

May 24, 2022

## Q4FY22 Result Update

■ Change in Estimates |  Target | ■ Reco

### Change in Estimates

	Current		Previous	
	FY23E	FY24E	FY23E	FY24E
Rating	BUY		BUY	
Target Price	265		258	
Sales (Rs. m)	180,136	211,409	180,136	211,409
% Chng.	-	-	-	-
EBITDA (Rs. m)	39,522	46,383	39,522	46,383
% Chng.	-	-	-	-
EPS (Rs.)	11.5	13.6	11.5	13.6
% Chng.	-	-	-	-

### Key Financials - Standalone

Y/e Mar	FY21	FY22	FY23E	FY24E
Sales (Rs. m)	140,638	153,138	180,136	211,409
EBITDA (Rs. m)	31,811	33,092	39,522	46,383
Margin (%)	22.6	21.6	21.9	21.9
PAT (Rs. m)	20,654	23,489	28,107	33,100
EPS (Rs.)	8.5	9.6	11.5	13.6
Gr. (%)	15.1	13.7	19.7	17.8
DPS (Rs.)	4.0	4.5	3.7	4.3
Yield (%)	1.7	1.9	1.6	1.9
RoE (%)	20.0	20.6	21.7	22.0
RoCE (%)	27.2	25.7	27.1	27.4
EV/Sales (x)	3.7	3.6	2.9	2.4
EV/EBITDA (x)	16.2	16.7	13.1	10.9
PE (x)	27.3	24.0	20.1	17.1
P/BV (x)	5.2	4.7	4.1	3.5

### Key Data

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52-W High / Low	Rs.260 / Rs.141
Sensex / Nifty	54,053 / 16,125
Market Cap	Rs.564bn/ \$ 7,275m
Shares Outstanding	2,437m
3M Avg. Daily Value	Rs.2266.47m

### Shareholding Pattern (%)

Promoter's	51.14
Foreign	16.77
Domestic Institution	26.71
Public & Others	5.38
Promoter Pledge (Rs bn)	-

### Stock Performance (%)

	1M	6M	12M
Absolute	(7.9)	11.2	47.7
Relative	(2.6)	20.0	38.4

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## Steady performance, strong inflows

### Quick Pointers:

- FY22 order inflow grew 17.2% YoY at Rs181bn, translating to order book of Rs576bn (3.8x FY22).
- EDITDA margins came in at 21.6% for FY22, in line with management guidance.

**Bharat Electronics (BEL) reported revenue of Rs63.2bn in Q4, down 8.4% on high base. FY22 revenue grew 8.9% at Rs153bn, while EBITDA margins came in at 21.6% in line with management guidance. Order inflow came in at Rs181bn up 17.2% in FY22, translating to order book of Rs576bn. Order pipeline stands strong from Akash weapon system, QRSAM, LRSAM, Naval equipment's like surveillance system, radars, navigation systems etc. providing order inflow visibility going forward. BEL targets to increase its exports share in defense products (to be ~10-15% of total revenue) for revenue growth in long run. With a view to reduce its dependence on defense segment, company has been focusing on diversifying in non-defense verticals such as EV, metros, electronic warfare, healthcare, homeland security etc. Within metro segment BEL is developing communication based train control system, expected to be completed in next 18 months having opportunity size of Rs70bn from ongoing metro projects.**

**We remain positive on long term growth story of BEL given its strong order backlog, tender pipeline and diversification in newer business verticals like EV battery, Medical equipment's, Metro, focus on exports market, government focus on product indigenization etc. We expect revenue and PAT CAGR of 17.5%/18.7% between FY22-24E. The stock is currently trading at 20.1x/17x FY23/24E. Maintain 'Buy' rating on stock with TP of Rs265 (Rs258 earlier) valuing it at PE of 19.5x FY24E.**

