

08 February 2025

India | Equity Research | Results update

## Bharat Dynamics

Defence

### Conspicuous execution uptick

Bharat Dynamics (BDL) reported a healthy Q3FY25 performance. Key points: 1) EBITDA (adj. for provisions created) soared 120% YoY to INR 2.6bn while revenue surged 34% YoY to INR 7.9bn. 2) Estimated order book (OB), as on date, is at INR 200bn, of which nearly INR 20bn is from exports. 3) Provision of INR 1.35bn recognised towards investment or gaining exposure in a niche technology. 4) Board recommended interim dividend of INR 4/share. We expect BDL's performance to improve further, as execution has visibly picked up, leading to higher margins. Besides, the OB remains strong and MRSAM backlog is also likely to be cleared. We maintain **BUY** and our DCF-based TP of INR 1,400.

### Robust performance

BDL reported robust Q3FY25 numbers. Key points: 1) Revenue rose 34% YoY to INR 7.9bn aided by execution of SAMs and ATGMs. 2) We estimate export revenue at INR 3.3–3.6bn for 9MFY25. 3) Implied OB, as on date, is at INR 200bn, taking into account the recently won INR 29.6bn MRSAM order from Indian Navy. 4) Export OB is estimated at INR 20bn (10% of overall, highest proportion among DPSUs). 5) Provision of INR 1.35bn taken in Q3FY25, post the company's assessment of its customer contracts, including a specific contract aimed at gaining exposure to a niche technology in the global defence industry. The provision has been recognised following the principle of prudent accounting and may be reversed, if gains from the contract fructify. 6) Board has recommended an interim dividend of INR 4/share.

### A few understated positives

In our view, manufacturing activities are picking up at BDL, as the company steps up execution of its burgeoning OB. EBITDA margin (adj. for provisions) works out to a healthy 32.7%, mainly as execution is around in-house platforms. Besides, for the first time since the Russia-Ukraine conflict, there is no reference to supply chain bottlenecks in the notes to accounts – possibly implying that the residual MRSAM order (estimated at INR 7–8bn) may be executed by FY26E, further aiding revenue growth. We also expect the execution of Akash third and fourth regiment orders to start by Q1FY26; thereby, boosting revenue.

### Financial Summary

Y/E March (INR mn)	FY24A	FY25E	FY26E	FY27E
Net Revenue	23,693	31,600	41,600	53,250
EBITDA	5,366	5,778	7,834	10,555
EBITDA Margin (%)	22.6	18.3	18.8	19.8
Net Profit	6,127	5,938	8,068	10,418
EPS (INR)	33.4	32.4	44.0	56.8
EPS % Chg YoY	74.0	(3.1)	35.9	29.1
P/E (x)	35.9	37.0	27.3	21.1
EV/EBITDA (x)	33.1	28.8	19.3	12.8
RoCE (%)	10.5	10.5	13.2	16.2
RoE (%)	18.6	16.5	20.2	23.1

**Amit Dixit**

amit.dixit@icicisecurities.com  
+91 22 6807 7289

**Mohit Lohia**

mohit.lohia@icicisecurities.com

**Prithish Urumkar**

Prithish.urumkar@icicisecurities.com

#### Market Data

Market Cap (INR)	440bn
Market Cap (USD)	5,031mn
Bloomberg Code	BDL IN
Reuters Code	BARA BO
52-week Range (INR)	1,795 / 776
Free Float (%)	25.0
ADTV-3M (mn) (USD)	14.4

Price Performance (%)	3m	6m	12m
Absolute	11.4 (14.4)		36.8
Relative to Sensex	13.6 (12.4)		28.9

ESG Score	2023	2024	Change
ESG score	65.4	NA	NA
Environment	41.6	NA	NA
Social	71.5	NA	NA
Governance	79.0	NA	NA

Note - Score ranges from 0 - 100 with a higher score indicating higher ESG disclosures.

