



3R MATRIX

	+	=	-
Right Sector (RS)	✓	✗	✗
Right Quality (RQ)	✓	✗	✗
Right Valuation (RV)	✗	✓	✗
+ Positive = Neutral - Negative			

What has changed in 3R MATRIX

	Old		New
RS	✗	↔	✓
RQ	✗	↔	✓
RV	✗	↔	✗

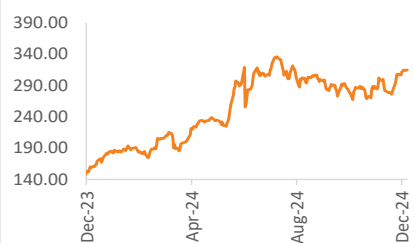
Company details

Market cap:	Rs. 2,29,527 cr
52-week high/low:	Rs. 340/157
NSE volume: (No of shares)	89.3 lakh
BSE code:	500049
NSE code:	BEL
Free float: (No of shares)	357.2 cr

Shareholding (%)

Promoters	51.1
FII	17.3
DII	20.2
Others	11.4

Price chart



Price performance

(%)	1m	3m	6m	12m
Absolute	5.7	9.6	74.0	98.0
Relative to Sensex	3.1	9.8	60.3	81.4

Mirae Asset Sharekhan Research, Bloomberg

Bharat Electronics Ltd

Strong order book supported by sector tailwinds

Capital Goods	Sharekhan code: BEL		
Reco/View: Buy	↔	CMP: Rs. 314	Price Target: Rs. 380 ↔
↑ Upgrade	↔ Maintain	↓ Downgrade	

Summary

- Defence Acquisition Council (DAC) has cleared five capital acquisition proposals worth Rs 21,772 crore to bolster India's defence capabilities, leading to additional order pipeline for defence companies over 2-3 years.
- Proposals have been issued for 1) AoN for Fast Attack Crafts (FAC), Fast Interceptor Crafts (FIC) and ALH (M) MR. 2) Overhaul for tanks and BMPs. 3) Overhaul of Su-30MK-I
- Order inflow pipeline is promising, cash balance strong and return ratios are healthy. Strong Q2 makes us factor in estimates of 16%/16% revenue / PAT CAGR for FY24-27, respectively.
- Hence, we retain a Buy with a PT of Rs. 380. At CMP, the stock trades at 42x/37x its FY2025/FY2026 earnings estimates.

The DAC has greenlit five proposals critical to enhancing India's defence preparedness - 1) AoN for 31 new water jet Fast Attack Crafts (FAC), 120 Fast Interceptor Crafts (FIC) and 6 ALH (M) MR likely to boost maritime surveillance capabilities. 2) Overhaul for tanks and BMPs to enhance life of armored fleet of Indian Army. 3) Focus on overhaul of Su-30MK-I likely to boost squadron strength of IAF. AoN to actual order conversion would take 2-3 years and it solidifies the government's commitment towards defence spending. BEL is expected to be the biggest beneficiary due to its involvement in the EWS package for the Su-30MKI aircraft and its participation in various other proposals, including shipbuilding and the overhaul of electronic components and fire control systems for tanks and BMPs.

- Sector tailwinds firm:** Defence production growth has accelerated to a 12.6% CAGR over FY20-FY24 vs a 2.2% CAGR over FY17-FY20. India has achieved the highest-ever growth in indigenous defence production in value terms during FY 2023-24, driven by the successful implementation of government policies and initiatives focusing on attaining Atmanirbharta. Consequently, the annual defence production has not only crossed Rs 1.27 lakh crore (of which exports is Rs 27,000 crore) and will reach a target of Rs 1.75 lakh crore in the current fiscal year. With aspirations to achieve Rs 3 lakh crore in defence production by 2029.
- Robust order book:** Order book currently stands at Rs 74500 crore representing a 3.6x of TTM sales. BEL has guided for order inflows of Rs. 25,000 crore for FY2025 and FY2026, excluding QRSAM orders. Cumulative order inflows for FY2026-FY2027 are expected to be at ~Rs. 75,000 crore (inc QRSAM orders). BEL stands to benefit from growing defence spends in India, the structural trend of indigenization and export opportunities.
- Strong Q2:** Revenues grew by 14.9% y-o-y to Rs. 4,605 crore with a margin expansion of 510 bps y-o-y that beat expectations. Higher revenue and margin led to PAT growth of 38% y-o-y to Rs. 1092 crore. The company's future order pipeline is also promising as orders worth Rs. 65,000 crore (including QRSAM) are to be awarded in the next two years. Order backlog stood strong at Rs. 74,595 crore led by a strong order inflow of Rs. 7,500 crore as on YTD 2025.

Our Call

Valuation – Maintain Buy with PT of Rs. 380: The company's future order pipeline is also promising as orders worth Rs. 65,000 crore (including QRSAM) are to be awarded in the next two years. We believe that BEL would play a significant role in successfully implementing the government's Make in India and AtmaNirbhar Bharat initiatives, as it is a key defence and aerospace player. After the strong performance in this quarter, we maintain our PT of Rs. 380 to 44x of FY2027 EPS.