**Supply chain disruption partly impacted execution:** Standalone revenue declined 8.4% YoY to Rs63.2bn on a high base (PLe ~Rs63.2bn), partly impacted by supply chain disruptions. FY22 revenue came in at Rs153bn (up 8.9% YoY). EBITDA came in at Rs15.7bn (PLe ~Rs15bn) with EBITDA margins coming in at 24.8%. FY22 EBITDA margin declined 101bps YoY to 21.6%, impacted due to lower gross margins (down 247bps YoY at 41.9%). PAT came in at Rs11.4bn (PLe ~Rs10.9). FY22 PAT came in at Rs23.5bn (up 13.7% YoY).

**Healthy order book:** Order inflow came in at ~Rs72bn (up 29.7% YoY). FY22 inflow came in at ~Rs181bn (up 17.2% YoY). Order book stands at Rs576bn, up 7.7% YoY (3.8x FY22 revenue).

**Exhibit 1: Execution partly impacted due to supply chain disruption**

Y/e March	Q4FY21	Q1FY22	Q2FY22	Q3FY22	Q4FY22	YoY gr. (%)	QoQ gr. (%)	FY22	FY21	YoY gr. (%)
<b>Revenue</b>	<b>69,083</b>	<b>16,346</b>	<b>36,606</b>	<b>36,937</b>	<b>63,249</b>	<b>(8.4)</b>	<b>71.2</b>	<b>153,138</b>	<b>140,638</b>	<b>8.9</b>
<b>Total Revenues</b>	<b>69,083</b>	<b>16,346</b>	<b>36,606</b>	<b>36,937</b>	<b>63,249</b>	<b>(8.4)</b>	<b>71.2</b>	<b>153,138</b>	<b>140,638</b>	<b>8.9</b>
<b>Expenditure</b>	<b>49,378</b>	<b>15,717</b>	<b>28,041</b>	<b>28,716</b>	<b>47,571</b>	<b>(3.7)</b>	<b>65.7</b>	<b>120,045</b>	<b>108,827</b>	<b>10.3</b>
<i>as % of sales</i>	<i>71.5</i>	<i>96.2</i>	<i>76.6</i>	<i>77.7</i>	<i>75.2</i>			<i>78.4</i>	<i>77.4</i>	
Consumption of RM	40,693	9,547	20,666	22,002	36,811	(9.5)	67.3	89,025	78,278	13.7
<i>as % of sales</i>	<i>58.9</i>	<i>58.4</i>	<i>56.5</i>	<i>59.6</i>	<i>58.2</i>			<i>58.1</i>	<i>55.7</i>	
Employee Cost	4,782	4,950	5,327	5,039	5,778	20.8	14.7	21,094	19,407	8.7
<i>as % of sales</i>	<i>6.9</i>	<i>30.3</i>	<i>14.6</i>	<i>13.6</i>	<i>9.1</i>			<i>13.8</i>	<i>13.8</i>	
Other expenditure	3,903	1,220	2,048	1,675	4,983	27.7	197.5	9,926	11,142	(10.9)
