

July 30, 2025

Q1FY26 Result Update

■ Change in Estimates | ■ Target | ■ Reco

Change in Estimates

	Current		Previous	
	FY26E	FY27E	FY26E	FY27E
Rating	HOLD		HOLD	
Target Price	374		374	
Sales (Rs. m)	2,73,800	3,23,355	2,73,800	3,23,355
% Chng.	-	-	-	-
EBITDA (Rs. m)	74,036	86,950	74,036	86,950
% Chng.	-	-	-	-
EPS (Rs.)	8.0	9.4	8.0	9.4
% Chng.	-	-	-	-

Key Financials - Standalone

Y/e Mar	FY24	FY25	FY26E	FY27E
Sales (Rs. m)	2,01,694	2,36,580	2,73,800	3,23,355
EBITDA (Rs. m)	49,982	67,676	74,036	86,950
Margin (%)	24.8	28.6	27.0	26.9
PAT (Rs. m)	40,200	52,883	58,147	68,383
EPS (Rs.)	5.5	7.2	8.0	9.4
Gr. (%)	33.7	31.5	10.0	17.6
DPS (Rs.)	2.2	2.2	3.2	4.5
Yield (%)	0.6	0.6	0.8	1.2
RoE (%)	27.1	29.6	26.9	26.5
RoCE (%)	30.8	35.3	32.0	31.7
EV/Sales (x)	13.5	11.5	10.0	8.4
EV/EBITDA (x)	54.3	40.4	36.9	31.4
PE (x)	70.3	53.4	48.6	41.3
P/BV (x)	17.6	14.3	12.0	10.1

Key Data

BAJE.BO | BHE IN

52-W High / Low	Rs.436 / Rs.240
Sensex / Nifty	81,482 / 24,855
Market Cap	Rs.2,825bn/ \$ 32,315m
Shares Outstanding	7,310m
3M Avg. Daily Value	Rs.11152.66m

Shareholding Pattern (%)

Promoter's	51.14
Foreign	18.56
Domestic Institution	20.60
Public & Others	9.70
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	(8.3)	38.7	21.5
Relative	(5.9)	30.6	21.5

Amit Anwani

amitanwani@plindia.com | 91-22-66322250

Prathmesh Salunkhe

prathmeshsalunkhe@plindia.com | 91-22-66322324

Hitesh Agarwal

hiteshagarwal@plindia.com | 91-22-66322535

Profitability surge in Q1; intact order pipeline

Quick Pointers:

- The lower revenue growth was due to slippage of ~Rs2.0bn of revenue to the next quarter due to supply chain constraints.
- The management maintained their guidance of ~15% revenue growth with ~27% EBITDA margin and ~Rs270bn+ order intake (ex. QRSAM) in FY26.

Bharat Electronics (BEL) reported a modest 5.2% YoY revenue growth, impacted by a revenue deferment of ~Rs2.0bn to the next quarter due to supply chain constraints. EBITDA margin expanded by 576bps YoY to 28.1%. Domestic demand remains strong, supported by a healthy tendering pipeline and a continued push for higher indigenization. Additionally, BEL stands to benefit from a ~Rs30bn opportunity linked to electronic systems for HAL's additional 97 LCA Mk1A aircrafts. Recent geopolitical developments and India's FTA with the EU are expected to unlock new export opportunities, aiding the company's USD 120mn+ export revenue target. The ~Rs300bn QRSAM order is now expected in Q4FY26, while BEL remains well-positioned to benefit from the government's emergency procurement initiatives. Non-defence growth avenues include Kavach, Homeland Security, data centres, fibre optics, and an improved service mix (targeting ~15% of revenues vs. ~10% currently), supporting margin expansion. We maintain our 'Hold' rating, valuing the stock at a PE of 40x Mar'27E (same as earlier) arriving at a TP of Rs374 (same as earlier).

Long term View: We remain positive on long-term growth story of BEL given 1) strong order backlog & strong multi-year order pipeline 2) diversification in newer business verticals like Kavach, fiber optics, anti-drone tech, data centers etc., to aid non-defence growth and 3) govt's focus on product indigenization.