Source: SES ESG, I-sec research

#### Previous Reports

15-11-2024: [Q2FY25 results review](#)

11-08-2024: [Q1FY25 results review](#)

### Outlook: On course to ~INR 32bn revenue in FY25E

In our view, the major positive in the Q3FY25 result was the acceleration of execution. While BDL always had a comfortable OB and book/bill ratio, execution was lagging owing to global supply chain issues. With residual MRSAM revenue likely to be recognised over the next few quarters and execution of Akash's third and fourth regiments expected to commence, we envisage revenue growth traction continuing. The order for QRSAM, estimated at INR 250bn, would boost the OB further, besides the expected orders from the exports market. We maintain **BUY** on BDL at a DCF-based unchanged TP of INR 1,400.

### Key risks

- Increasing competitive intensity from the private players
- Execution delay in key platforms
- Higher LD provisioning

### Exhibit 1: BDL Q3FY25 financial performance review

(INRmn)	Q3FY25	Q3FY24	% Chg YoY	Q2FY25	% Chg QoQ	FY24	FY23	% Chg YoY
<b>Sales</b>	<b>7,993</b>	<b>5,963</b>	34.0	<b>5,355</b>	49.3	<b>23,693</b>	<b>24,894</b>	(4.8)
Other operating income	328	53		93				
<b>Total Sales</b>	<b>8,321</b>	<b>6,016</b>	38.3	<b>5,448</b>	52.8	<b>23,693</b>	<b>24,894</b>	(4.8)
Cost of materials	3,247	1,363	138.2	2,100	54.6	11,200	12,103	(7.5)
CWIP	451	806	(44.1)	137	229.0	(2,226)	(190)	1,069.5
<b>Gross Margin</b>	<b>4,624</b>	<b>3,847</b>	20.2	<b>3,210</b>	44.0	<b>14,719</b>	<b>12,981</b>	13.4
(%)	56	64		59	(5.7)	62	52	19.1
Employee Costs	1,219	1,818	(32.9)	1,419	(14.1)	6,000	5,325	12.7
(%)	15	30	(51.5)	26	(43.8)	25	21	18.4
Other Expenses	2,136	842	153.7	803	166.1	3,354	3,574	(6.2)
(%)	26	14	83.4	15	74.2	14	14	(1.4)
<b>Total Expense</b>	<b>7,053</b>	<b>4,829</b>	46.1	<b>4,459</b>	58.2	<b>18,327</b>	<b>20,812</b>	(11.9)
<b>EBITDA</b>	<b>1,269</b>	<b>1,187</b>	6.8	<b>988</b>	28.4	<b>5,366</b>	<b>4,082</b>	31.4
<b>Margin (%)</b>	<b>15.2</b>	<b>19.7</b>		<b>18.1</b>		<b>23</b>	<b>16</b>	
<b>Adjusted EBITDA</b>	<b>2,615</b>	<b>1,187</b>	120.2	<b>(641)</b>				
Other Income	844	876	(3.6)	860	(1.9)	3,618	1,554	132.8
Interest	7	8		7		31	45	
Depreciation	177	165		177		670	773	
Exceptional Items	-	-		-				
<b>PBT</b>	<b>1,929</b>	<b>1,891</b>	2.0	<b>1,665</b>	15.9	<b>8,282</b>	<b>4,818</b>	71.9
Tax	458	541		439		2,155	1,296	
<b>PAT</b>	<b>1,471</b>	<b>1,350</b>	9.0	<b>1,225</b>	20.1	<b>6,127</b>	<b>3,522</b>	74.0

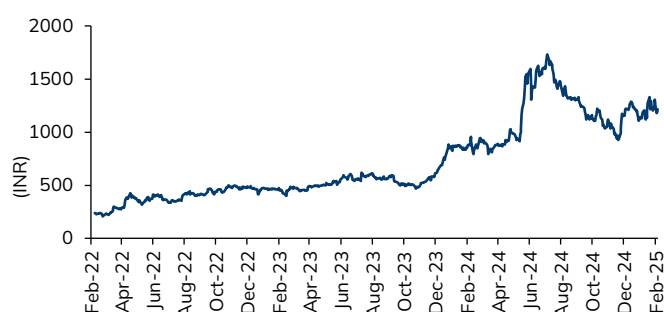
Source: Company data, I-Sec research

### Exhibit 2: Shareholding pattern

%	Jun'24	Sep'24	Dec'24
Promoters	74.9	74.9	74.9
Institutional investors	12.6	11.4	11.8
MFs and others	5.7	4.6	4.7
FIs/Banks	0.2	0.1	0.3
Insurance	3.6	3.5	3.7
FIIIs	3.1	3.2	3.1
Others	12.5	13.7	13.3

