39% YoY. This reflects efficient cost management and strong bottom-line performance. The quarterly PAT growth of 20.62% underscores ongoing profitability improvements, suggesting a solid financial foundation.
Profitability Matrix	The company maintains a strong profitability profile with an EBITDA margin of 24.87% and a net profit margin of 19.8%. These figures indicate effective operational efficiency and cost control, contributing to sustained profitability and shareholder value.
Valuation Matrix	The valuation metrics show a trailing P/E of 42.3 and a PEG ratio of 2.69, suggesting the stock is priced for growth. The EV/EBITDA of 28.6 and P/B of 12.1 reflect market confidence in the company's future earnings potential, though they may indicate a premium valuation.
Growth (YoY)	Year-over-year growth metrics are impressive, with sales growth at 27.5% and PAT growth at 33.39%. This indicates strong operational performance and market expansion. The EPS growth of 23.45% further supports the company's ability to enhance shareholder returns.
Growth (QoQ)	Quarterly growth figures are robust, with sales growth at 25.59% and PAT growth at 20.62%. These metrics highlight the company's ability to sustain growth momentum and adapt to market conditions, ensuring continued financial health and competitive positioning.
Capital Allocation	The company demonstrates effective capital allocation with a RoE of 27.0% and RoCE of 35.7%. These figures indicate strong returns on equity and capital employed, reflecting efficient use of resources and strategic investment decisions that enhance shareholder value.
Holdings	The promoter holding is stable at 51.1%, with significant institutional interest from FIIs and DIIs at 17.3% and 20.9%, respectively. This diversified ownership structure suggests confidence in the company's governance and growth prospects, supporting long-term stability.
Leverage	The company maintains a conservative leverage position with a debt/equity ratio of 0.00, indicating minimal reliance on debt financing. This low leverage enhances financial flexibility and reduces risk, allowing the company to capitalize on growth opportunities without financial strain.

Analyst viewpoint: Bharat Electronics Limited (BEL) continues to demonstrate robust growth and strategic acumen, making it a compelling investment from a short to mid-term perspective. The company reported a remarkable 25.59% increase in sales growth quarter-on-quarter, which highlights its proficiency in maintaining sales momentum. This growth trajectory is backed by a strong profit after tax (PAT) growth of 20.62% QoQ, underlining BEL's efficient cost management and robust financial health. The company's focus on diversifying into non-defense sectors is expected to constitute 20-25% of its revenue, further amplifying its growth prospects and market competitiveness. With a valuation characterized by a P/E ratio of 42.3 and robust capital allocation evidenced by a Return on Equity of 27%, BEL is positioned to capitalize on strategic opportunities and deliver sustained shareholder value.

Despite these strengths, it is prudent to note that BEL needs to maintain its pace of diversification to achieve a more balanced revenue mix, which could enhance resilience against sector-specific headwinds. The leveraging of its impressive R&D capabilities and expansion into emerging markets such as cybersecurity and data centers is promising. Furthermore, its peer comparison indicates a substantial advantage with lower P/E ratios and higher sales and profit growth metrics, reinforcing our bullish outlook on BEL. However, mild execution risks related to project delivery timelines should be monitored to ensure continued operational success.

Please read detailed disclosure on next page.

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Investment Rating	Expected Return (over 12-month)
BUY	>=15%
SELL	<-10%
NEUTRAL	>-10% to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

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