HOLD (Downgrade from ADD)

CMP: **INR 1,614** Target Price: **INR 1,590 (INR 1,645)** ▼ -1%

ICICI Securities

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15 November 2025

India | Equity Research | Results Update

Bharat Dynamics

Defence

Strong performance; guides for revenue CAGR of over 30% backed by order book

BDL's Q2FY26 performance beat consensus expectation as EBITDA grew 90% YoY driven by strong sales (+114% YoY). EBITDA margin fell 180bps YoY to 16.3%, implying an adverse product mix (gross margin was lower) and potentially higher R&D expenses (other expenses were higher). It won additional orders worth INR 21bn and its current orderbook stands at over INR 240bn. BDL expects execution to remain strong in near to medium term, and thus, continues to guide for revenue of INR 42-43bn in FY26; it maintains 30% revenue growth rate for next couple of years. Higher R&D and capex spend could keep EBITDA margin lower. We have rolled over our target multiple to FY28E and have arrived at a TP of INR 1,590, based on 40x FY28E EPS. Downgrade to **HOLD** (from *Add*).

Performance beats consensus expectation

BDL's Q2FY26 performance was above consensus estimate. Key points: 1) Revenue grew 114% YoY primarily on account of improved execution of Akash missiles, ATGMs and export orders. 2) EBITDA margin compressed 180bps YoY due to product mix and potentially higher R&D expenses. 3) It has recently received INVAR ATGM orders worth INR 21bn and the o/s OB of ATGM could be >INR 60bn now, executable over the next three years. 4) Overall o/s OB now stands at >INR 240bn, out of which ~75-80% comprises SAM and ATGM orders. 5) Incurred capex of INR 714mn (vs. INR 983mn) in H1FY26. The company maintained its revenue guidance of INR 42-43bn for FY26 with EBITDA margin of 17-19%.

Strong order pipeline; execution is key monitorable

DAC has accorded approvals for projects worth INR 2.5trn, out of which BDL is a key beneficiary for: 1) QRSAM, 2) Moored Mines project and 3) Nag missiles system (Tracked) Mk-II (NAMIS). Apart from this, the emergency procurement is likely to further support its OB by additional orders of INR 20-25bn in the next 12 months. The overall addressable opportunity for BDL could be ~INR 200bn- 250bn over the next two years. Also, management is proactively targeting export markets for its ATGMs and SAM. The execution of these projects is dependent on various factors, and thus, going forward timely progress on these may be a key monitorable for the company. Margins are likely to remain lower due to higher spend on R&D and capex to build capacities.

Financial Summary

Y/E March (INR mn)	FY25A	FY26E	FY27E	FY28E
Net Revenue	33,451	45,600	59,250	77,000
EBITDA	4,724	8,044	11,244	16,199
EBITDA Margin (%)	14.1	17.6	19.0	21.0
Net Profit	5,496	8,367	11,436	14,796
EPS (INR)	15.0	22.8	31.2	40.4
EPS % Chg YoY	(10.3)	52.2	36.7	29.4
P/E (x)	107.6	70.7	51.7	40.0
EV/EBITDA (x)	116.4	66.2	46.3	30.9
RoCE (%)	8.1	13.2	16.7	20.8
RoE (%)	15.2	20.6	24.6	26.9

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Market Data

Market Cap (INR)	592bn
Market Cap (USD)	6,667mn
Bloomberg Code	BDL IN
Reuters Code	BARA BO
52-week Range (INR)	2,097 /890
Free Float (%)	25.0
ADTV-3M (mn) (USD)	26.7

Price Performance (%)	3m	6m	12m
Absolute	2.3	(8.6)	63.1
Relative to Sensex	(2.6)	(12.6)	54.1

ESG Score	2023	2024	Change
ESG score	65.4	63.9	1.5
Environment	41.6	43.0	(1.4)
Social	71.5	79.7	(8.2)
Governance	79.0	72.1	6.9

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

Source: SES ESG, I-sec research

Previous Reports

13-08-2025: Re-initiating coverage

08-02-2025: Q3FY25 results review

Outlook

BDL's revenue growth is expected to remain higher in near to medium term driven by strong orderbook. Further, its strong orderbook pipeline of INR 200-250bn may keep OB at elevated level over the next few years. However, execution remains the key risk as BDL's products are dependent on foreign components which are prone to delays, but indigenisation efforts in past 2-3 years have eased the situation a bit. The company is looking to build more capabilities, and thus, for the next few years, R&D expenses and capex may remain high, impacting margins. We bake in 32% revenue CAGR for FY25-28E and EBITDA CAGR of 51% for the same period.