<i>as % of sales</i>	<i>5.6</i>	<i>7.5</i>	<i>5.6</i>	<i>4.5</i>	<i>7.9</i>			<i>6.5</i>	<i>7.9</i>	
<b>EBITDA</b>	<b>19,706</b>	<b>629</b>	<b>8,565</b>	<b>8,221</b>	<b>15,678</b>	<b>(20.4)</b>	<b>90.7</b>	<b>33,092</b>	<b>31,811</b>	<b>4.0</b>
Depreciation	917	922	941	929	1,010	10.2	8.7	3,802	3,663	3.8
<b>EBIT</b>	<b>18,789</b>	<b>(294)</b>	<b>7,623</b>	<b>7,292</b>	<b>14,668</b>	<b>(21.9)</b>	<b>101.1</b>	<b>29,291</b>	<b>28,148</b>	<b>4.1</b>
Other Income	572	447	659	593	638	11.5	7.6	2,336	1,261	85.2
Interest	56	1	5	2	41	(27.0)	2,150.0	49	61	(20.2)
<b>PBT</b>	<b>19,305</b>	<b>152</b>	<b>8,277</b>	<b>7,883</b>	<b>15,266</b>	<b>(20.9)</b>	<b>93.6</b>	<b>31,578</b>	<b>29,348</b>	<b>7.6</b>
Total Tax	5,782	40	2,151	2,050	3,848	(33.5)	87.7	8,089	8,694	(7.0)
<b>Adjusted PAT</b>	<b>13,524</b>	<b>112</b>	<b>6,126</b>	<b>5,834</b>	<b>11,418</b>	<b>(15.6)</b>	<b>95.7</b>	<b>23,489</b>	<b>20,654</b>	<b>13.7</b>
(Profit)/loss from JV's/Ass/MI	-	-	-	-	-	-	-	-	-	-
<b>PAT after MI</b>	<b>13,524</b>	<b>112</b>	<b>6,126</b>	<b>5,834</b>	<b>11,418</b>	<b>(15.6)</b>	<b>95.7</b>	<b>23,489</b>	<b>20,654</b>	<b>13.7</b>
Extra ordinary items	-	-	-	-	-	-	-	-	-	-
<b>Reported PAT</b>	<b>13,524</b>	<b>112</b>	<b>6,126</b>	<b>5,834</b>	<b>11,418</b>	<b>(15.6)</b>	<b>95.7</b>	<b>23,489</b>	<b>20,654</b>	<b>13.7</b>
<b>Adjusted EPS</b>	<b>5.6</b>	<b>0.0</b>	<b>2.5</b>	<b>2.4</b>	<b>4.7</b>	<b>(15.6)</b>	<b>95.7</b>	<b>9.6</b>	<b>8.5</b>	<b>13.7</b>
<b>Margins (%)</b>	<b>Q4FY21</b>	<b>Q1FY22</b>	<b>Q2FY22</b>	<b>Q3FY22</b>	<b>Q4FY22</b>	<b>bps</b>	<b>bps</b>	<b>FY22</b>	<b>FY21</b>	<b>bps</b>
EBIDTA	28.5	3.8	23.4	22.3	24.8	(374)	253	21.6	22.6	(101)
EBIT	27.2	(1.8)	20.8	19.7	23.2	(401)	345	19.1	20.0	(89)
EBT	27.9	0.9	22.6	21.3	24.1	(381)	279	20.6	20.9	(25)
PAT	19.6	0.7	16.7	15.8	18.1	(152)	226	15.3	14.7	65
Effective Tax rate	29.9	26.5	26.0	26.0	25.2	(474)	(80)	25.6	29.6	(401)

