Bharat Electronics (BHAELE)

CMP: ₹ 394 | Target ₹ 530 (35%) | Target Period: 12 months | BUY

July 28, 2026

Result Update

ICICI Securities – Retail Equity Research

Healthy execution; robust order pipeline intact

About the stock: Bharat Electronics (BEL) is a leading aerospace and defence electronics company. It primarily manufactures advanced electronics products

- Multi-product, multi-technology - diverse product range including radar, missile systems, electronic warfare & avionics, anti-submarine warfare, electro-optics, homeland security, civilian products, etc
- Company's order backlog stands at ₹ 72,258 crore as of Jun'26 end

Investment Rationale:

- Healthy order book with improving order pipeline provides strong execution visibility: BEL ended Q1FY27 with an order backlog of ₹ 72,258 crore (~2.6x FY26 revenue), providing healthy medium-term revenue visibility. The backlog remains well diversified across Electronic Fuses, LRSAM, LCA Mk1/Mk1A LRUs, BMP-2 Upgrade, Ashwini Radar and EW systems. Management clarified that lower Q1 inflows were due to timing, as FY26 order inflows exceeded internal expectations and remain confident to achieve FY27E order inflow guidance of ₹55,000+ crore, including the QRSAM (~₹30,000 crore) program, while also expecting orders from Shatrughat & Samaghat, HAMMER, Shakti Phase-IV and at least one of NGC/P-75I, supporting a robust replacement pipeline. On P-75I, BEL expects to contribute 50–60% of the electronics contribution, while AMCA is being pursued through a 50:50 partnership with L&T.
- Technology leadership and indigenisation continue to support sustainable growth: Management maintained its FY27E guidance of 15%+ revenue growth and 28%+ EBITDA margin, as execution and margins to normalise in coming quarters. The company continues to strengthen its competitive positioning through higher indigenous content (~80–85%, targeted to ~90% in DRDO programs), ₹2,200+ crore R&D investments and ₹1,200+ crore capex, while expanding capabilities across counter-drone systems, directed energy weapons, AI-enabled defence electronics and next-generation communication technologies.
- Strong medium-term opportunity pipeline extends growth beyond FY27E: Beyond the existing backlog, BEL remains well positioned to benefit from several large strategic defence programs, including QRSAM, NGC, P-75I, Next Generation Corvettes, Project Kusha, AMCA, HAMMER, Shatrughat & Samaghat and Shakti Phase-IV. Management also highlighted a USD 465 million export pipeline while targeting USD300 mn exports in FY27E and increasing exports to ~10% of revenues over the medium term, providing an additional growth lever alongside domestic defence spending.

Rating and Target Price:

- With healthy order-backlog, robust pipeline and improving execution led by increasing indigenisation, we believe that BEL provides strong earnings visibility.
- We maintain BUY on BEL with a target price of ₹ 530 per share (based on 45x FY28E EPS)

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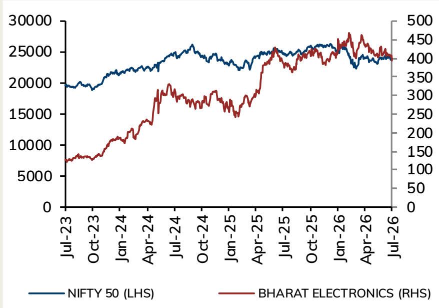
Particulars

Particular	Amount
Market Capitalisation (₹ Crore)	2,88,005
FY26 Gross Debt (₹ Crore)	0
FY26 Cash (₹ Crore)	8,572
EV (₹ Crore)	2,79,433
52 Week H/L (₹)	473 / 361
Equity Capital	731.0
Face Value	1.0

Shareholding pattern

	Sep-25	Dec-25	Mar-26	Jun-26
Promoter	51.1	51.1	51.1	51.1
FII	18.1	18.5	19.5	18.0
DII	20.9	20.5	20.0	21.0
Others	9.8	9.9	9.3	9.8