We assign BDL with a similar multiple as BEL and have arrived at a TP of INR 1,590 (40x FY28E EPS). Downgrade to **HOLD**.

Key risks

Upside risk

- Better than expected execution.

Downside risk

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

Exhibit 1: BDL Q2FY26 financial performance review

(INR mn)	Q2FY26	Q2FY25	% Chg YoY	Q1FY26	% Chg QoQ	H1FY26	H1FY25	% Chg YoY
Sales	**11,471**	**5,355**	114.2	**2,311**	396.4	**13,782**	**7,232**	90.6
Other operating income	(1)	93		168		168	127	
Total Sales	**11,470**	**5,448**	110.6	**2,479**	362.6	**13,950**	**7,359**	89.5
Cost of materials	7,817	2,100	272.2	2,065	278.5	9,882	3,851	156.6
Changes in mventones of finished goods and work-in-progress	(1,305)	137	(1,052.6)	(1,473)	NM	(2,778)	(1,292)	115.0
Gross Margin	4,958	3,210	54.4	1,887	162.8	6,845	4,800	42.6
(%)	43	59		76	(43.2)	49	65	(24.8)
Employee Costs	1,624	1,419	14.4	1,320	23.0	2,944	2,890	1.9
(%)	14	26	(45.7)	53	(73.4)	21	39	(46.3)
Other Expenses	1,459	803	81.8	1,021	42.9	2,480	1,444	71.7
(%)	13	15	(13.7)	41	(69.1)	18	20	(9.4)
Total Expense	9,595	4,459	115.2	2,933	227.1	12,528	6,894	81.7
EBITDA	**1,875**	**988**	89.7	**(454)**	(513.3)	**1,421**	**465**	205.5
Margin (%)	16.3	18.1		(18.3)		10.2	6.3	
Adjusted EBITDA	**2,889**	**988**	192.2	**892**		**3,781**	**465**	
Other Income	1,206	860	40.1	869	38.8	2,074	1,664	24.6
Interest	13	7		7		20	19	
Depreciation	191	177		177		368	333	
PBT	**2,876**	**1,665**	72.8	**231**	1,143.3	**3,107**	**1,777**	74.9
Tax	717	439		48		765	480	
PAT	**2,159**	**1,225**	76.2	**183**	1,076.5	**2,342**	**1,298**	80.5

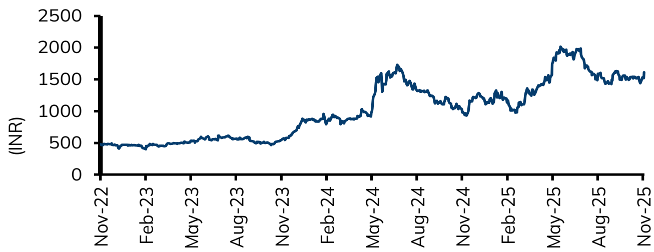
Source: I-Sec research, Company data

Exhibit 2: Shareholding pattern

%	Mar'25	Jun'25	Sep'25
Promoters	74.9	74.9	74.9
Institutional investors	12.7	13.8	13.7
MFs and others	5.0	4.8	5.8
FIs/Banks	0.0	0.8	1.5
Insurance	4.1	4.2	3.7
FIIs	3.6	4.0	2.7
Others	12.4	11.3	11.4

Source: Bloomberg, I-Sec research

Exhibit 3: Price chart



Source: Bloomberg, I-Sec research

Financial Summary

Exhibit 4: Profit & Loss

(INR mn, year ending March)

	FY25A	FY26E	FY27E	FY28E
Net Sales	**33,451**	**45,600**	**59,250**	**77,000**
Operating Expenses	28,727	37,556	48,006	60,801
EBITDA	**4,724**	**8,044**	**11,244**	**16,199**
EBITDA Margin (%)	14.1	17.6	19.0	21.0
Depreciation & Amortization	707	858	903	943
EBIT	4,017	7,187	10,341	15,256
Interest expenditure	33	45	45	45
Other Non-operating Income	3,504	4,043	4,993	4,570
Recurring PBT	**7,488**	**11,185**	**15,289**	**19,781**
Profit / (Loss) from Associates	**-**	**-**	**-**	**-**
Less: Taxes	1,991	2,819	3,853	4,985
PAT	5,496	8,367	11,436	14,796
Less: Minority Interest	-	-	-	-
Extraordinaries (Net)	-	-	-	-
Net Income (Reported)	**5,496**	**8,367**	**11,436**	**14,796**
Net Income (Adjusted)	**5,496**	**8,367**	**11,436**	**14,796**

Source Company data, I-Sec research

Exhibit 5: Balance sheet

(INR mn, year ending March)