Key Risks

- Delayed order execution and slower pace of fresh orders can affect revenue growth.
- Higher raw-material prices and shortage of critical components may affect margins.
- Competition from private players with the opening of defence sector.

Valuation (Consolidated)

Particulars	FY23	FY24	FY25E	FY26E	Rs cr FY27E
Net Sales	17,734	20,268	23,464	27,115	31,649
Operating Profit Margin (%)	23.0	24.9	23.9	24.7	24.9
Adjusted PAT	2,984	3,985	4,543	5,492	6,289
y-o-y Growth (%)	24.4	33.5	14.0	20.9	8.1
Adjusted EPS (Rs.)	4.1	5.5	6.2	7.5	8.6
P/E (x)	76.9	57.6	50.5	41.8	36.5
EV/EBITDA (x)	58.3	43.3	38.6	31.7	29.9
RoCE (%)	15.7	15.8	15.7	16.1	15.7
RoE (%)	22.8	26.4	25.3	25.4	24.2

Source: Company; Mirae Asset Sharekhan estimates

Outlook and Valuation

■ Sector Outlook – *AatmaNirbhar Bharat* initiative to boost defence manufacturing in India

The government emphasises creating an environment to boost the *AatmaNirbhar Bharat* program in the defence sector and create a level-playing field for private players, including MSMEs. Further, the hike in foreign direct investment (FDI) to 74% through the automatic route would boost investments in the sector. This is likely to boost investments in the space, as foreign players in the defence sector would look at setting up joint ventures to establish defence manufacturing bases in India, considering the ample opportunity with the opening up of the defence sector. The government has also established defence corridors in Tamil Nadu and Uttar Pradesh, which have helped reduce the import dependency.

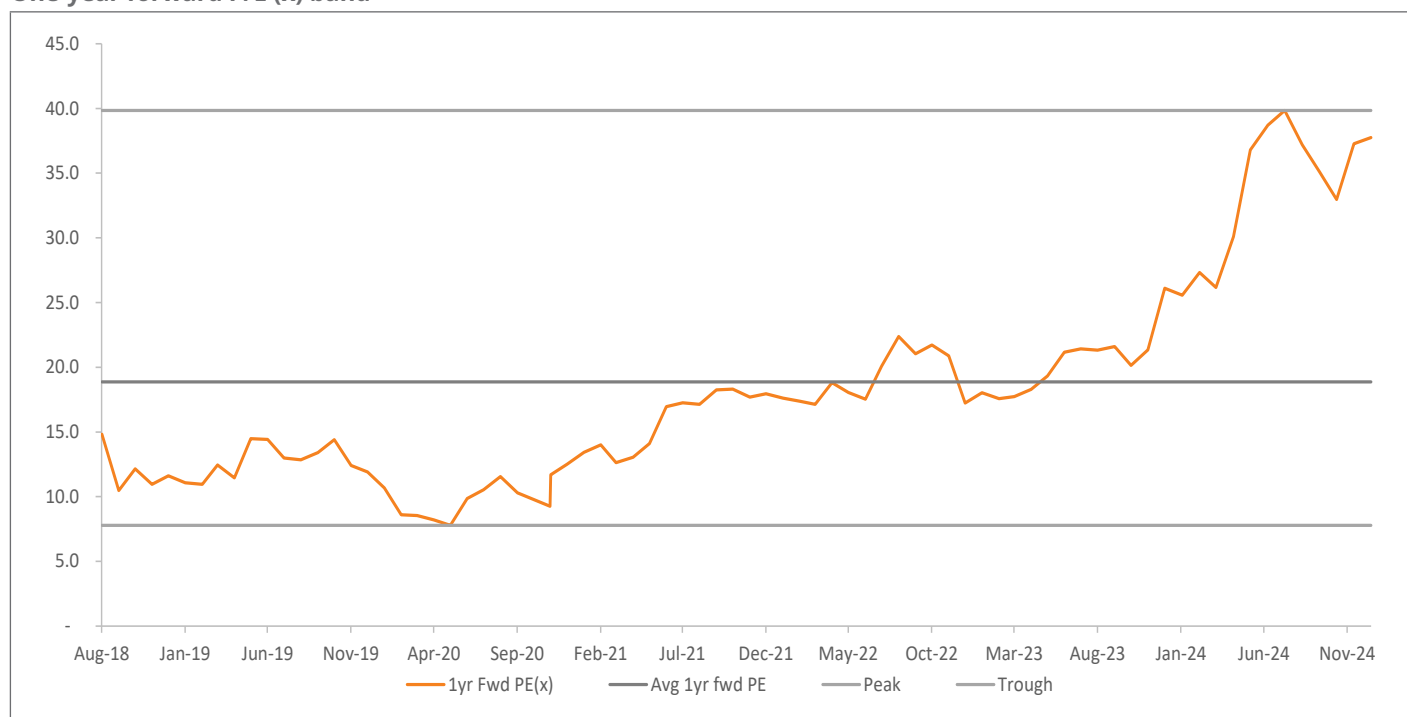
■ Company Outlook – Diversification and a strong order pipeline would boost growth