Price Chart



Key risks

i. Dependent on govt contracts

ii. High working capital requirement

iii. Availability of key raw materials/components

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Key Financial Summary

Key Financials (₹ Crore)	FY23	FY24	FY25	FY26	3-year CAGR (FY23-26)	FY27E	FY28E	2-year CAGR (FY26-28E)
Revenues	17,734	20,268	23,769	27,610	15.9	32,304	38,070	17.4
EBITDA	4,086	5,046	6,834	8,049	25.4	9,304	11,135	17.6
EBITDA margin (%)	23.0	24.9	28.8	29.2		28.8	29.3	
Net Profit	2,986	3,985	5,323	6,062	26.6	7,045	8,546	18.7
EPS (Rs)	4.1	5.5	7.3	8.3		9.6	11.7	
P/E (x)	96.4	72.3	54.1	47.5		40.9	33.7	
EV/EBITDA (x)	68.5	54.9	40.7	34.7		29.7	24.6	
RoCE (%)	28.4	32.3	35.6	33.6		33.4	33.6	
RoE (%)	21.5	24.4	26.6	25.3		25.1	25.3	

Source: Company, ICICI Direct Research

Q1FY27 Result Summary

- Revenue reported for Q1FY27 stands at ₹ 5,547 crore, up by 25.0% YoY (-45.7% QoQ), driven by healthy execution across key defence electronics programmes
- EBITDA stood at ₹1,388 crore (+12.1% YoY, -53.4% QoQ) with EBITDA margin at 25.0% (-286 bps YoY, -413 bps QoQ), impacted by an adverse product mix. PAT increased 8.8% YoY (-52.6% QoQ) to ₹1,055 crore.

Q1FY27 highlights

- Management maintained FY27 guidance of 15%+ revenue growth, EBITDA margin of 28%+, order inflows of ₹55,000+ crore (including QRSAM), capex of ₹1,200+ crore and R&D investments of ₹2,200+ crore, supported by a strong order book and healthy execution visibility.
- Order inflows stood at ₹3,754 crore in Q1FY27, while the order backlog remained healthy at ₹72,258 crore (2.6x FY26 revenue). Management clarified that lower Q1 inflows were due to timing, as FY26 order inflows exceeded internal expectations (₹30,000+ crore vs ~₹25,000 crore planned), leaving limited spillover into Q1. It remains confident of achieving the ₹55,000+ crore order inflow target for FY27.
- Management expects QRSAM to receive CCS approval by Sep'26, while other large programs including Shatrughat & Samaghat (~₹9,000+ crore), HAMMER (~₹2,500+ crore), Shakti Phase-IV (~₹2,000 crore) and at least one of NGC/P-75I are expected to be awarded during FY27.
- Order book continues to be well diversified across Army, Navy and Air Force (~30% each), with key programs including Electronic Fuses, LRSAM, LCA Mk1/Mk1A LRUs, BMP-2 Upgrade, Ashwini Radar, EW Suite for Mi-17V5 & MPR Arudhra, together accounting for ~₹20,000 crore of backlog
- During the quarter, execution remained healthy across LRSAM, MPR Arudhra, LCA LRUs, BMP-2 Upgrade, Himshakti, Akash-T, EW systems, fuses and receivers, with management indicating FY27 revenue growth could meet or marginally exceed the 15% guidance.
- Management reiterated that existing order backlog and regular base orders are sufficient to support FY27-FY28 execution, with large platform orders such as QRSAM, NGC and P-75I expected to contribute meaningfully only after the initial development and qualification phase.
- BEL continues to see strong opportunities across counter-drone systems, directed energy weapons (laser & microwave), missile electronics, naval platforms and air defence programs, while strengthening collaborations with DRDO, MSMEs and startups. The company believes it remains the technology leader in complex hard-kill counter-drone solutions.
- On Project Kusha, management reiterated BEL's role as a key development partner with DRDO and expects commercial orders of ₹40,000+ crore around FY29, while AMCA bid preparation with L&T is progressing as per the revised RFP timeline.
- Export opportunities remain robust with an active pipeline of ~US$465 million and management targeting ~US$300 million exports in FY27, while maintaining its medium-term objective of increasing exports to ~10% of revenue.
- Management reiterated that quarterly margin fluctuations are primarily driven by product mix rather than input cost inflation, while maintaining FY27 EBITDA margin guidance of 28%+. Receivable days improved to ~140 days from 176 days in Mar'26, reflecting healthy cash flow.
- BEL plans to indigenise all imported modules and sub-systems (excluding semiconductor components) over the next five years, supported by increased R&D investments, with management expecting higher indigenisation to further strengthen long-term margin sustainability.

