



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. 2,92,757 cr
52-week high/low:	Rs. 408/230
NSE volume: (No of shares)	244.0 lakh
BSE code:	500049
NSE code:	BEL
Free float: (No of shares)	357.2 cr

Shareholding (%)

Promoters	51.1
FII	17.6
DII	20.9
Others	10.4

Price chart



Source: NSE India, Mirae Asset Sharekhan Research

Price performance

(%)	1m	3m	6m	12m
Absolute	5.4	41.6	32.9	30.4
Relative to Sensex	5.2	33.2	30.9	24.2

Source: Mirae Asset Sharekhan Research, Bloomberg

Bharat Electronics Ltd

Growth visibility remains strong

Capital Goods

Sharekhan code: BEL

Reco/View: Buy



CMP: Rs. 401

Price Target: Rs. 445



Upgrade



Maintain



Downgrade

Summary

- The Defence Ministry is likely to take up the proposal for buying three regiments of the indigenous Quick Reaction Surface-To-Air Missile System (QRSAM). BEL is expected to receive an orders worth Rs. 30,000 crores in phased manner for QRSAM system.
- Defence ministry has approved Rs 40,000 crore for emergency procurement, BEL is expected to secure contracts, boosting local defense production.
- Order inflow pipeline is promising, cash balance strong and return ratios are healthy. Strong Q4 makes us factor in estimates of a 17% CAGR in revenue and PAT, respectively, for FY25-27.
- Hence, we retain a Buy with a revised PT of Rs. 445. At CMP, the stock trades at 47x/40x its FY2026/ FY2027 earnings estimates.

Indian defence forces are set to make emergency purchases worth Rs 40,000 crore to enhance combat readiness. The initiative focuses on acquiring key systems being prioritised under emergency powers, including surveillance drones, kamikaze drones, missiles, and various types of ammunition. The management confirmed on the conference call that talks are on with the armed forces for emergency procurement orders for arms, ammunitions and a few critical systems. There are 8-10 different line items which BEL would be bidding for. Currently, India is allocating around 2 per cent of its GDP (gross domestic product) to defence spending. After Operation Sindoor, the government announced emergency procurements worth Rs 40,000 crore. As a result, the defence budget may move closer to 2.5% of GDP enabling the defence PSU's to gain more orders.

- Order inflow trend backing for future years:** Since the beginning of FY26 (April 2025), BEL has secured more than Rs 6,200 crore worth of orders, nearly 25% of its annual guidance of Rs 27,000 crore. To boost India's air defence systems the Ministry of Defence is expected to clear a deal for the procurement of three new regiments of the indigenous Quick Reaction Surface to Air Missile (QRSAM) systems for the Indian Army. As per the news reports, QRSAM proposal will be reviewed during the upcoming meeting of the Defence Acquisition Council, scheduled around the fourth week of June. This is extremely positive for the company since, BEL is expected to receive an orders worth Rs. 30,000 crore for QRSAM system. Other large orders in FY27E will be EW systems, avionics and electronics for additional LCAs and Atulya and Shakti radars. Beyond FY27, BEL is assisting DRDO in the development of "Kusha" (India's home-grown alternative to S-400 air defence systems).
- Sector tailwinds firm:** Defence production growth has accelerated to a 12.6% CAGR over FY20-FY24 versus a 2.2% CAGR over FY17 to FY20. India has achieved the highest-ever growth in indigenous defence production in value terms during FY2023-24, driven by the successful implementation of government policies and initiatives focusing on attaining Atmanirbharta. Consequently, the annual defence production has not only crossed Rs 1.27 lakh crore (of which exports is Rs 27,000 crore) and will reach a target of Rs 1.75 lakh crore in the current fiscal year. With aspirations to achieve Rs 3 lakh crore in defence production by 2029.
- Robust order book:** Order book currently stands at Rs 71650 crore representing a 2.5x of FY25 sales. BEL has guided for order inflows of Rs. 27,000 crore for FY2026 excluding QRSAM orders. Cumulative order inflows for FY2026 are expected to be at ~Rs. 60,000 crore (including QRSAM orders). BEL stands to benefit from growing defence spends in India, the structural trend of indigenisation and export opportunities.

Our Call

Valuation - Maintain Buy with PT of Rs. 445: The company's future order pipeline is also promising as orders worth Rs. 65,000 crore (including QRSAM) are to be awarded in the next two 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 maintain our PT of Rs. 445 to 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 defence sector.