Better product mix led gross margin expansion aided profitability growth:

Standalone revenue rose 5.2% YoY to Rs44.2bn (PLe: Rs49.6bn). EBITDA grew 32.4% YoY to Rs12.4bn (PLe: Rs11.4bn). EBITDA margin increased by 576bps YoY to 28.1% (PLe: 23.0%) led by the gross margin expansion (+780bps YoY to 53.2%) partially offset by higher other expenses (+35.7% YoY to Rs4.2bn). PBT grew 24.3% YoY to Rs12.9bn (PLe: Rs12.2bn). PAT rose 24.9% YoY to Rs9.7bn (PLe: Rs9.1bn) driven by the strong operating performance despite lower other income (-18.8% YoY to Rs1.6bn).

Order book stands strong at ~Rs748.6bn (3.2x TTM sales):

Order intake for the quarter stood at ~Rs73.5bn. Order intake guidance for FY26 is ~Rs270bn excluding QARSAM orders worth of ~Rs300bn expected to be awarded in Q4FY26. The company's order book stood strong at Rs748.6bn.

Exhibit 1: Strong operating performance led to growth in Adj. Profit; despite lower other income (-18.8% YoY to Rs1.6bn)

Y/e March (Rs mn)	Q1FY26	Q1FY25	YoY gr. (%)	Q1FY26E	% Var.	Q4FY25	QoQ gr. (%)	FY26E	FY25	YoY gr. (%)
Revenue	44,168	41,988	5.2%	49,622	-11.0%	91,197	-51.6%	273,800	236,580	15.7%
Gross Profit	23,517	19,081	23.2%	21,834	7.7%	43,638	-46.1%	129,508	114,770	12.8%
Margin (%)	53.2	45.4	780	44.0	924.5	47.8	539	47.3	48.5	(121)
Employee Cost	6,902	6,608	4.5%	6,749	2.3%	7,582	-9.0%	29,981	27,344	9.6%
as % of sales	15.6	15.7	(11)	13.6	202.6	8.3	731	11.0	11.6	(61)
Other expenditure	4,216	3,106	35.7%	3,672	14.8%	8,165	-48.4%	25,491	19,751	29.1%
as % of sales	9.5	7.4	215	7.4	214.5	9.0	59	9.3	8.3	96
EBITDA	12,399	9,367	32.4%	11,413	8.6%	27,890	-55.5%	74,036	67,676	9.4%
Margin (%)	28.1	22.3	576	23.0	507.3	30.6	(251)	27.0	28.6	(157)
Depreciation	1,129	997	13.2%	1,100	2.6%	1,298	-13.0%	4,620	4,356	6.1%
EBIT	11,271	8,370	34.7%	10,313	9.3%	26,592	-57.6%	69,416	63,320	9.6%
Margin (%)	25.5	19.9	558	20.8	473.4	29.2	(364)	25.4	26.8	(141)
Other Income	1,636	2,015	-18.8%	1,900	-13.9%	1,942	-15.7%	8,214	7,676	7.0%
Interest	14	12	22.0%	15	-4.0%	58	-75.2%	101	96	5.0%
PBT (ex. Extra-ordinaries)	12,892	10,373	24.3%	12,198	5.7%	28,476	-54.7%	77,529	70,900	9.4%
Margin (%)	29.2	24.7	448	24.6	460.7	31.2	(204)	28.3	30.0	(165)
Extraordinary Items	-	-	-	-	-	-	-	-	-	-
PBT	12,892	10,373	24.3%	12,198	5.7%	28,476	-54.7%	77,529	70,900	9.4%
Total Tax	3,201	2,612	22.6%	3,050	-	7,428	-56.9%	19,382	18,017	7.6%
Effective Tax Rate (%)	24.8	25.2	(35)	25.0	-	26.1	-	25.0	25.4	(41)
Reported PAT	9,691	7,761	24.9%	9,149	5.9%	21,048	-54.0%	58,147	52,883	10.0%
Adj. PAT	9,691	7,761	24.9%	9,149	5.9%	21,048	-54.0%	58,147	52,883	10.0%
Adj. EPS	1.3	1.1	24.9%	1.3	5.9%	2.9	-54.0%	8.0	7.2	10.0%