Source: Bloomberg

### Exhibit 3: Price chart



Source: Bloomberg

## Financial Summary

### Exhibit 4: Profit & Loss

(INR mn, year ending March)

	FY24A	FY25E	FY26E	FY27E
<b>Net Sales</b>	<b>23,693</b>	<b>31,600</b>	<b>41,600</b>	<b>53,250</b>
Operating Expenses	18,327	25,822	33,766	42,695
<b>EBITDA</b>	<b>5,366</b>	<b>5,778</b>	<b>7,834</b>	<b>10,555</b>
EBITDA Margin (%)	22.6	18.3	18.8	19.8
Depreciation & Amortization	670	729	769	810
EBIT	4,695	5,048	7,065	9,746
Interest expenditure	31	45	45	45
Other Non-operating Income	3,618	2,936	3,766	4,227
<b>Recurring PBT</b>	<b>8,282</b>	<b>7,939</b>	<b>10,786</b>	<b>13,928</b>
<b>Profit / (Loss) from Associates</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Less: Taxes	2,155	2,001	2,718	3,510
PAT	6,127	5,938	8,068	10,418
Less: Minority Interest	-	-	-	-
Extraordinaries (Net)	-	-	-	-
<b>Net Income (Reported)</b>	<b>6,127</b>	<b>5,938</b>	<b>8,068</b>	<b>10,418</b>
<b>Net Income (Adjusted)</b>	<b>6,127</b>	<b>5,938</b>	<b>8,068</b>	<b>10,418</b>

Source Company data, I-Sec research

### Exhibit 5: Balance sheet

(INR mn, year ending March)

	FY24A	FY25E	FY26E	FY27E
<b>Total Current Assets</b>	<b>92,390</b>	<b>1,07,187</b>	<b>1,23,811</b>	<b>1,44,281</b>
of which cash & cash eqv.	42,285	53,373	68,470	84,549
<b>Total Current Liabilities &amp; Provisions</b>	<b>30,062</b>	<b>42,134</b>	<b>53,863</b>	<b>67,047</b>
<b>Net Current Assets</b>	<b>62,329</b>	<b>65,053</b>	<b>69,948</b>	<b>77,233</b>
Investments	-	-	-	-
<b>Net Fixed Assets</b>	<b>7,253</b>	<b>7,423</b>	<b>7,554</b>	<b>7,644</b>
ROU Assets	-	-	-	-
Capital Work-in-Progress	729	729	729	729
Total Intangible Assets	984	984	984	984
Other assets	1,338	1,338	1,338	1,338
Deferred Tax Assets	707	707	707	707
<b>Total Assets</b>	<b>73,339</b>	<b>76,235</b>	<b>81,260</b>	<b>88,636</b>
<b>Liabilities</b>				
<b>Borrowings</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Deferred Tax Liability</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
provisions	-	-	-	-
other Liabilities	36,971	36,971	36,971	36,971
Equity Share Capital	1,833	1,833	1,833	1,833
Reserves & Surplus	34,535	37,431	42,457	49,833
<b>Total Net Worth</b>	<b>36,368</b>	<b>39,264</b>	<b>44,290</b>	<b>51,666</b>
Minority Interest	-	-	-	-
<b>Total Liabilities</b>	<b>73,339</b>	<b>76,235</b>	<b>81,260</b>	<b>88,636</b>

Source Company data, I-Sec research

### Exhibit 6: Quarterly trend

(INR mn, year ending March)