Source: Company, PL

## Financials

### Income Statement (Rs m)

Y/e Mar	FY21	FY22	FY23E	FY24E
<b>Net Revenues</b>	<b>140,638</b>	<b>153,138</b>	<b>180,136</b>	<b>211,409</b>
YoY gr. (%)	8.8	8.9	17.6	17.4
Cost of Goods Sold	78,278	89,025	100,876	118,389
Gross Profit	62,360	64,113	79,260	93,020
Margin (%)	44.3	41.9	44.0	44.0
Employee Cost	19,407	21,094	24,769	29,069
Other Expenses	8,747	6,389	10,808	12,685
<b>EBITDA</b>	<b>31,811</b>	<b>33,092</b>	<b>39,522</b>	<b>46,383</b>
YoY gr. (%)	16.5	4.0	19.4	17.4
Margin (%)	22.6	21.6	21.9	21.9
Depreciation and Amortization	3,663	3,802	4,516	5,156
<b>EBIT</b>	<b>28,148</b>	<b>29,291</b>	<b>35,006</b>	<b>41,227</b>
Margin (%)	20.0	19.1	19.4	19.5
Net Interest	61	49	51	53
Other Income	1,261	2,336	2,522	2,960
<b>Profit Before Tax</b>	<b>29,348</b>	<b>31,578</b>	<b>37,476</b>	<b>44,133</b>
Margin (%)	20.9	20.6	20.8	20.9
Total Tax	8,694	8,089	9,369	11,033
Effective tax rate (%)	29.6	25.6	25.0	25.0
<b>Profit after tax</b>	<b>20,654</b>	<b>23,489</b>	<b>28,107</b>	<b>33,100</b>
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
<b>Adjusted PAT</b>	<b>20,654</b>	<b>23,489</b>	<b>28,107</b>	<b>33,100</b>
YoY gr. (%)	15.1	13.7	19.7	17.8
Margin (%)	14.7	15.3	15.6	15.7
Extra Ord. Income / (Exp)	-	-	-	-
<b>Reported PAT</b>	<b>20,654</b>	<b>23,489</b>	<b>28,107</b>	<b>33,100</b>
YoY gr. (%)	15.1	13.7	19.7	17.8
Margin (%)	14.7	15.3	15.6	15.7
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	20,654	23,489	28,107	33,100
<b>Equity Shares O/s (m)</b>	<b>2,437</b>	<b>2,437</b>	<b>2,437</b>	<b>2,437</b>
<b>EPS (Rs)</b>	<b>8.5</b>	<b>9.6</b>	<b>11.5</b>	<b>13.6</b>

Source: Company Data, PL Research

### Balance Sheet Abstract (Rs m)

Y/e Mar	FY21	FY22	FY23E	FY24E
<b>Non-Current Assets</b>				
<b>Gross Block</b>	<b>40,454</b>	<b>44,574</b>	<b>52,574</b>	<b>60,574</b>
Tangibles	40,454	44,574	52,574	60,574
Intangibles	-	-	-	-
<b>Acc: Dep / Amortization</b>	<b>16,227</b>	<b>20,029</b>	<b>24,545</b>	<b>29,701</b>
Tangibles	16,227	20,029	24,545	29,701
Intangibles	-	-	-	-
<b>Net fixed assets</b>	<b>24,227</b>	<b>24,545</b>	<b>28,029</b>	<b>30,873</b>
Tangibles	24,227	24,545	28,029	30,873
Intangibles	-	-	-	-
Capital Work In Progress	7,936	9,281	9,281	9,281
Goodwill	-	-	-	-
Non-Current Investments	13,667	15,084	17,743	20,824
Net Deferred tax assets	4,634	6,207	6,207	6,207
Other Non-Current Assets	3,908	6,778	5,404	6,342
<b>Current Assets</b>				
Investments	-	-	-	-
Inventories	49,547	55,669	64,158	75,296
Trade receivables	65,515	123,900	83,899	98,464
Cash & Bank Balance	50,082	12,390	48,196	58,986
Other Current Assets	70,365	79,113	72,054	84,563
<b>Total Assets</b>	<b>285,898</b>	<b>328,292</b>	<b>330,566</b>	<b>386,743</b>
<b>Equity</b>				
Equity Share Capital	2,437	2,437	2,437	2,437
Other Equity	105,642	117,406	136,519	159,027
<b>Total Network</b>	<b>108,079</b>	<b>119,843</b>	<b>138,956</b>	<b>161,463</b>
<b>Non-Current Liabilities</b>				
Long Term borrowings	-	-	-	-
Provisions	-	-	-	-
Other non current liabilities	-	-	-	-
<b>Current Liabilities</b>				
ST Debt / Current of LT Debt	-	-	-	-
Trade payables	32,968	20,978	24,676	28,960
Other current liabilities	149,484	193,679	173,141	202,527
<b>Total Equity &amp; Liabilities</b>	<b>285,898</b>	<b>328,292</b>	<b>330,566</b>	<b>386,743</b>