Source: Company, PL

Conference Call Highlights

- **The management has maintained ~15% revenue growth guidance** along with EBITDA margin of ~27% in FY26. Furthermore, management expects order intake of more than ~Rs270bn (ex. of QRSAM worth Rs300bn). Management expects to incur total capex of Rs10bn+ in FY26 with nearly ~Rs16bn of investments in the R&D efforts (6-7% of sales). The company is anticipated to achieve export revenue of USD 120mn+ in FY26.
- The company's strong order book of Rs748.6bn includes major projects such as 1) LRSAM (~Rs50bn), 2) Fuses (~Rs45bn), 3) Akash Army (~Rs30bn), 4) BMP Upgrades (~Rs30bn), 5) Ashwini Radar (~Rs25bn) and 6) Shakti EW systems (~Rs20bn). Furthermore, ~Rs140bn of the order book has an execution period of more than 3 years while nearly Rs250bn of the order book is executable in more than 2 years.
- **The major orders to be executed in remaining 9MFY26 include;** 1) LRSAM (~Rs30bn), 2) Himshakti (~Rs17bn), 3) Akash Army (~Rs13bn), 4) B29 (~Rs6-8bn), 5) LRU for LCA MkA1 (~Rs6-8bn), 6) Arudhra Radar (~Rs6-8bn), 7) Shakti EW (~Rs5bn) and, 8) BMP Upgrades (~Rs5bn).
- **Project/Order updates:**
 - **QRSAM:** BEL received approval on 3rd of July 2025 and is waiting for RFP to be issued to BEL. Management is confident of finalizing and awarding of the ~Rs300bn QRSAM order by Q4FY26.
 - **Emergency Procurement (EP):** The company has already received 1-2 orders under the EP. It is further expecting good order intake under EP in coming months given the government's deadline of Sep'2025 for order placement under EP.
 - **MF-STAR Radar:** BEL has initiated discussion with various shipbuilders regarding the final specs of the radar and expect to get substantial subsystems orders in the next 3-6 months while small portion of the MF-STAR ordering may slip to FY27.
 - **Kusha Project:** It is currently in the development phase with DRDO and order materialization may happen 3-4 years down the line.
- **~Rs30bn+ ordering prospects from HAL's 97 additional LCA MkA1 order:** BEL previously received ~Rs20bn orders for supply of electronics LRU for HAL's 83 nos of LCA Mk1A order. With additional order for 97 LCA MkA1 aircrafts, BEL may receive another order for electronics LRU supply worth ~Rs30bn. Furthermore, additional enhanced systems can also be offered such as EW systems and radar which may further increase the order value.
- **Opportunities in the Drones:** The company has 4-5 major leads for its drones business including Archer UAV where big orders are expected. Further opportunities are present in the loitering ammunition and logistics drones. Management expects to get 1-2 more orders in FY26 while there is a lot of traction for Anti-drone systems in the export markets.

Financials

Income Statement (Rs m)

Y/e Mar	FY24	FY25	FY26E	FY27E
Net Revenues	2,01,694	2,36,580	2,73,800	3,23,355
YoY gr. (%)	14.3	17.3	15.7	18.1
Cost of Goods Sold	1,05,659	1,21,810	1,44,293	1,72,025
Gross Profit	96,035	1,14,770	1,29,508	1,51,330
Margin (%)	47.6	48.5	47.3	46.8
Employee Cost	24,667	27,344	29,981	33,952
Other Expenses	4,075	19,751	6,297	7,437
EBITDA	49,982	67,676	74,036	86,950
YoY gr. (%)	23.5	35.4	9.4	17.4
Margin (%)	24.8	28.6	27.0	26.9
Depreciation and Amortization	4,124	4,356	4,620	4,947
EBIT	45,857	63,320	69,416	82,003
Margin (%)	22.7	26.8	25.4	25.4
Net Interest	70	96	101	106
Other Income	7,558	7,676	8,214	9,280
Profit Before Tax	53,346	70,900	77,529	91,178
Margin (%)	26.4	30.0	28.3	28.2
Total Tax	13,146	18,017	19,382	22,794
Effective tax rate (%)	24.6	25.4	25.0	25.0
Profit after tax	40,200	52,883	58,147	68,383
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
Adjusted PAT	40,200	52,883	58,147	68,383
YoY gr. (%)	33.7	31.5	10.0	17.6
Margin (%)	19.9	22.4	21.2	21.1
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	40,200	52,883	58,147	68,383
YoY gr. (%)	33.7	31.5	10.0	17.6
Margin (%)	19.9	22.4	21.2	21.1
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	40,200	52,883	58,147	68,383
Equity Shares O/s (m)	7,310	7,310	7,310	7,310
EPS (Rs)	5.5	7.2	8.0	9.4

