



## 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	✗	↔	✗

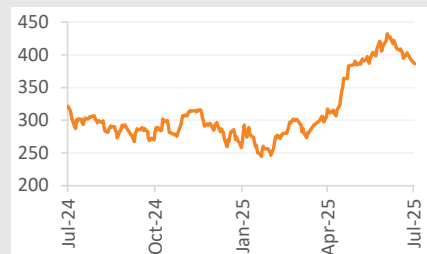
## Company details

Market cap:	Rs. 2,82,157 cr
52-week high/low:	Rs. 436/230
NSE volume: (No of shares)	244 lakh
BSE code:	500049
NSE code:	BEL
Free float: (No of shares)	357.2 cr

## Shareholding (%)

Promoters	51.1
FII	18.6
DII	20.6
Others	9.7

## Price chart



Source: NSE India, Mirae Asset Sharekhan Research

## Price performance

(%)	1m	3m	6m	12m
Absolute	-8.4	23.1	32.0	21.5
Relative to Sensex	-5.8	21.9	26.8	21.5

Source: Mirae Asset Sharekhan Research, Bloomberg

## Bharat Electronics Ltd

## Margins brighten Q1

Capital Goods	Sharekhan code: BEL		
Reco/View: Buy	↔	CMP: Rs. 386 (as on Jul 30, 2025)	Price Target: Rs. 445 ↔

## Summary

- Q1FY26 was a moderate quarter with a revenue growth of just 5%, but margins surprised, rising by 555 bps. Revenue growth was impacted by geopolitical tensions.
- Current order book is at Rs. 74,859 crore, at 3.1x FY25 sales.
- BEL boasts a promising order inflow pipeline and expects an order inflow of Rs 60,000 crore, including QRSAM orders in FY26. The management is confident of receiving QRSAM order by Q4FY26.
- Hence, we retain a Buy rating with PT of Rs. 445. At CMP, the stock trades at 46x/40x its FY2026/FY2027 earnings estimates.

**Strong operational performance surprised positively, as margins improved by 555 bps to 27.9%. Revenue growth was muted at 5%, owing to fluctuations in product delivery amid geopolitical tensions. Operating profit grew ~31% y-o-y to Rs. 1,238 crore. Net profit rose by ~23% y-o-y to Rs. 969 crore, driven by strong operating performance. 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 maintain its guidance for a revenue growth of 15% with OPM of 27% and order inflows of more than Rs 60,000 crores (including QRSAM). Order backlog stood strong at Rs. 74,859 crore. Management highlighted that the company has started receiving emergency procurement orders and a few more orders are likely to be received in the coming two weeks. 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 margins improving by 555 bps to 27.9%
- Order backlog stood at ~Rs. 74,859 crore (~2.5x TTM revenue).
- FY26 order inflow pipeline was strong, with confidence of QRSAM and MRSAM orders during the year.
- YTD order inflows at Rs 7,348 crore which is 27% of total order flow guidance of Rs 27000 crore for FY26.

## Key negatives

- Revenue growth remain muted due to fluctuations in product delivery as an impact of ongoing geopolitical tensions.

## Management Commentary

- BEL has maintained its guidance of 15% revenue growth with margins at 27% and order inflows at Rs 27000 crore. Management is confident that QRSAM orders would be coming in Q4FY26 and should not slip to FY27.
- BEL targets to reach 10% of export sales over next 3 years
- Company plans to incur an annual capex of Rs. 1000 crore in FY26 and R&D spend of Rs 1,600 crore over few years.

## Our Call

**Valuation – Maintain Buy with a PT of Rs. 445:** 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%/ 17% and maintain our Buy rating with PT of Rs. 445 based on 44x 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)

Particulars	FY23	FY24	FY25	FY26E	FY27E
Net sales	17,734	20,268	23,769	27,944	32,431
OPM (%)	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)	73.5	55.0	46.3	39.9	73.5
EV/EBITDA (x)	55.8	39.2	35.1	31.9	55.8
RoCE (%)	15.8	19.8	20.5	19.7	15.8
RoE (%)	26.4	29.3	28.1	26.4	26.4

