Bharat Electronics (BHAELE)

CMP: ₹ 423 | Target: ₹ 530 (25%) | Target Period: 12 months | BUY

May 21, 2026

Deepening presence across strategic defence systems...

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 ₹ 73,882 crore as of Mar'26 end

Investment Rationale:

- Healthy order book with strong revenue visibility, backed by a robust execution pipeline: Healthy order book with strong revenue visibility, backed by a robust execution pipeline: BEL has ended FY26 with an order backlog of ₹73,882 crore (2.8x FY26 revenue), providing strong medium-term visibility. The order book remains diversified across key defence electronics programs such as Electronic Fuses, LRSAM, LCA Mk1/Mk1A LRUs, etc., while the near-term pipeline is further supported by QRSAM order (~₹30000 crore), which is mostly expected by Q1FY27E. Further, management has also guided for ₹55,000+ crore of order inflows in FY27E
- Structural growth supported by indigenisation, technology depth and capacity build-out: BEL's indigenous content remains strong at ~80–85% and plans to go up to ~90% in DRDO-led programs, supporting margin resilience and improving pricing power over time. Management provides FY27E guidance of 15%+ revenue growth and EBITDA margins of 28%+, backed by favourable product mix. BEL is also investing aggressively in emerging areas such as drone electronics, quantum communication, AI-led systems, cyber-secure platforms and directed energy weapons, while expanding capacities and strengthening R&D capabilities with FY27E capex and R&D guidance at ₹1,200+ crore and ₹2,000+ crore respectively.
- Multiple strategic programs can extend the growth cycle beyond FY27: Beyond the current backlog, BEL appears well placed to benefit from a new wave of strategic defence programs. The company highlighted opportunities in Next Generation Corvettes, Shatrughat and Samaghat EW solutions, P-75I submarine electronics, HAMMER missile systems, Shakti Phase IV, MFR-X radar, AMCA and Project Kusha, all of which can support growth over the next few years. 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. The company is also seeing gradual improvement in non-defence and export opportunities, with non-defence currently around 10% and exports at 4–5%, both of which management hopes to scale further over time.

Rating and Target Price

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

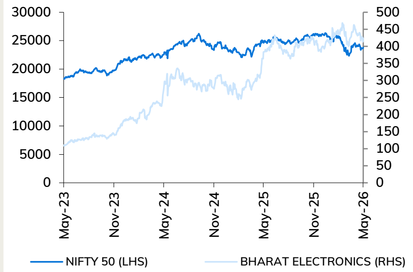
Result Update

Particulars (Rs Crore)	Amount
Market Capitalization	3,09,204
Total Debt (FY26)	0.0
Cash and Inv (FY26)	8,572
EV (FY26)	3,00,632
52 week H/L	473 / 361
Equity capital	731.0
Face value (Rs)	1.0

Shareholding pattern

	Jun-25	Sep-25	Dec-25	Mar-26
Promoter	51.1	51.1	51.1	51.1
FII	18.6	18.1	18.5	19.5
DII	20.6	20.9	20.5	20.0
Others	9.7	9.8	9.9	9.3

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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ICICI Securities – Retail Equity Research

Key Financial Summary

(Year-End March)	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)	103.5	77.6	58.1	51.0		43.9	36.2	
EV/EBITDA (x)	73.7	59.1	43.9	37.3		32.0	26.5	
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

Q4 and FY26 Result Summary

- Revenue reported for Q4FY26 stands at ₹10,224.4 crore, up 12% YoY (+43% QoQ), driven by healthy execution across key defence electronics programmes and in-line with expectations and provisional numbers
- EBITDA margin declined by 162 bps on YoY basis (-57 bps on QoQ) to 29.2%, while EBITDA grew by 5.9 % YoY (+40.2 % QoQ) to ₹ 2981.7 crore. PAT was up 4.7% YoY (+40.9 % QoQ) to ₹ 2226.4 crore
- For FY26, revenue stood at ₹27,610 crore (+16.2% YoY) with EBITDA margin improving to 29.2% (v/s 28.8% in FY25) as execution remained healthy. PAT for the period increased by 13.9% YoY to ₹6,062 crore.

Q4 and FY26 highlights

- Management has guided revenue growth of 15%+ YoY with EBITDA margin of 28%+ for FY27E, supported by a strong order book, healthy execution and continued demand across defence electronics programs.
- Order inflows in FY26 stood at ₹30,045 crore, while the order backlog stood at ₹73,882 crore as on Mar-26, with execution phasing over 2-3 years. Management also said the annual order inflow guidance for FY27E is more than ₹55,000 crore, including QRSAM (₹ 30,000 crore).
- The order book is led by large programs such as Electronic Fuses (₹ 4,300 crore), LRFM (₹ 3,500 crore), LCA Mk1/Mk1A LRUs (₹ 3,200 crore), BMP-II upgrade (₹ 2,800 crore), Ashwini radar (₹ 2,500crore), Mi-17 V5 EW suite (₹ 2,200 crore) and spare services/miscellaneous items (₹ 2,500 crore), with some of these extending over 2–7 years.
- During the quarter, execution remained strong across LRSAM, Himshakti, Battlefield Surveillance Project, Lynx Fire Control Solution, Akash Prime, LRUs for LCA Mk1A and Shakti EW systems, while management also highlighted major orders expected in Q4FY26.
- Management expects QRSAM to be signed by June end, with only a 5–10% chance of slipping to July. The first off-production model is expected within 18 months of signing, and margin profile is expected to remain broadly similar to existing business, subject to final back-to-back contracting.
- The company sees several large opportunities over the next 12–24 months, including NGC, Shatrughat and Samaghat EW solutions (₹ 6,500 crore), P 75I submarine electronics, HAMMER, Shakti Phase IV and MFR-X radar for naval ships, with some orders expected this year itself.
- On the P-75I program, BEL expects 50–60% of the electronics content from its side, covering six major subsystems including communication suite, navigation complex, combat weapon control, combat information system, torpedo fire control and missile fire control systems. The execution cycle is expected to be ~5 years for the six submarines
- On AMCA, BEL has entered into a 50:50 partnership with L&T with RFP expected in the next 1.5 months, while Project Kusha is expected to generate orders similar to QRSAM by FY28–29 with maiden firing trials by Jul-26 and first production order expected by Dec-29, reinforcing a strong medium-term pipeline.
- Defence continues to contribute ~90% of revenues while non-defence contributes ~10%, with management targeting non-defence at 15-20% in the long term; exports are currently ~4–5% and are targeted at ₹ 930 crore in FY27 with plans to exceed 10% over time.
- The company continues to invest in new-age technologies such as drone electronics, quantum communication, quantum-safe communication, AI led systems and directed energy weapons, working with DRDO, startups, academia and in-house teams through its four-pillar development model.
- BEL has already invested over ₹100 crore in high-performance computing infrastructure in the last two years, and another ₹100–200 crore is in