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY24	FY25	FY26E	FY27E
Non-Current Assets				
Gross Block	54,345	62,951	71,889	81,889
Tangibles	54,345	62,951	71,889	81,889
Intangibles	-	-	-	-
Acc: Dep / Amortization	27,353	31,709	36,329	41,275
Tangibles	27,353	31,709	36,329	41,275
Intangibles	-	-	-	-
Net fixed assets	26,991	31,242	35,560	40,614
Tangibles	26,991	31,242	35,560	40,614
Intangibles	-	-	-	-
Capital Work In Progress	9,509	10,925	11,987	12,704
Goodwill	-	-	-	-
Non-Current Investments	7,891	8,464	12,622	13,290
Net Deferred tax assets	5,742	5,341	5,341	5,341
Other Non-Current Assets	2,512	1,938	5,750	6,790
Current Assets				
Investments	-	-	-	-
Inventories	74,076	90,697	1,05,019	1,27,570
Trade receivables	73,622	90,920	1,08,020	1,28,456
Cash & Bank Balance	1,09,681	93,973	95,871	96,753
Other Current Assets	78,630	68,278	76,664	80,839
Total Assets	3,85,815	3,98,840	4,55,080	5,11,898
Equity				
Equity Share Capital	7,310	7,310	7,310	7,310
Other Equity	1,53,514	1,89,667	2,28,808	2,72,471
Total Network	1,60,824	1,96,977	2,36,118	2,79,781
Non-Current Liabilities				
Long Term borrowings	603	587	587	587
Provisions	-	-	-	-
Other non current liabilities	-	-	-	-
Current Liabilities				
ST Debt / Current of LT Debt	23	25	25	25
Trade payables	36,937	33,151	37,507	46,067
Other current liabilities	1,93,171	1,73,441	1,86,184	1,90,779
Total Equity & Liabilities	3,85,815	3,98,840	4,55,080	5,11,898

Source: Company Data, PL Research


Cash Flow (Rs m)

Y/e Mar	FY24	FY25	FY26E	FY27E
PBT	53,346	70,900	77,529	91,178
Add. Depreciation	4,124	4,356	4,620	4,947
Add. Interest	70	96	101	106
Less Financial Other Income	7,558	7,676	8,214	9,280
Add. Other	(5,720)	(6,533)	-	-
Op. profit before WC changes	51,821	68,819	82,250	96,230
Net Changes-WC	(2,376)	(47,341)	(27,746)	(36,397)
Direct tax	(14,130)	(16,674)	(19,382)	(22,794)
Net cash from Op. activities	35,315	4,804	35,121	37,039
Capital expenditures	(6,423)	(10,010)	(10,000)	(10,717)
Interest / Dividend Income	5,328	7,005	-	-
Others	(57,794)	10,489	(4,117)	(613)
Net Cash from Invst. activities	(58,889)	7,484	(14,117)	(11,330)
Issue of share cap. / premium	-	-	-	-
Debt changes	-	-	-	-
Dividend paid	(14,615)	(16,806)	(19,005)	(24,721)
Interest paid	(70)	(96)	(101)	(106)
Others	(58)	(60)	-	-
Net cash from Fin. activities	(14,743)	(16,961)	(19,106)	(24,827)
Net change in cash	(38,317)	(4,673)	1,898	881
Free Cash Flow	28,844	(5,236)	25,121	26,321

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY24	FY25	FY26E	FY27E
Per Share(Rs)				
EPS	5.5	7.2	8.0	9.4
CEPS	6.1	7.8	8.6	10.0
BVPS	22.0	26.9	32.3	38.3
FCF	3.9	(0.7)	3.4	3.6
DPS	2.2	2.2	3.2	4.5
Return Ratio(%)				
RoCE	30.8	35.3	32.0	31.7
ROIC	88.0	55.2	42.9	38.0
RoE	27.1	29.6	26.9	26.5
Balance Sheet				
Net Debt : Equity (x)	(0.7)	(0.5)	(0.4)	(0.3)
Net Working Capital (Days)	200	229	234	237
Valuation(x)				
PER	70.3	53.4	48.6	41.3
P/B	17.6	14.3	12.0	10.1
P/CEPS	63.7	49.4	45.0	38.5
EV/EBITDA	54.3	40.4	36.9	31.4
EV/Sales	13.5	11.5	10.0	8.4
Dividend Yield (%)	0.6	0.6	0.8	1.2

