

Price: 301

Recommendation: Buy

Industry: Aerospace & Defense

Sector: Industrials

Report Date: 31-Mar-2025

Bharat Electronics Limited (BEL) is advancing with new strategies, focusing on indigenization in missile programs, expecting significant orders. The company anticipates orders for next-gen corvettes and electronic components for P-75 programs. BEL is diversifying into non-defense sectors like cybersecurity and telecom, aiming for a 20-25% revenue share. With a strong order book of INR 71,100 crores, BEL is poised for growth, targeting improved margins and timely execution.

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	44.3	Sales Growth	27.5 %	Sales Growth	25.59 %
PEG Ratio	2.82	PAT Growth	33.39 %	Sales Growth QYoY	39.13 %
EV/EBITDA	30.1	EPS Growth	23.45 %	PAT Growth	20.62 %
P/B	12.7	Dividend Yield	0.73	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	220258 Cr
RoIC	27.4 %	Public	10.6 %	Enterprise value	212086 Cr
		No of Shares	731 Cr	Cash Equivalents	8233 Cr

source : Company filings

Company's Overview Based on Recent Concall and Performance:

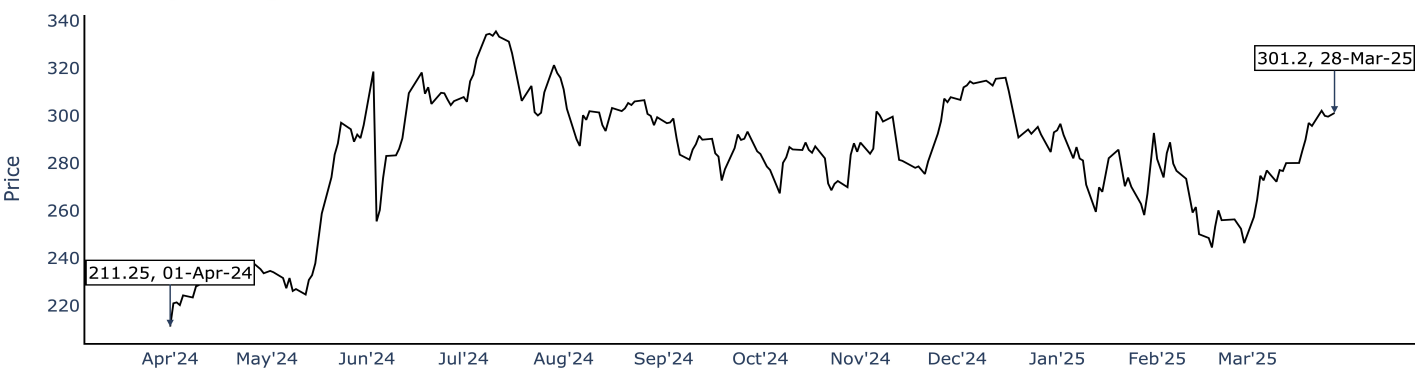
Bharat Electronics Limited (BEL) has outlined several new initiatives and business strategies in its recent meeting. The company is focusing on indigenization, particularly in missile programs, which is expected to bring significant orders. BEL is also anticipating substantial orders for next-generation corvettes and electronic components for P-75 and P-75I programs. The company is involved in the MRSAM and MFSTAR-related orders, expecting them to conclude next year. BEL is also working on the QRSAM program, with orders expected to be between INR 25,000 crores to INR 30,000 crores. The company is confident about achieving its order inflow target of INR 25,000 crores by the end of the financial year, with several projects in the final stages of contract finalization.

In terms of diversification, BEL is aiming to increase its non-defense revenue share, which has been around 8% to 10% in recent years. The company plans to expand into network and cybersecurity-related businesses, homeland security, and data centers. BEL is also exploring opportunities in the telecom civilian domain and e-governance-related activities. The company is optimistic about achieving a non-defense revenue share of 10% to 15% in the near future, with a long-term goal of reaching 20% to 25%. BEL is also working on the Kavach program, an indigenous solution for railway safety, which is currently in the R&D; phase.

Looking ahead, BEL is optimistic about its growth and scaling prospects. The company expects a healthy order book next year, with significant orders for QRSAM and MFSTAR for NGV. BEL's order book is expected to grow significantly by April 2026, with a base of INR 15,000 crores in orders. The company is also focusing on improving its gross margin, which is currently around 44.5%, with a target range of 42% to 44%. BEL is confident that its margin improvements will be sustainable, supported by its strong order pipeline and execution capabilities.