various stages of approval for cyber secure data centres for government customers and an end-to-end homegrown data centre solution. These investments are being made across Ghaziabad, Bangalore, DSTC, unmanned systems, network & cybersecurity SBU and Palasamudram.

- Semiconductors currently form around 17–19% of material cost, and the company said rising semiconductor prices would have only a limited overall impact. Indigenous content remains at ~80–85% on average, and can go up to ~90% in DRDO-driven programs.
- Capex for FY26 stood at ₹900 crore and FY27 capex is guided at over ₹1,200 crore, while R&D investment is targeted at around ₹2,200 crore. Management said the company is not seeing any capacity choking for the next 3–5 years, with continuous expansion planned across Palasamudram, Chitrakoot, Vellore, Ghaziabad and Bangalore
- Order advances stood at around ₹12,500 crore as of Mar-26, and management indicated that customer payment terms vary by program, so advances are not uniform across all contracts.
- Margin strength continues to be supported by indigenisation, with management noting that local sourcing of modules, subsystems and technologies has been the key driver of gross margin improvement over the past few years.
- Supply chain disruptions, including from the Middle East, caused only temporary delays of about 1.5 months in some programs, but management does not foresee any major annual impact on revenue or execution. Supply chain disruptions, including from the Middle East, caused only temporary delays of about 1.5 months in some programs, but management does not foresee any major annual impact on revenue or execution.
- Receivable days are guided at 140-150 days for FY27

Exhibit 1: Q4 and FY26 result snapshot (₹ crore)

	Q4FY26	Q4FY25	YoY (%)	Q3FY26	QoQ (%)	Comments	FY26	FY25	YoY(%)
Net Sales	10,224.4	9,149.6	11.7	7,153.9	42.9	Revenue growth steady and in-line with guidance and provisional numbers	27,610	23,769	16.2
Other income	110.3	194.6		138.5			566	742	
Total Revenue	10,334.7	9,344.2		7,292.4			28,176	24,511	
Raw materials costs	5,294.0	4,748.9		3,824.5			14,033	12,187	
Employees Expenses	831.4	766.1		819.9			3,116	2,761	
Other Expenses	1,117.3	818.5		382.2			2,412	1,987	
Total Expenditure	7,242.8	6,333.5		5,026.6			19,561	16,935	
EBITDA	2,981.7	2,816.1	5.9	2,127.2	40.2		8,049	6,834	17.8
EBITDA margins (%)	29.2	30.8	-162 bps	29.7	-57 bps	Margin improved led by better execution and increasing indigenisation	29.2	28.8	40 bps
Interest	1.6	5.9		2.0			7	10	
Depreciation	173.0	137.6		135.4			556	467	
Tax	703.2	746.4		558.1			2,029	1,812	
PAT	2,226.4	2,126.9	4.7	1,579.7	40.9		6,062	5,323	13.9

Source: Company, ICICI Direct Research

Financial Summary

Exhibit 2: Profit and loss statement ₹ crore

Year-End March	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

Year-End March	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 changes	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 current assets	941	491	(1,116)	(1,269)
Net Increase 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 Operating activities	1,219	1,960	7,401	7,053
Changes in deferred tax assets	40	(53)	-	-
(Purchase)/Sale of Fixed Assets	(904)	(841)	(1,200)	(1,100)
Net CF from Investing activities	(940)	(783)	(1,288)	(1,270)
Dividend and Dividend Tax	(1,754)	(2,485)	(2,339)	(2,778)
Net CF from Financing Activities	(1,790)	(2,150)	(3,090)	(2,862)
Net Cash flow	(1,512)	(973)	3,023	2,920
Opening Cash/Cash Equivalent	11,057	9,545	8,572	11,595
Closing Cash/ Cash Equivalent	9,545	8,572	11,595	14,514

Source: Company, ICICI Direct Research

Exhibit 4: Balance Sheet ₹ crore

Year-End March	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	43.9	37.3	32.0	26.5
P/E	58.1	51.0	43.9	36.2
EV / Net Sales	12.6	10.9	9.2	7.7
Sales / Equity	1.2	1.2	1.2	1.1
Market Cap / Sales	13.0	11.2	9.6	8.1
Price to Book Value	15.5	12.9	11.0	9.2
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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Buy: >15%

Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%

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