Source: Company Data, PL Research

**Cash Flow (Rs m)**

Y/e Mar	FY21	FY22	FY23E	FY24E
PBT	29,348	31,578	37,476	44,133
Add. Depreciation	3,663	3,802	4,516	5,156
Add. Interest	61	49	51	53
Less Financial Other Income	1,261	2,336	2,522	2,960
Add. Other	689	(1,290)	-	-
Op. profit before WC changes	33,761	34,139	42,044	49,343
Net Changes-WC	22,597	15,498	22,606	(6,060)
Direct tax	(5,323)	(8,024)	(9,369)	(11,033)
<b>Net cash from Op. activities</b>	<b>51,035</b>	<b>41,612</b>	<b>55,281</b>	<b>32,249</b>
Capital expenditures	(4,664)	(5,461)	(10,430)	(10,815)
Interest / Dividend Income	600	1,778	-	-
Others	(21,622)	(44,923)	-	-
<b>Net Cash from Inv. activities</b>	<b>(25,686)</b>	<b>(48,606)</b>	<b>(10,430)</b>	<b>(10,815)</b>
Issue of share cap. / premium	-	-	-	-
Debt changes	(83)	-	-	-
Dividend paid	(10,227)	(10,233)	(8,994)	(10,592)
Interest paid	(58)	(18)	(51)	(53)
Others	(385)	(521)	-	-
<b>Net cash from Fin. activities</b>	<b>(10,754)</b>	<b>(10,772)</b>	<b>(9,045)</b>	<b>(10,645)</b>
<b>Net change in cash</b>	<b>14,594</b>	<b>(17,766)</b>	<b>35,806</b>	<b>10,790</b>
Free Cash Flow	46,357	36,077	47,281	24,249

Source: Company Data, PL Research

**Key Financial Metrics**

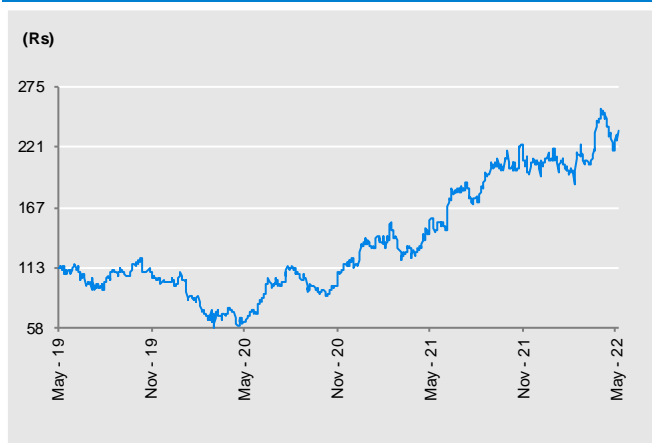
Y/e Mar	FY21	FY22	FY23E	FY24E
<b>Per Share(Rs)</b>				
EPS	8.5	9.6	11.5	13.6
CEPS	10.0	11.2	13.4	15.7
BVPS	44.4	49.2	57.0	66.3
FCF	19.0	14.8	19.4	10.0
DPS	4.0	4.5	3.7	4.3
<b>Return Ratio(%)</b>				
RoCE	27.2	25.7	27.1	27.4
ROIC	37.2	21.5	32.3	33.9
RoE	20.0	20.6	21.7	22.0
<b>Balance Sheet</b>				
Net Debt : Equity (x)	(0.5)	(0.1)	(0.3)	(0.4)
Net Working Capital (Days)	213	378	250	250
<b>Valuation(x)</b>				
PER	27.3	24.0	20.1	17.1
P/B	5.2	4.7	4.1	3.5
P/CEPS	23.2	20.7	17.3	14.8
EV/EBITDA	16.2	16.7	13.1	10.9
EV/Sales	3.7	3.6	2.9	2.4
Dividend Yield (%)	1.7	1.9	1.6	1.9