Valuation (Consolidated)

Particulars	FY23	FY24	FY25	FY26E	Rs cr FY27E
Net Sales	17,734	20,268	23,769	27,944	32,431
Operating Profit Margin (%)	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)	98.1	73.5	55.0	46.3	39.9
EV/EBITDA (x)	73.7	55.8	39.2	35.1	31.9
RoCE (%)	15.7	15.8	19.8	20.5	19.7
RoE (%)	22.8	26.4	29.3	28.1	26.4

Source: Company; Mirae Asset Sharekhan estimates

Outlook and Valuation

■ Sector Outlook – *AatmaNirbhar* Bharat initiative to boost defence manufacturing in India

The government emphasises 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 FDI to 74% through the automatic route would boost investments in the sector. 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.

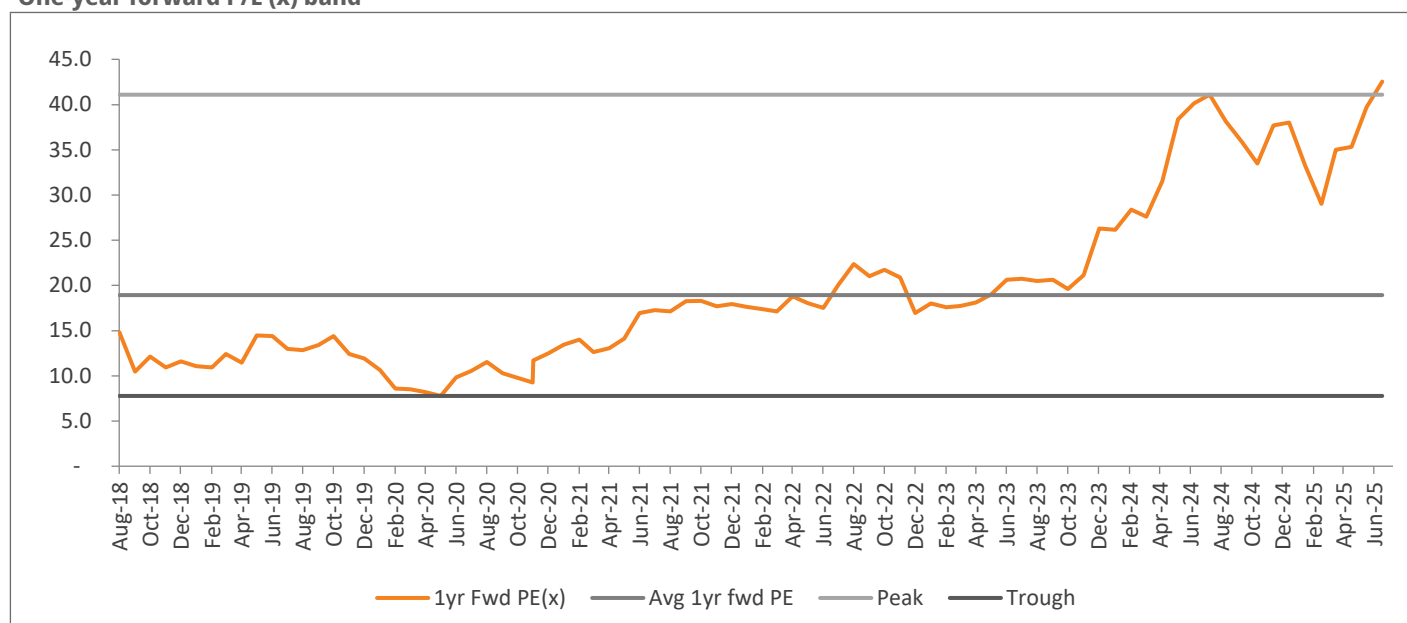
■ Company Outlook – Diversification and a strong order pipeline would boost growth

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 the export (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

The company's future order pipeline is also promising as orders worth Rs. 65,000 crore (including QRSAM) are to be awarded in the next two 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 maintain our PT of Rs. 445 to 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
Bhanu Prakash Srivastava	Executive Director-Chairperson-MD
Vinay Kumar Katyal	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	3.21
2	Kotak Mahindra Asset Management Co	2.64
3	Vanguard Group Inc/The	2.02
4	Life Insurance Corp of India	1.89
5	Blackrock Inc	1.72
6	NPS Trust A/c Uti Retirement Solut	1.46
7	SBI Funds Management Ltd	1.33
8	HDFC Asset Management Co Ltd	0.93
9	FMR LLC	0.87
10	UTI Asset Management Co Ltd	0.86

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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