

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	✗	↔	✗

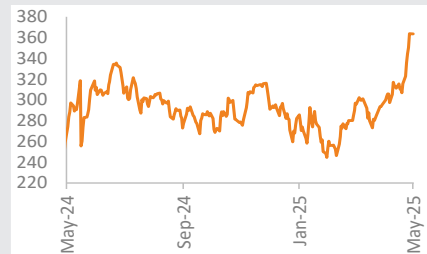
Company details

Market cap:	Rs. 2,66,076 cr
52-week high/low:	Rs. 340/230
NSE volume: (No of shares)	370 lakh
BSE code:	500049
NSE code:	BEL
Free float: (No of shares)	357.2 cr

Shareholding (%)

Promoters	51.1
FII	17.6
DII	20.9
Others	10.4

Price chart



Source: NSE India, Mirae Asset Sharekhan Research

Price performance

(%)	1m	3m	6m	12m
Absolute	19.9	46.3	30.5	40.5
Relative to Sensex	18.6	39.5	25.8	30.8

Source: Mirae Asset Sharekhan Research, Bloomberg

Bharat Electronics Ltd

Strong order pipeline to propel growth

Capital Goods	Sharekhan code: BEL		
Reco/View: Buy	↔	CMP: Rs. 364	Price Target: Rs. 430 ↑
↑ Upgrade	↔ Maintain	↓ Downgrade	

Summary

- Q4FY25 was a stellar quarter, beating estimates on all fronts. Revenues grew 7% y-o-y to Rs. 9,150 crore with margins rising 407 bps y-o-y. Consequently, PAT surged 18% y-o-y to Rs. 2,127 crore.
- Current order book stands at Rs. 71,650 crore, at 2.5x FY25 sales.
- BEL boasts a promising order inflow pipeline and expects an order inflow of Rs 27,000 crore (ex QRSAM orders) in FY26. Management is confident of receiving QRSAM order in FY26 but may slip to Q1FY27.
- Hence, we retain a Buy rating with a revised PT of Rs. 430. At CMP, the stock trades at 42x/36x its FY2026/FY2027 earnings estimates.

Strong operational performance had a positive surprise with revenue growth of 7% to Rs 9,150 crore versus our expectations of Rs 8,920 crore, margins too shone, with OPM improving by 407 bps. Operating profit grew ~23% y-o-y to Rs. 2,816 crore. Net profit rose by ~18% y-o-y to Rs. 2,127 crore, driven by strong operating performance and higher sales. FY25 revenues grew 17% has surpassed growth guidance of 15%. The order pipeline for FY26 looks promising with large-ticket orders like QRSAM (Rs. 25,000-30,000 crore) and MRSAM (Rs. 15,000 crore) expected to be finalised in FY26. Management has guided for a revenue growth of 15% with OPM of 27% and order inflows of more than Rs 27,000 crores (Excluding QRSAM). Order backlog stood strong at Rs. 71,650 crore. Order inflow could cross Rs 60,000 crore with QRSAM orders of Rs 30,000 crore. The management also highlighted that the visibility on the emergency procurement orders is expected after a week and the company is anticipating a minimum of 8 to 10 orders within this. BEL is also working on Project Khusha (project cost of Rs 40,000 crore) (Indigenous S400 system) and is currently under the R&D phase, some concrete orders can be seen in coming 2-3 years.

Key positives

- Strong operational performance with revenue growth of 7% and margins improvement of 407 bps.
- Order backlog stood at ~Rs. 71,650 crore (~2.5x TTM revenue).
- Order inflow and margin guidance for FY26 stands higher than FY25 guidance.
- Emergency procurement orders are expected after a week and the company is anticipating a minimum of 8-10 orders within this.

Key negatives

- YTD order inflows remained at Rs 10,800 crore against a guidance of Rs 25,000 crore.

Management Commentary

- BEL has given a guidance of 15% revenue growth with margins at 27% and order inflows at Rs 27,000 crore excluding QRSAM orders worth Rs 30,000 crore.
- BEL has clocked export sales of \$ 66 mn and targets \$ 120 million for FY26.
- Company plans to incur an annual capex of Rs. 1,000 crore in FY26 and R&D spend of Rs 1,600 crore over few years.