Exhibit 1: Q1FY27 consolidated result overview (₹ crore)

Particulars	Q1FY27	Q1FY26	YoY (%)	Q4FY26	QoQ (%)	Comments
Net Sales	5,547.0	4,439.7	24.9	10,224.4	-45.7	Revenue improved on account of healthy execution
Other income	169.6	163.3		110.3		
Total Revenue	5,716.5	4,603.1		10,334.7		
Raw materials costs	3,021.0	2,076.1		5,294.0		
Employees Expenses	792.8	696.5		831.4		
Other Expenses	344.8	428.9		1,117.3		
Total Expenditure	4,158.6	3,201.5		7,242.8		
EBITDA	1,388.4	1,238.3	12.1	2,981.7	-53.4	Margins impacted due to adverse product mix
EBITDA margins (%)	25.0	27.9	-286 bps	29.2	-413 bps	
Interest	1.2	1.4		1.6		
Depreciation	160.6	120.8		173.0		
Tax	352.4	318.7		703.2		
PAT	1,054.5	969.1	8.8	2,226.4	-52.6	

Source: Company, ICICI Direct Research

Financial summary

Exhibit 2: Profit and loss statement ₹ crore

(₹Crore)	FY25	FY26	FY27E	FY28E
Revenue	23,769	27,610	32,304	38,070
% Growth	17.3	16.2	17.0	17.9
Other income	742.4	566.0	707.5	884.4
Total Revenue	23,769	27,610	32,304	38,070
% Growth	17.3	16.2	17.0	17.9
Total Raw Material Costs	12,187	14,033	16,798	19,796
Employee Expenses	2,761	3,116	3,553	4,073
other expenses	1,987	2,412	2,649	3,065
Total Operating Expenditure	16,935	19,561	23,000	26,935
Operating Profit (EBITDA)	6,834	8,049	9,304	11,135
% Growth	35.4	17.8	15.6	19.7
Interest	10	7	6	6
PBDT	7,566	8,609	10,005	12,014
Depreciation	467	556	646	685
PBT before Exceptional Items	7,099	8,053	9,359	11,329
Total Tax	1,812	2,029	2,358	2,832
PAT before MI	5,287	6,023	7,000	8,496
PAT	5,323	6,062	7,045	8,546
% Growth	33.6	13.9	16.2	21.3
EPS	7.3	8.3	9.6	11.7