Source: Company; Mirae Asset Sharekhan estimates

**BEL Q1FY2026 conference call highlights**

- ♦ **Guidance:** BEL maintained its guidance of 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 16,000 crore on R&D.
- ♦ **Order book:** It is at Rs. 74,859 crore, with defence contributing 90% and non-defence constituting ~10%.
- ♦ **Order inflows:** For FY26, the management is confident of getting significant large orders of QRSAM, MRSAM and others.
- ♦ **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 Nimmaluru, 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 cr				
	Q1FY26	Q1FY25	YoY (%)	Q4Y25	QoQ (%)
<b>Net sales</b>	<b>4,440</b>	<b>4,244</b>	<b>4.6</b>	<b>9,150</b>	<b>(51.5)</b>
Operating expenditure	3,201	3,295	(2.8)	6,334	(49.5)
<b>Operating profit</b>	<b>1,238</b>	<b>948</b>	<b>30.6</b>	<b>2,816</b>	<b>(56.0)</b>
Other income	163	204	(19.8)	195	(16.1)
Interest	1	1.2	22.0	6	(75.4)
Depreciation	121	108	12.2	138	(12.2)
PBT	1,279	1,043	22.7	2,867	(55.4)
Tax	319	262	21.7	746	(57.3)
Reported PAT	961	781	23.0	2,121	(54.7)
<b>Adjusted PAT</b>	<b>969</b>	<b>791</b>	<b>22.5</b>	<b>2,127</b>	<b>(54.4)</b>
Adjusted EPS (Rs.)	1.33	1.08	22.5	2.9	(54.4)
<b>Margin (%)</b>			<b>BPS</b>		<b>BPS</b>
GPM (%)	53.2	45.4	779	48.1	514
OPM (%)	27.9	22.3	555	30.8	(289)
NPM (%)	21.8	18.6	319	23.2	(142)
Effective tax rate (%)	24.9	25.1	(20)	26.0	(112)

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.

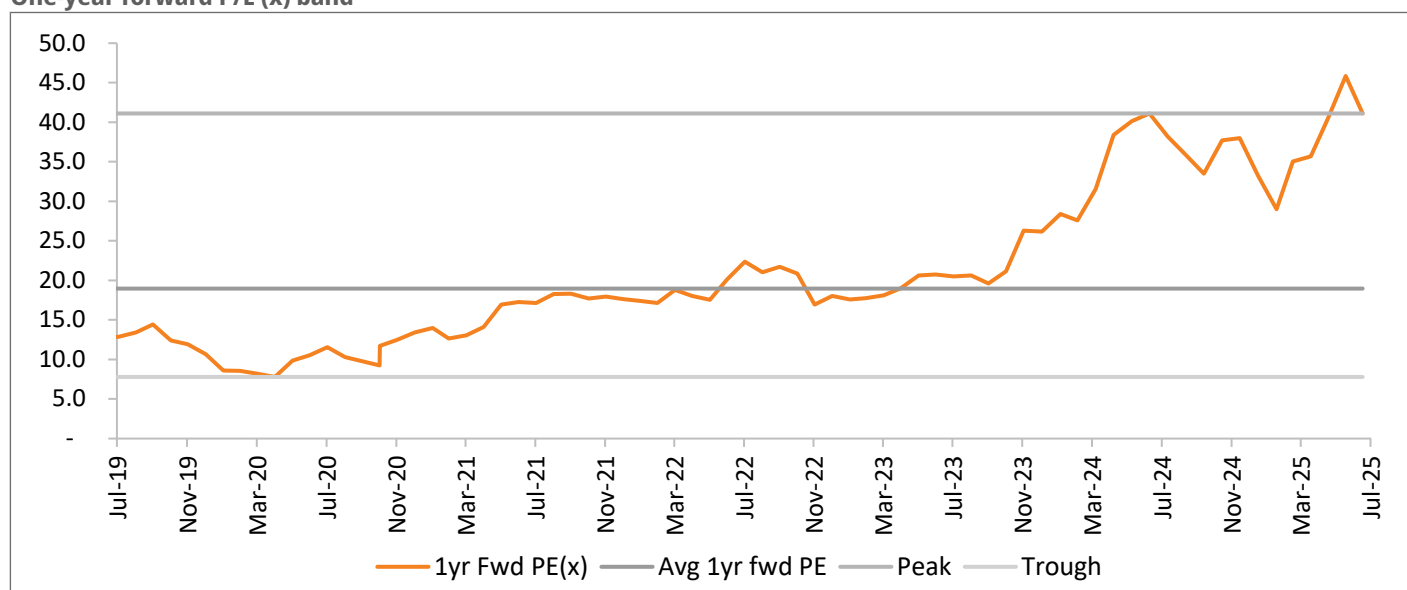
### ■ Company Outlook – Diversification and a strong order pipeline would boost growth

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. 445

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%/ 17% and maintain our Buy rating with PT of Rs. 445 based on 44x 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	2.94
2	Kotak Mahindra Asset Management Co	2.43
3	Vanguard Group Inc/The	2.05
4	Life Insurance Corp of India	1.99
5	SBI Funds Management Ltd	1.89
6	Blackrock Inc	1.80
7	NPS Trust A/c Uti Retirement Solut	1.64
8	UTI Asset Management Co Ltd	1.05
9	HDFC Asset Management Co Ltd	0.93
10	FMR LLC	0.85

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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