Revision in earnings estimates – We revised our estimates based on strong Q3 performance.

Our Call

Valuation – Maintain Buy with a PT of Rs. 430: We continue to prefer BEL given its strong order book, Order inflow pipeline, robust execution capabilities. The company's future order pipeline is very promising with large orders such as QRSAM and MRSAM are to be awarded in the coming 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 factor in a revenue/ profit growth of 17% CAGR over FY 2025-27 and maintain our Buy rating with PT of Rs. 430 based on 43x 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 the defence sector.

Valuation (Consolidated)

	Rs cr				
Particulars	FY23	FY24	FY25	FY26E	FY27E
Net Sales	17,734	20,268	23,769	27,944	32,431
Operating Profit Margin (%)	23.0	24.9	28.8	28.7	28.8
Adjusted PAT	2,984	3,985	5,323	6,317	7,330
y-o-y Growth (%)	24.4	33.5	33.6	18.7	16.0
Adjusted EPS (Rs.)	4.1	5.5	7.3	8.6	10.0
P/E (x)	68.9	51.6	38.7	32.6	28.1
EV/EBITDA (x)	52.4	38.6	26.4	24.2	22.6
RoCE (%)	15.7	15.8	19.8	20.5	19.7
RoE (%)	22.8	26.4	29.3	28.1	26.4

Source: Company; Mirae Asset Sharekhan estimates

BEL Q4FY2025 conference call highlights

- ♦ **Guidance:** BEL strongly guided the revenue to grow at 15% for FY26 with margins at 27% and order inflows at 27,000 crore excluding QRSAM orders. The company to incur capex of Rs 1000 crore in FY26 and guides a spend of Rs 16000 crore on R&D.
- ♦ **Order book:** It is at Rs. 71,650 crore, with defence contributing 90%, non-defence constituting ~10%.
- ♦ **Order inflows:** For FY26, the management is confident of getting significant large orders of QRSAM, MRSAM and others. But could also slip in Q1FY27.
- ♦ **Capex:** The company plans to incur an annual capex of Rs. 1000 crore for FY2026. It will be used for a night vision factory in Nimmalur, Electronic Warfare (EW) factory in Ibrahimpatnam, a fuse complex at Nagpur, airborne equipment in EW in Devanahalli, and a facility for the integration of defence systems in missiles.

Results (Consolidated)

Particulars (Rs. crore)	Rs cr				
	Q4FY25	Q4FY24	YoY (%)	Q3Y25	QoQ (%)
Net sales	9,150	8,564	6.8	5,771	58.6
Operating expenditure	6,334	6,277	0.9	4,101	54.4
Operating profit	2,816	2,287	23.1	1,670	68.7
Other income	195	225	(13.7)	186	4.4
Interest	6	4.1	44.7	1	343.9
Depreciation	138	119	16.1	111	24.0
PBT	2,867	2,390	20.0	1,744	64.4
Tax	746	604	23.5	442	68.7
Reported PAT	2,121	1,786	18.8	1,301	63.0
Adjusted PAT	2,127	1,797	18.4	1,311	62.2
Adjusted EPS (Rs.)	2.91	2.46	18.4	1.8	62.2
Margin (%)			BPS		BPS
GPM (%)	48.1	48.5	(40)	48.3	(24)
OPM (%)	30.8	26.7	407	28.9	185
NPM (%)	23.2	21.0	226	22.7	52
Effective tax rate (%)	26.0	25.3	74	25.4	66

Source: Company; Mirae Asset Sharekhan Research

Outlook and Valuation

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

The government emphasises on 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. 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.