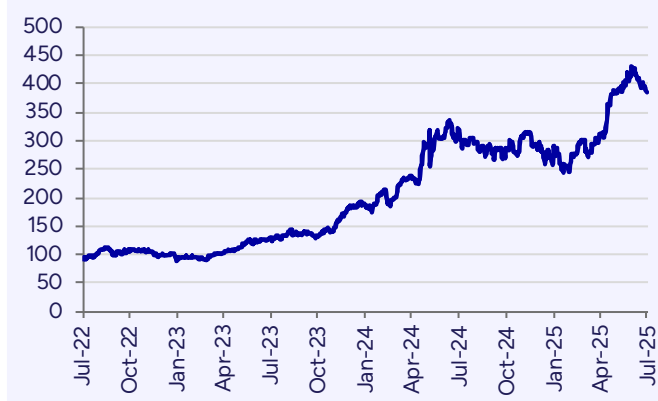
Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q2FY25	Q3FY25	Q4FY25	Q1FY26
Net Revenue	45,834	57,561	91,197	44,168
YoY gr. (%)	14.8	39.1	6.9	5.2
Raw Material Expenses	21,416	29,928	47,559	20,651
Gross Profit	24,418	27,633	43,638	23,517
Margin (%)	53.3	48.0	47.8	53.2
EBITDA	13,885	16,533	27,890	12,399
YoY gr. (%)	38.2	57.5	22.3	32.4
Margin (%)	30.3	28.7	30.6	28.1
Depreciation / Depletion	1,032	1,029	1,298	1,129
EBIT	12,854	15,504	26,592	11,271
Margin (%)	28.0	26.9	29.2	25.5
Net Interest	13	13	58	14
Other Income	1,668	2,051	1,942	1,636
Profit before Tax	14,509	17,542	28,476	12,892
Margin (%)	31.7	30.5	31.2	29.2
Total Tax	3,596	4,381	7,428	3,201
Effective tax rate (%)	24.8	25.0	26.1	24.8
Profit after Tax	10,913	13,161	21,048	9,691
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
Adjusted PAT	10,913	13,161	21,048	9,691
YoY gr. (%)	34.3	47.3	18.0	24.9
Margin (%)	23.8	22.9	23.1	21.9
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	10,913	13,161	21,048	9,691
YoY gr. (%)	34.3	47.3	18.0	24.9
Margin (%)	23.8	22.9	23.1	21.9
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	10,913	13,161	21,048	9,691
Avg. Shares O/s (m)	7,310	7,310	7,310	7,310
EPS (Rs)	1.5	1.8	2.9	1.3

Source: Company Data, PL Research

Price Chart



Recommendation History

No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	09-Jul-25	Hold	374	422
2	20-May-25	Hold	374	364
3	09-Apr-25	BUY	340	281
4	31-Jan-25	BUY	340	279
5	09-Jan-25	BUY	341	282
6	29-Oct-24	BUY	341	270
7	07-Oct-24	Accumulate	341	277

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	ABB India	BUY	6,851	5,840
2	Apar Industries	Hold	9,540	9,682
3	BEML	Hold	4,142	4,522
4	Bharat Electronics	Hold	374	422
5	BHEL	Hold	237	258
6	Carborundum Universal	Hold	1,028	994
7	Cummins India	BUY	3,647	3,478
8	Elgi Equipments	Accumulate	559	535
9	Engineers India	Accumulate	250	242
10	GE Vernova T&D India	Accumulate	2,706	2,473
11	Grindwell Norton	Hold	1,739	1,635
12	Harsha Engineers International	Accumulate	398	405
13	Hindustan Aeronautics	Accumulate	5,500	5,003
14	Ingersoll-Rand (India)	BUY	4,522	4,045
15	Kalpataru Projects International	Accumulate	1,268	1,190
16	KEC International	Accumulate	911	860
17	Kirloskar Pneumatic Company	BUY	1,636	1,316
18	Larsen & Toubro	BUY	4,144	3,496
19	Praj Industries	BUY	545	497
20	Siemens	Accumulate	3,497	3,291
21	Thermax	Accumulate	3,629	3,435
22	Triveni Turbine	BUY	772	640
23	Voltamp Transformers	BUY	10,285	9,420

PL's Recommendation Nomenclature (Absolute Performance)

Buy	: > 15%
Accumulate	: 5% to 15%
Hold	: +5% to -5%
Reduce	: -5% to -15%
Sell	: < -15%
Not Rated (NR)	: No specific call on the stock
Under Review (UR)	: Rating likely to change shortly

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