Source: Company, ICICI Direct Research

Exhibit 3: Cash flow statement ₹ crore

(₹Crore)	FY25	FY26	FY27E	FY28E
Profit after Tax	5,323	6,062	7,045	8,546
Depreciation	467	556	646	685
Interest	10	7	6	6
Cash Flow before WC chg	5,800	6,625	7,698	9,238
Changes in inventory	(1,672)	(1,057)	(1,772)	(2,133)
Changes in debtors	(1,724)	(3,759)	(400)	(2,370)
Changes in loans & Advances	(0)	(0)	(0)	(0)
Changes in other CA	941	491	(1,116)	(1,269)
Net Incr in Current Assets	(2,306)	(4,172)	(3,289)	(5,771)
Changes in creditors	(368)	245	665	758
Changes in provisions	45	115	80	67
Net Inc in Current Liabilities	(2,274)	(493)	2,992	3,586
Net CF from Op activities	1,219	1,960	7,401	7,053
Chg in deferred tax assets	40	(53)	-	-
(Pur)/Sale of Fixed Assets	(904)	(841)	(1,200)	(1,100)
Net CF from Inv activities	(940)	(783)	(1,288)	(1,270)
Dividend and Dividend Tax	(1,754)	(2,485)	(2,339)	(2,778)
Net CF from Fin Activities	(1,790)	(2,150)	(3,090)	(2,862)
Net Cash flow	(1,512)	(973)	3,023	2,920
Opening Cash/Cash Eq	11,057	9,545	8,572	11,595
Closing Cash/ Cash Eq	9,545	8,572	11,595	14,514

Source: Company, ICICI Direct Research

Exhibit 4: Balance sheet ₹ crore

(₹ Crore)	FY25	FY26	FY27E	FY28E
Equity Capital	731.0	731.0	731.0	731.0
Reserve and Surplus	19,243	23,257	27,295	32,985
Total Shareholders' funds	19,974	23,988	28,026	33,716
Other Non-Current Liabilities	73.3	84.8	84.8	84.8
Total Debt	-	-	-	-
Total Liabilities	21,079	25,278	29,315	35,006
Gross Block	6,584	7,417	8,678	9,778
Acc: Depreciation	3,379	3,935	4,581	5,266
Net Block	3,205	3,482	4,097	4,512
Capital WIP	477	486	500	500
Total Fixed Assets	4,471	4,852	5,482	5,897
Non-Current Assets	1,342	1,454	1,542	1,713
Inventory	9,119	10,176	11,948	14,081
Debtors	9,116	12,876	13,276	15,645
Loans and Advances	1	2	2	2
Other Current Assets	6,481	5,990	7,107	8,375
Cash	9,545	8,572	11,595	14,514
Total Current Assets	34,858	38,057	44,369	53,060
Current Liabilities	3,339	3,583	4,248	5,006
Provisions	902	1,084	1,084	1,084
Total Current Liabilities	19,753	19,260	22,252	25,838
Net Current Assets	15,105	18,797	22,116	27,221
Total Assets	21,079	25,278	29,315	35,006

Source: Company, ICICI Direct Research

Exhibit 5: Key ratios

(Year-end March)	FY25	FY26	FY27E	FY28E
EPS	7.3	8.3	9.6	11.7
Cash per Share	13.1	11.7	15.9	19.9
BV	27.3	32.8	38.3	46.1
Dividend per share	2.4	3.4	3.2	3.8
Dividend payout ratio	33%	41%	33%	33%
EBITDA Margin	28.8	29.2	28.8	29.3
PAT Margin	22.4	22.0	21.8	22.4
RoE	26.6	25.3	25.1	25.3
RoCE	35.6	33.6	33.4	33.6
RoIC	61.0	48.6	52.7	54.4
EV / EBITDA	40.7	34.7	29.7	24.6
P/E	54.1	47.5	40.9	33.7
EV / Net Sales	11.7	10.1	8.6	7.2
Sales / Equity	1.2	1.2	1.2	1.1
Market Cap / Sales	12.1	10.4	8.9	7.6
Price to Book Value	14.4	12.0	10.3	8.5
Asset turnover	1.2	1.2	1.2	1.1
Debtors Turnover Ratio	2.9	2.5	2.5	2.6
Creditors Turnover Ratio	6.7	8.0	8.2	8.2
Debt / Equity	-	-	-	-
Current Ratio	4.5	4.8	4.8	5.0
Quick Ratio	2.9	3.1	3.0	3.2

Source: Company, ICICI Direct Research

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Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%

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