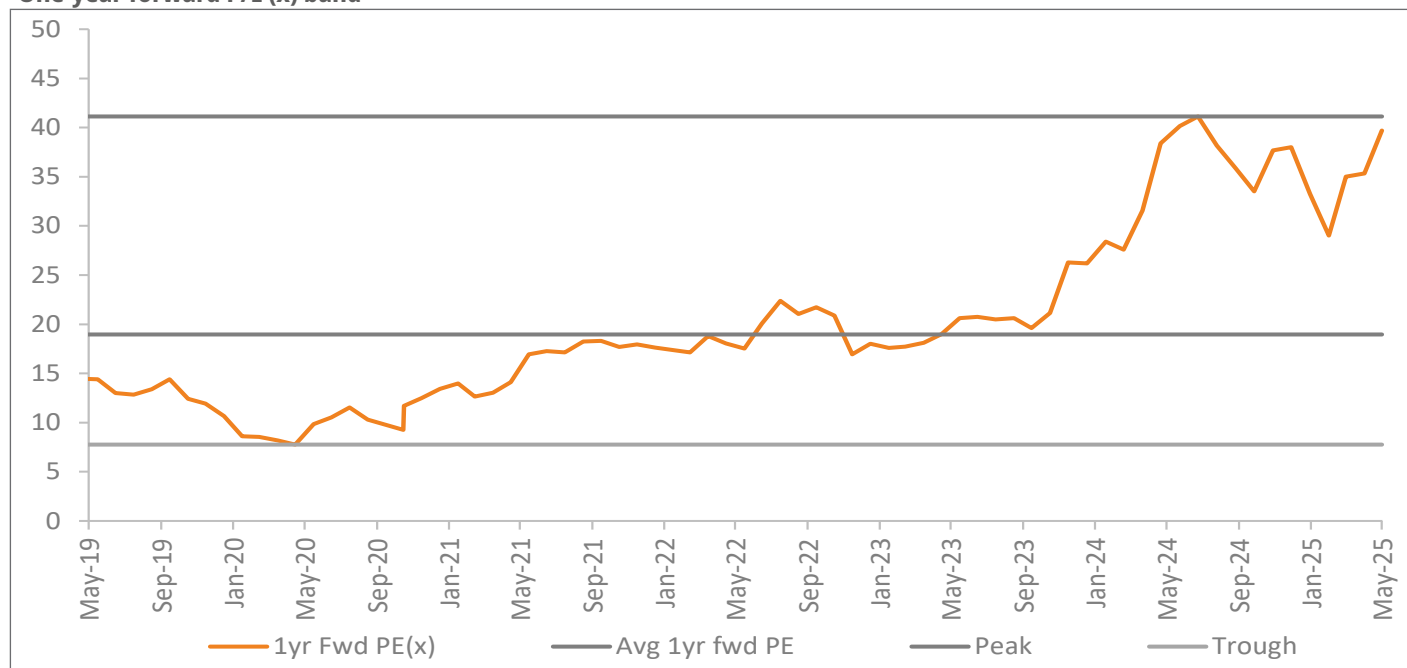
■ Company Outlook – Diversification and a strong order pipeline would boost growth

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 exports (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. 430

We continue to prefer BEL given its strong order book, Order inflow pipeline, robust execution capabilities. The company's future order pipeline is very promising with large orders such as QRSAM and MRSAM are to be awarded in the coming 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 factor in a revenue/ profit growth of 17% CAGR over FY 2025-27 and maintain our Buy rating with PT of Rs. 430 based on 43x of FY2027 EPS.

One-year forward P/E (x) band



Source: Company; Mirae Asset Sharekhan Research

About 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

Name	Designation
Manoj Jain	Executive Director-Chairperson-MD
Bhanu Prakash Srivastava	Executive Director
Damodar S Bhattad	Director (Finance) and Chief Financial Officer (CFO)

Source: Company Website

Top 10 shareholders

Sr. No.	Holder Name	Holding (%)
1	Nippon Life India Asset Management	3.34
2	Kotak Mahindra Asset Management Co	2.57
3	Vanguard Group Inc/The	2.01
4	Life Insurance Corp of India	1.89
5	Blackrock Inc	1.76
6	NPS Trust A/c Uti Retirement Solut	1.46
7	SBI Funds Management Ltd	1.25
8	Canara Robeco Asset Management Co	0.97
9	HDFC Asset Management Co Ltd	0.97
10	UTI Asset Management Co Ltd	0.90

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 deteriorating 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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