Source: Company Data, PL Research

**Quarterly Financials (Rs m)**

Y/e Mar	Q1FY22	Q2FY22	Q3FY22	Q4FY22
<b>Net Revenue</b>	<b>16,346</b>	<b>36,606</b>	<b>36,937</b>	<b>63,249</b>
YoY gr. (%)	(2.2)	14.8	60.9	(8.4)
Raw Material Expenses	9,547	20,666	22,002	36,811
Gross Profit	6,799	15,939	14,935	26,439
Margin (%)	41.6	43.5	40.4	41.8
<b>EBITDA</b>	<b>629</b>	<b>8,565</b>	<b>8,221</b>	<b>15,678</b>
YoY gr. (%)	(57.2)	37.4	86.7	(20.4)
Margin (%)	3.8	23.4	22.3	24.8
Depreciation / Depletion	922	941	929	1,010
<b>EBIT</b>	<b>(294)</b>	<b>7,623</b>	<b>7,292</b>	<b>14,668</b>
Margin (%)	(1.8)	20.8	19.7	23.2
Net Interest	1	5	2	41
Other Income	447	659	593	638
<b>Profit before Tax</b>	<b>152</b>	<b>8,277</b>	<b>7,883</b>	<b>15,266</b>
Margin (%)	0.9	22.6	21.3	24.1
Total Tax	40	2,151	2,050	3,848
Effective tax rate (%)	26.5	26.0	26.0	25.2
<b>Profit after Tax</b>	<b>112</b>	<b>6,126</b>	<b>5,834</b>	<b>11,418</b>
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
<b>Adjusted PAT</b>	<b>112</b>	<b>6,126</b>	<b>5,834</b>	<b>11,418</b>
YoY gr. (%)	(79.4)	54.3	122.8	(15.6)
Margin (%)	0.7	16.7	15.8	18.1
Extra Ord. Income / (Exp)	-	-	-	-
<b>Reported PAT</b>	<b>112</b>	<b>6,126</b>	<b>5,834</b>	<b>11,418</b>
YoY gr. (%)	(79.4)	54.3	122.8	(15.6)
Margin (%)	0.7	16.7	15.8	18.1
Other Comprehensive Income	-	-	-	-
<b>Total Comprehensive Income</b>	<b>112</b>	<b>6,126</b>	<b>5,834</b>	<b>11,418</b>
Avg. Shares O/s (m)	2,437	2,437	2,437	2,437
<b>EPS (Rs)</b>	<b>-</b>	<b>2.5</b>	<b>2.4</b>	<b>4.7</b>

Source: Company Data, PL Research

**Price Chart**
**Recommendation History**


No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	08-Apr-22	BUY	258	234
2	01-Feb-22	BUY	265	210
3	11-Jan-22	BUY	245	211
4	05-Oct-21	BUY	245	206
5	28-Sep-21	BUY	245	210
6	09-Aug-21	BUY	208	171
7	06-Jul-21	BUY	208	181
8	23-Jun-21	BUY	208	169

**Analyst Coverage Universe**

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	ABB India	Hold	1,832	1,875
2	Apar Industries	BUY	790	661
3	Bharat Electronics	BUY	245	206
4	BHEL	Sell	34	66
5	Cummins India	Accumulate	1,051	900
6	Engineers India	BUY	129	78
7	GE T&D India	Hold	139	126
8	Kalpataru Power Transmission	BUY	508	410
9	KEC International	Accumulate	445	456
10	Larsen & Toubro	BUY	2,201	1,814
11	Siemens	Accumulate	2,310	2,248
12	Thermax	Accumulate	1,633	1,530
13	Triveni Turbine	UR	-	178
14	Voltamp Transformers	Accumulate	1,825	1,493

**PL's Recommendation Nomenclature (Absolute Performance)**

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



## **ANALYST CERTIFICATION**

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