Bharat Dynamics (BHADYN)

ICICI Direct

CMP: ₹ 1365 | Target ₹ 1585 (16%) | Target Period: 12 months

BUY

August 18, 2026

Execution visibility improves significantly...

About the stock: Bharat Dynamics Limited (BDL), was incorporated in 1970 under the Ministry of Defence, Government of India to be the manufacturing base for guided missile systems and allied equipment for the Indian Armed Forces. The company offers a comprehensive defence portfolio including SAMs, AAMs, ATGM, torpedoes, and launchers along with counter-measure systems and specialised test equipment

Investment Rationale:

- **Execution recovery can unlock the earnings potential of a large backlog:** BDL has moved from FY26's execution challenges to a sharp recovery in Q1FY27, with revenue up 131% YoY and EBITDA margin improving to 14.5%. The key change is the resumption of Akash missile deliveries after pending clearances, alongside better execution of ATGM orders. With the order book at ~₹26,500 crore (9.6x TTM revenue) and management targeting ~₹15,000 crore of order inflows in FY27, the key near-term opportunity is to convert the existing backlog into revenues. Importantly, the large inventory build-up at FY26-end and clearance of deliveries from govt, we expect significant revenue recognition over the next 2-3 years. BDL has also expanded its manufacturing capacity with eight assembly lines, rocket-motor and warhead testing facilities and a propellant facility, supporting the next phase of production. With R&D target of ~9% of revenue over the next 5 years, company aims to achieve a revenue of ₹ 10000 crore by FY31E (implying ~32% CAGR over FY26-31E), with exports share at 25%
- From missile supplier to a broader indigenous weapons platform: BDL is gradually expanding beyond its traditional missile franchise, with new programmes moving from development to production and opening a much larger addressable market. The successful delivery of India's first production-grade indigenous wire-guided heavy-weight torpedo marks an important entry into complex underwater weapons, while the ₹1,348 crore Helina and CMDS orders from HAL strengthen its position in helicopter-launched missiles and airborne survivability systems. The company is simultaneously progressing across QRSAM, Akash-NG, MRSAM, Astra, Varunastra, Helina and other missile and naval programmes, with manufacturing capacity being expanded to support the ramp-up. This widening product portfolio is important as it creates fresh order opportunities beyond the existing backlog, reduces dependence on any single missile programme and positions BDL to participate across India's growing air-defence, anti-tank, airborne and underwater warfare requirements over the next decade.

Rating and Target Price:

- With healthy order-backlog, robust pipeline and improving execution we believe that BDL provides strong earnings visibility. However, the large backlog along with further improvement in margins would remain the key growth aspect going forward. We expect revenue, EBITDA & PAT CAGR at ~60%, ~118% and ~66% respectively over FY26-28E. We recommend BUY on BDL with a target price of ₹ 1585 per share (based on 50x FY28E EPS)

भारत डायनामिक्स लिमिटेड
BHARAT DYNAMICS LIMITED

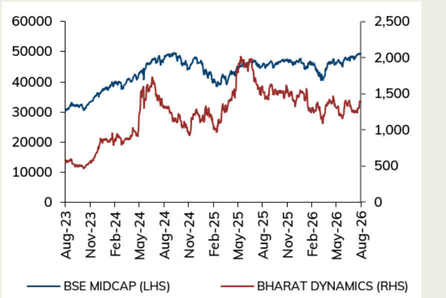
Particulars

Particular	Amount
Market Capitalisation (₹ Crore)	50,036
FY26 Gross Debt (₹ Crore)	0
FY26 Cash (₹ Crore)	4,709
EV (₹ Crore)	45,326
52 Week H/L (₹)	1655/ 1086
Equity Capital	183.3
Face Value	5

Shareholding pattern

	Sep-25	Dec-25	Mar-26	Jun-26
Promoter	74.9	74.9	74.9	74.9
FII	2.4	2.3	2.0	1.7
DII	11.3	10.9	11.0	11.5
Others	11.3	11.8	12.1	11.9

Price Chart



Key risks

i. Dependent on govt. contracts

ii. Availability of key raw materials

iii. Volatility in ammonium nitrate prices

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Company Update

ICICI Securities – Retail Equity Research

Key Financial Summary

Key Financials (₹ Crore)	FY23	FY24	FY25	FY26	3-year CAGR (FY23-26)	FY27E	FY28E	2-year CAGR (FY26-28E)
Revenues	2,489	2,369	3,345	2,442	(0.6)	4,786	6,222	59.6
EBITDA	408	537	472	223	(18.2)	751	1,060	117.8
EBITDA margin (%)	16.4	22.6	14.1	9.1		15.7	17.0	
Net Profit	352	613	550	420	6.1	852	1,162	66.3
EPS (Rs)	9.6	16.7	15.0	11.5		23.2	31.7	
P/E (x)	142.1	81.7	91.0	119.0		58.7	43.1	
EV/EBITDA (x)	113.1	85.4	97.1	202.9		61.2	43.4	
RoCE (%)	15.1	22.9	18.8	13.5		24.0	28.2	
RoE (%)	11.0	16.8	13.7	9.9		17.7	20.8	