On the positive side, BEL has demonstrated strong revenue growth and margin performance, with a 23.41% increase in turnover and a 43.86% increase in profit before tax up to Q3. The company's order book stands at INR 71,100 crores, providing a solid foundation for future growth. However, there are areas for improvement, such as the need to accelerate the scaling of non-defense revenue and address any potential delays in order execution. BEL's focus on indigenization and diversification into new business areas is a positive step, but the company must ensure timely execution and delivery to maintain its growth trajectory.

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	9461.01	52.91	14.26%	28.59%	-16.11%	47.49%	-12.38%
Apollo Micro Sys	3761.24	67.11	7.04%	-7.67%	62.46%	16.19%	82.39%
DCX Systems	2552.87	48.80	8.08%	44.84%	43.00%	14.10%	-2.02%
Bharat Electron	220258.26	44.34	26.99%	25.59%	39.15%	20.60%	47.33%

Aspect	Commentary
Revenue	The company shows robust revenue growth with a 27.5% YoY increase, driven by strategic initiatives and strong order inflows. The quarterly growth of 25.59% further highlights its operational efficiency and market demand, positioning it well for sustained expansion in the competitive landscape.
Profit & Loss	The profit and loss statement reflects a healthy financial position with a 33.39% YoY PAT growth. The operating profit margin of 27.1% and net profit margin of 19.8% indicate effective cost management and profitability, supporting the company's strategic growth objectives.
Profitability Matrix	The profitability matrix reveals strong operational efficiency with an operating profit margin of 27.1% and a net profit margin of 19.8%. The EPS of 6.79 underscores the company's ability to generate shareholder value, reflecting its competitive advantage and market positioning.
Valuation Matrix	The valuation metrics suggest a premium market valuation with a trailing P/E of 44.3 and a PEG ratio of 2.82. The EV/EBITDA of 30.1 and P/B of 12.7 indicate investor confidence in the company's growth prospects, despite the high valuation multiples.
Growth (YoY)	The company exhibits impressive YoY growth with a 27.5% increase in sales and a 33.39% rise in PAT. The EPS growth of 23.45% highlights its ability to enhance shareholder returns, driven by strategic initiatives and market expansion efforts.
Growth (QoQ)	Quarterly growth metrics are strong, with a 25.59% increase in sales and a 20.62% rise in PAT. The QYoY sales growth of 39.13% and PAT growth of 47.37% reflect the company's robust operational performance and market demand.
Capital Allocation	The capital allocation strategy is effective, with a RoE of 27.0% and RoCE of 35.7%. The RoIC of 27.4% indicates efficient capital utilization, supporting the company's growth and profitability objectives while maintaining financial stability.
Holdings	The holdings structure shows a balanced ownership with promoters holding 51.1%, FII at 17.3%, and DII at 20.9%. This diversified ownership base provides stability and reflects investor confidence in the company's strategic direction and growth potential.
Leverage	The company maintains a strong financial position with a debt/equity ratio of 0.00, indicating no reliance on debt financing. The market cap of 220258 Cr and cash equivalents of 8233 Cr provide financial flexibility to support future growth initiatives.

Analyst viewpoint: Bharat Electronics Limited (BEL) stands out as a compelling investment opportunity in the short to mid-term horizon, underscored by substantial growth metrics and strategic capital allocation. In the recent quarter, BEL achieved an impressive 25.59% QoQ sales growth, highlighting its strong market demand and operational efficiency. The company has managed to achieve a PAT growth of 20.62%, supported by robust cost management as seen in its operating profit margin of 27.1%. The valuation metrics, with a trailing P/E of 44.3 and EV/EBITDA of 30.1, reflect market confidence in BEL's growth trajectory, while an ROE of 27% demonstrates efficient capital usage. BEL's expansion into new sectors like cybersecurity and telecom aims to capture a 20-25% revenue stake from non-defense operations, diversifying its portfolio and enhancing growth potential.

Moreover, BEL's peer comparison shows it maintains a strong competitive stance with superior profit margins and higher valuation multiples, affirming its market leadership in the aerospace and defense sector. The strategic focus on indigenization across programs like QRSAM and new missile technologies aligns with national initiatives, promising significant order outcomes. The recent concall echoed optimism, citing a robust order book of INR 71,100 crores that ensures sustained future revenue streams. While BEL's strategic diversifications are promising, the company must address potential execution timelines to avoid any delays. Overall, BEL's strategic initiatives and robust financial metrics make it a favorable candidate for investors looking to capitalize on a solid growth trajectory.

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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