	FY25A	FY26E	FY27E	FY28E
Total Current Assets	103,779	120,301	142,613	173,318
of which cash & cash eqv.	41,904	59,181	71,327	91,397
Total Current Liabilities & Provisions	43,606	55,446	69,462	88,370
Net Current Assets	**60,173**	**64,855**	**73,151**	**84,948**
Investments	-	-	-	-
Net Fixed Assets	7,183	7,826	7,923	7,880
ROU Assets	-	-	-	-
Capital Work-in-Progress	1,171	1,171	1,171	1,171
Total Intangible Assets	2,519	2,519	2,519	2,519
Other assets	1,544	1,544	1,544	1,544
Deferred Tax Assets	1,227	1,227	1,227	1,227
Total Assets	**73,819**	**79,143**	**87,537**	**99,290**
Liabilities				
Borrowings	**-**	**-**	**-**	**-**
Deferred Tax Liability	**-**	**-**	**-**	**-**
provisions	-	-	-	-
other Liabilities	33,729	33,729	33,729	33,729
Equity Share Capital	1,833	1,833	1,833	1,833
Reserves & Surplus	38,257	43,581	51,975	63,728
Total Net Worth	**40,090**	**45,414**	**53,807**	**65,561**
Minority Interest	-	-	-	-
Total Liabilities	**73,819**	**79,143**	**87,537**	**99,290**

Source Company data, I-Sec research

Exhibit 6: Cashflow statement

(INR mn, year ending March)

	FY25A	FY26E	FY27E	FY28E
Operating Cashflow	**1,694**	**21,864**	**16,233**	**24,058**
Working Capital Changes	(3,682)	12,595	3,850	8,274
Capital Commitments	(2,827)	(1,500)	(1,000)	(900)
Free Cashflow	**(1,134)**	**20,364**	**15,233**	**23,158**
Other investing cashflow	**(1,244)**	**-**	**-**	**-**
Cashflow from Investing Activities	(4,071)	(1,500)	(1,000)	(900)
Issue of Share Capital	-	-	-	-
Interest Cost	(19)	(45)	(45)	(45)
Inc (Dec) in Borrowings	(16)	-	-	-
Dividend paid	(2,167)	(3,042)	(3,042)	(3,042)
Others	-	-	-	-
Cash flow from Financing Activities	(2,202)	(3,087)	(3,087)	(3,087)
Chg. in Cash & Bank balance	**(4,580)**	**17,277**	**12,146**	**20,070**
Closing cash & balance	1,358	18,615	30,761	50,831

Source Company data, I-Sec research

Exhibit 7: Key ratios

(Year ending March)

	FY25A	FY26E	FY27E	FY28E
Per Share Data (INR)				
Reported EPS	15.0	22.8	31.2	40.4
Adjusted EPS (Diluted)	15.0	22.8	31.2	40.4
Cash EPS	16.9	25.2	33.7	42.9
Dividend per share (DPS)	8.3	8.3	8.3	8.3
Book Value per share (BV)	109.4	123.9	146.8	178.9
Dividend Payout (%)	55.4	36.4	26.6	20.6
Growth (%)				
Net Sales	41.2	36.3	29.9	30.0
EBITDA	(12.0)	70.3	39.8	44.1
EPS (INR)	(10.3)	52.2	36.7	29.4
Valuation Ratios (x)				
P/E	107.6	70.7	51.7	40.0
P/CEPS	95.4	64.1	47.9	37.6
P/BV	14.8	13.0	11.0	9.0
EV / EBITDA	116.4	66.2	46.3	30.9
P / Sales	17.7	13.0	10.0	7.7
Dividend Yield (%)	0.0	0.0	0.0	0.0
Operating Ratios				
Gross Profit Margins (%)	49.8	48.0	48.0	48.5
EBITDA Margins (%)	14.1	17.6	19.0	21.0
Effective Tax Rate (%)	26.6	25.2	25.2	25.2
Net Profit Margins (%)	16.4	18.3	19.3	19.2
NWC / Total Assets (%)	-	-	-	-
Net Debt / Equity (x)	(1.0)	(1.3)	(1.3)	(1.4)
Net Debt / EBITDA (x)	(8.9)	(7.4)	(6.3)	(5.6)
Profitability Ratios				
RoCE (%)	8.1	13.2	16.7	20.8
RoE (%)	15.2	20.6	24.6	26.9
RoIC (%)	(62.3)	(75.0)	(70.1)	(59.9)
Fixed Asset Turnover (x)	2.3	3.0	3.6	4.4
Inventory Turnover Days	353	312	301	294
Receivables Days	110	50	49	35
Payables Days	-	-	-	-

Source Company data, I-Sec research

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