Source: Company, ICICI Direct Research

Q1FY27 Result Summary

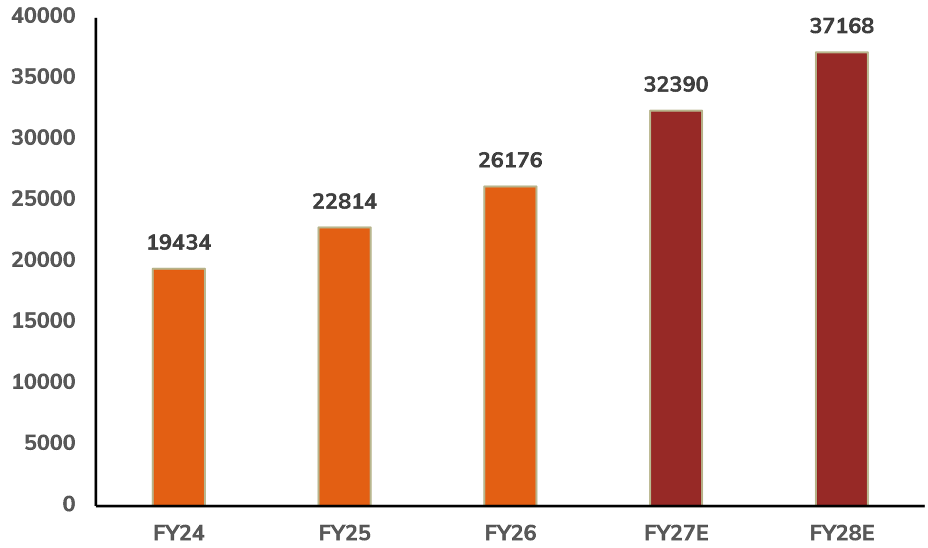
- Revenue from operations increased 130.8% YoY (+19.2% QoQ) to ₹572 crore, supported by improved execution across its programmes
- EBITDA stood at ₹83 crore (vs loss of ₹45 crore in Q1FY26 and ₹55 crore in Q4FY26), with EBITDA margin improving to 14.5% (+3,282 bps YoY, +301 bps QoQ)
- PAT increased sharply by 547.4% YoY (+5.0% QoQ) to ₹119 crore

Exhibit 1: Q1FY27 consolidated result overview (₹ crore)

Particulars	Q1FY27	Q1FY26	YoY (%)	Q4FY26	QoQ (%)	Comments
Operating Income	572.2	247.9	130.8	480.2	19.2	Revenue improved supported by execution across its programmes
Other income	103.4	86.9		119.2		
Total Revenue	675.7	334.8		599.4		
Raw materials costs	277.4	59.2		180.6		
Employees Expenses	136.4	132.0		103.5		
Other Expenses	75.4	102.1		140.9		
Total Expenditure	489.2	293.3		425.0		
EBITDA	83.1	-45.4	283.1	55.2	50%	
EBITDA margins (%)	14.5	-18.3	3282 bps	11.5	301 bps	Margin improved on account of execution mix
Interest	0.6	0.7		0.7		
Depreciation	20.2	17.7		19.8		
Tax	46.8	4.8		40.7		
PAT	118.8	18.3	547.4	113.2	5.0	

Source: Company, ICICI Direct Research

Exhibit 2: Order-book over the years (₹ crore)



Source: Company, ICICI Direct Research

Financial summary

Exhibit 3: Profit and loss statement ₹ crore

(₹Crore)	FY25	FY26	FY27E	FY28E
Revenue	3,345	2,442	4,786	6,222
% Growth	41.2	(27.0)	96.0	30.0
Other income	350.4	423.8	491.6	614.5
Total Revenue	3,345	2,442	4,786	6,222
% Growth	41.2	(27.0)	96.0	30.0
Total RM Costs	1,678	1,222	2,709	3,515
Employee Expenses	549	536	589	648
other expenses	646	460	737	999
Total Operating Exp.	2,873	2,218	4,035	5,162
EBITDA	472	223	751	1,060
% Growth	(12.0)	(52.7)	236.4	41.0
Interest	3	3	3	3
PBDT	819	644	1,240	1,671
Depreciation	71	76	89	101
PBT before Excep.	749	568	1,152	1,570
Total Tax	199	147	299	408
PAT before MI	550	420	852	1,162
PAT	550	420	852	1,162
% Growth	(10.3)	(23.5)	102.7	36.4
EPS	15.0	11.5	23.2	31.7