	Mar-24	Jun-24	Sep-24	Dec-24
<b>Net Sales</b>	<b>8,541</b>	<b>1,912</b>	<b>5,448</b>	<b>8,321</b>
% growth (YOY)	7.0	(35.8)	(11.5)	38.3
<b>EBITDA</b>	<b>3,164</b>	<b>-523</b>	<b>988</b>	<b>1,269</b>
Margin %	37.0	(27.4)	18.1	15.2
Other Income	885	804	860	844
Extraordinaries	-	-	-	-
<b>Adjusted Net Profit</b>	<b>2888</b>	<b>72</b>	<b>1225</b>	<b>1471</b>

Source Company data, I-Sec research

### Exhibit 7: Cashflow statement

(INR mn, year ending March)

	FY24A	FY25E	FY26E	FY27E
<b>Operating Cashflow</b>	<b>4,117</b>	<b>15,076</b>	<b>19,084</b>	<b>20,067</b>
Working Capital Changes	(275)	8,364	10,202	8,794
Capital Commitments	(809)	(900)	(900)	(900)
<b>Free Cashflow</b>	<b>3,308</b>	<b>14,176</b>	<b>18,184</b>	<b>19,167</b>
<b>Other investing cashflow</b>	<b>(6,415)</b>	<b>-</b>	<b>-</b>	<b>-</b>
Cashflow from Investing Activities	(7,224)	(900)	(900)	(900)
Issue of Share Capital	-	-	-	-
Interest Cost	(17)	(45)	(45)	(45)
Inc (Dec) in Borrowings	(15)	-	-	-
Dividend paid	(1,452)	(3,042)	(3,042)	(3,042)
Others	-	-	-	-
Cash flow from Financing Activities	(1,484)	(3,087)	(3,087)	(3,087)
<b>Chg. in Cash &amp; Bank balance</b>	<b>(4,591)</b>	<b>11,089</b>	<b>15,096</b>	<b>16,079</b>
Closing cash & balance	5,938	53,373	68,470	84,549

Source Company data, I-Sec research

### Exhibit 8: Key ratios

(Year ending March)

	FY24A	FY25E	FY26E	FY27E
<b>Per Share Data (INR)</b>				
Reported EPS	33.4	32.4	44.0	56.8
Adjusted EPS (Diluted)	33.4	32.4	44.0	56.8
Cash EPS	37.1	36.4	48.2	61.3
Dividend per share (DPS)	16.6	16.6	16.6	16.6
Book Value per share (BV)	198.4	214.2	241.6	281.9
Dividend Payout (%)	49.7	51.2	37.7	29.2
<b>Growth (%)</b>				
Net Sales	(4.8)	33.4	31.6	28.0
EBITDA	31.4	7.7	35.6	34.7
EPS (INR)	74.0	(3.1)	35.9	29.1
<b>Valuation Ratios (x)</b>				
P/E	35.9	37.0	27.3	21.1
P/CEPS	32.4	33.0	24.9	19.6
P/BV	6.0	5.6	5.0	4.3
EV / EBITDA	33.1	28.8	19.3	12.8
P / Sales	9.3	7.0	5.3	4.1
Dividend Yield (%)	0.0	0.0	0.0	0.0
<b>Operating Ratios</b>				
Gross Profit Margins (%)	62.1	51.5	48.5	48.0
EBITDA Margins (%)	22.6	18.3	18.8	19.8
Effective Tax Rate (%)	26.0	25.2	25.2	25.2
Net Profit Margins (%)	25.9	18.8	19.4	19.6
NWC / Total Assets (%)	-	-	-	-
Net Debt / Equity (x)	(1.2)	(1.4)	(1.5)	(1.6)
Net Debt / EBITDA (x)	(7.9)	(9.2)	(8.7)	(8.0)
<b>Profitability Ratios</b>				
RoCE (%)	10.5	10.5	13.2	16.2
RoE (%)	18.6	16.5	20.2	23.1
RoIC (%)	(964.8)	(42.8)	(35.9)	(30.7)
Fixed Asset Turnover (x)	1.7	2.2	2.7	3.3
Inventory Turnover Days	283	319	270	234
Receivables Days	44	45	49	48
Payables Days	-	-	-	-

Source Company data, I-Sec research

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