BEL has been continuously focusing on sustainable growth plans and has taken various initiatives such as i) Focusing on enhancing its R&D capability, ii) Enhancing manufacturing capabilities through timely modernisation and expansion of facilities, and iii) Entering into joint ventures with existing and emerging businesses to enhance business visibility. Long-term order pipeline includes a high-value order of QRSAM– of Rs. 25,000 crore. In addition, BEL has been focusing on exploring the export (primarily non-defence currently) potential of defence electronics products and systems, which bode well for revenue diversification. The company targets a ~10% revenue contribution from exports (currently ~4%) in the long term.

■ Valuation – Maintain BUY with a revised PT of Rs. 380

The company's future order pipeline is also promising as orders worth Rs. 65,000 crore (including QRSAM) are to be awarded in the next two years. We believe that BEL would play a significant role in successfully implementing the government's Make in India and *AatmaNirbhar Bharat* initiatives, as it is a key defence and aerospace player. After the strong performance in this quarter, we roll our PT of Rs. 380 to 44x of FY2027 EPS.

One-year forward P/E (x) band



Source: Company; Mirae Asset Sharekhan Research

About the company

BEL is a PSU with strong manufacturing and R&D capabilities and robust cost-control measures. The company manufactures electronics, communication, and defence equipment and benefits from enhanced budgetary outlay for strengthening and modernising India's security.

Investment theme

The government's Make in India and *AatmaNirbhar Bharat* initiatives, along with rising spending for modernising defence equipment, will support earnings growth in the coming years, as BEL is one of the key players with strong research and manufacturing capabilities in the defence space in the country. A robust order book provides strong revenue and earnings visibility. BEL plays well in the defence sector because of its strong manufacturing and R&D base, good margin trajectory, cost efficiency, growing indigenisation, and strong balance sheet.

Key Risks

- ♦ Delayed order execution and slower pace of fresh orders can affect revenue growth.
- ♦ Higher raw-material prices and shortage of critical components such as semiconductors could affect execution and earnings.
- ♦ Competition from private players with the opening up of the defence sector

Additional Data

Key management personnel

Bhanu Prakash Srivastava	Executive Director-Chairperson-MD
Vinay Kumar Katyal	Executive Director
Damodar S Bhattad	Director (Finance) and Chief Financial Officer (CFO)

Source: Company

Top 10 shareholders

Sr. No.	Holder Name	Holding (%)
1	Nippon Life India Asset Management	3.66
2	Kotak Mahindra Asset Management Co	2.42
3	Vanguard Group Inc/The	1.97
4	Blackrock Inc	1.88
5	NPS Trust A/c Uti Retirement Solut	1.38
6	SBI Funds Management Ltd	1.32
7	Canara Robeco Asset Management Co	1.14
8	HDFC Asset Management Co Ltd	1.10
9	FMR LLC	1.08
10	Life Insurance Corp of India	1.04

Source: Bloomberg

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Understanding the Mirae Asset Sharekhan 3R Matrix

Right Sector	
Positive	Strong industry fundamentals (favorable demand-supply scenario, consistent industry growth), increasing investments, higher entry barrier, and favorable government policies
Neutral	Stagnancy in the industry growth due to macro factors and lower incremental investments by Government/private companies
Negative	Unable to recover from low in the stable economic environment, adverse government policies affecting the business fundamentals and global challenges (currency headwinds and unfavorable policies implemented by global industrial institutions) and any significant increase in commodity prices affecting profitability.
Right Quality	
Positive	Sector leader, Strong management bandwidth, Strong financial track-record, Healthy Balance sheet/cash flows, differentiated product/service portfolio and Good corporate governance.
Neutral	Macro slowdown affecting near term growth profile, Untoward events such as natural calamities resulting in near term uncertainty, Company specific events such as factory shutdown, lack of positive triggers/events in near term, raw material price movement turning unfavourable
Negative	Weakening growth trend led by led by external/internal factors, reshuffling of key management personal, questionable corporate governance, high commodity prices/weak realisation environment resulting in margin pressure and detoriating balance sheet
Right Valuation	
Positive	Strong earnings growth expectation and improving return ratios but valuations are trading at discount to industry leaders/historical average multiples, Expansion in valuation multiple due to expected outperformance amongst its peers and Industry up-cycle with conducive business environment.
Neutral	Trading at par to historical valuations and having limited scope of expansion in valuation multiples.
Negative	Trading at premium valuations but earnings outlook are weak; Emergence of roadblocks such as corporate governance issue, adverse government policies and bleak global macro environment etc warranting for lower than historical valuation multiple.

Source: Mirae Asset Sharekhan Research

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