Source: Company, ICICI Direct Research

Exhibit 4: Cash flow statement ₹ crore

(₹Crore)	FY25	FY26	FY27E	FY28E
Profit after Tax	550	420	852	1,162
Depreciation	71	76	89	101
Interest	3	3	3	3
CF before WC chg.	624	500	944	1,266
Changes in inventory	(663)	(1,981)	(1,013)	(498)
Changes in debtors	(516)	403	(364)	(236)
Changes in loans & adv	(2)	2	0	(1)
Changes in other CA	(139)	(669)	(1,174)	(766)
Net Inc. in Curr. Assets	(1,177)	(1,860)	(3,027)	(1,788)
Changes in creditors	707	1,329	837	931
Changes in provisions	108	(111)	-	-
Net Inc. Curr. Liabilities	1,354	1,986	1,910	1,271
Net CF from Op act.	801	625	(174)	748
Chg. in def. tax assets	(52)	32	-	-
(P)/S of Fixed Assets	(262)	(165)	(280)	(280)
Net CF from Inv act.	(658)	85	(364)	(337)
Div. and Dividend Tax	(217)	(198)	(301)	(381)
Net CF from Fin Act.	(181)	(192)	(143)	(384)
Net Cash flow	(38)	519	(680)	27
Opening Cash/Cash Eq	4,228	4,190	4,709	4,029
Closing Cash/ Cash Eq	4,190	4,709	4,029	4,056

Source: Company, ICICI Direct Research

Exhibit 5: Balance sheet ₹ crore

(₹ Crore)	FY25	FY26	FY27E	FY28E
Equity Capital	183.3	183.3	183.3	183.3
Reserve & Surplus	3,826	4,058	4,623	5,404
Total Sh funds	4,009	4,241	4,806	5,587
Other non-curr. liab.	3,327.6	3,627.8	3,627.8	3,627.8
Total Debt	-	-	-	-
Total Liabilities	7,382	7,916	8,481	9,262
Gross Block	1,300	1,409	1,658	1,938
Acc: Depreciation	632	708	797	897
Net Block	667	700	861	1,040
Capital WIP	117	174	205	205
Total Fixed Assets	1,087	1,177	1,221	1,400
Non-Current Ass.	277	328	411	469
Inventory	2,645	4,626	5,638	6,136
Debtors	826	423	787	1,023
Loans and Adv.	4	2	2	3
Other Curr. Assets	1,747	2,416	3,589	4,355
Cash	4,190	4,709	4,029	4,056
Total Curr. Assets	10,378	12,757	15,104	16,919
Current Liabilities	1,506	2,835	3,671	4,602
Provisions	45	46	47	48
Total Curr. Liab.	4,360	6,346	8,256	9,526
Net Current Assets	6,018	6,411	6,848	7,393
Total Assets	7,382	7,916	8,481	9,262

Source: Company, ICICI Direct Research

Exhibit 6: Key ratios

(Year-end March)	FY25	FY26	FY27E	FY28E
EPS	15.0	11.5	23.2	31.7
Cash per Share	114.3	128.5	109.9	110.7
BV	109.4	115.7	131.1	152.4
Dividend per share	4.7	5.4	8.2	10.4
Dividend payout ratio	31%	47%	35%	33%
EBITDA Margin	14.1	9.1	15.7	17.0
PAT Margin	16.4	17.2	17.8	18.7
RoE	13.7	9.9	17.7	20.8
RoCE	18.8	13.5	24.0	28.2
RoIC	(221.4)	(31.5)	85.4	62.6
EV / EBITDA	97.1	202.9	61.2	43.4
P/E	91.0	119.0	58.7	43.1
EV / Net Sales	13.7	18.6	9.6	7.4
Sales / Equity	0.8	0.6	1.0	1.1
Market Cap / Sales	15.0	20.5	10.5	8.0
Price to Book Value	12.5	11.8	10.4	9.0
Asset turnover	0.8	0.6	1.0	1.1
Debtors T/o Ratio	5.9	3.9	7.9	6.9
Creditors T/o Ratio	2.9	1.1	1.5	1.5
Debt / Equity	-	-	-	-
Current Ratio	2.2	2.1	2.3	2.1
Quick Ratio	1.1	0.8	1.0	1.0

Source: Company, ICICI Direct Research

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Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%

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