Bharat Electronics

India | Capital Goods | Result Update

30 July 2025

Rollicking start to FY26

Bharat Electronics (BHE IN) delivered a positive surprise on the operational front in Q1FY26, displaying better-than-estimated margin performance, leading to better profitability. BHE products also demonstrated proven capabilities during the recent India-Pakistan conflict, resulting in export inquiries. The company has provided order inflow target of INR 570bn (including- quick reaction surface to air missile (QRSAM) for FY26, with revenue growth of 15% YoY and EBITDA margin at 27%. We reiterate **Accumulate**. We raise our TP to INR 415 on 40x June FY27E P/E, due to battle-proven product portfolio, strong order visibility further bolstered by exports opportunities, along with potential for further surprise on margin.

Robust operational performance continues to surprise: BHE reported strong operational performance, ahead of our estimates. It has reported a revenue of INR 44.4bn, up 5% YoY; estimate of INR 47.5bn), slightly below our estimates, as it was unable to book revenue of ~INR 2.0bn, due to the Iran-Israel skirmish. EBITDA stood ahead of our estimates at INR 12.4bn, up 31% YoY, beating our estimates by 18%, supported by robust margin performance at 27.9%, up 550bp YoY. PAT stood at INR 9.6bn, up 23% YoY, ahead of our estimates by 12%.

Order inflow registers 53% YoY; order pipeline remains promising: The company reported a robust order inflow growth of 53% YoY to INR 76.5bn, supported by a benign base as it was an election quarter. Major orders bagged during Q1FY26 include: 1) the supply of radar warning systems, missile approach warning system, and counter measure dispensing system for Mi 17 V5 Helicopters worth INR 22.1bn, and 2) the supply of base and depot spares for missile systems on Indian Naval ships worth INR 23.2bn, radars, communications equipment, Electronic Voting Machines (EVM), jammers, shelters, control center, spares, and services leading to robust order backlog of INR 748.6bn, up 4% YoY. For FY26, management expects to receive INR 270bn inflows which could further be bolstered by QRSAM tender worth INR 300bn in 4QFY26, which we believe could materialize by FY27.

EBITDA margins continue to surprise positively: BHE continues to surprise on the margin front, with Q1FY26 margin at 27.9%, led by swift execution of better margin orders, higher-than-expected gross margin at 53.2%, up 780bp YoY, and operating leverage benefits. For FY26, management has an EBITDA margin target of 27%, led by indigenization of components, higher scale of operations, operating leverage and execution of better margin orders.

FY25 revenue and margin guidance intact: Management has set revenue growth target of 15% YoY, led by execution of already existing orderbook and a margin of 27% for FY26. Growth would be supported by a capex plan of INR 10bn to be incurred by the company every year for the next 2-3 years.

Reiterate Accumulate with a higher TP of INR 415: We tweak our estimates and raise our TP to INR 415 from INR 400 on 40x (unchanged) June FY27E P/E, due to battle-proven product portfolio, strong order visibility further bolstered by exports opportunities along with further surprise on margin. We expect an earnings CAGR of 16% during FY25-28E with an average ROE and ROCE of 27% and 28%, respectively, during FY26-28E. We reiterate **Accumulate.**

Key financials

YE March	FY24	FY25	FY26E	FY27E	FY28E
Revenue (INR mn)	202,682	237,688	286,600	347,006	396,058
YoY (%)	14.3	17.3	20.6	21.1	14.1
EBITDA (INR mn)	50,464	68,337	77,932	94,553	107,617
EBITDA margin (%)	24.9	28.8	27.2	27.2	27.2
Adj PAT (INR mn)	39,010	52,516	59,421	72,858	82,899
YoY (%)	30.6	34.6	13.1	22.6	13.8
Fully DEPS (INR)	5.3	7.2	8.1	10.0	11.3
RoE (%)	25.8	28.9	27.3	27.8	26.4
RoCE (%)	30.5	35.0	33.5	33.9	32.3
P/E (x)	217.2	161.4	142.6	116.3	102.2
EV/EBITDA (x)	54.1	40.0	35.0	28.9	25.4

Note: Pricing as on 30 July 2025; Source: Company, Elara Securities Estimate

Rating: Accumulate

Target Price: INR 415

Upside: 7%

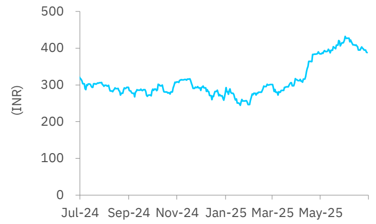
CMP: INR 387

As on 30 July 2025

Key data	
Bloomberg	BHE IN
Reuters Code	BAJE.NS
Shares outstanding (mn)	7,310
Market cap (INR bn/USD mn)	2,825/32,315
EV (INR bn/USD mn)	2,731/31,233
ADTV 3M (INR mn/USD mn)	11,153/128
52 week high/low	436/240
Free float (%)	49

Note: as on 30 July 2025; Source: Bloomberg

Price chart



Source: Bloomberg

Shareholding (%)	Q2 FY25	Q3 FY25	Q4 FY25	Q1 FY26
Promoter	51.1	51.1	51.1	51.1
% Pledge	0.0	0.0	0.0	0.0
FII	17.3	17.4	17.6	18.6
DII	20.3	21.0	20.9	20.6
Others	11.3	10.5	10.4	9.7

Source: BSE

Price performance (%)	3M	6M	12M
Nifty	2.1	6.9	0.0
Bharat Electronics	23.1	38.7	21.5
NSE Mid-cap	5.5	8.8	(1.2)
NSE Small-cap	12.6	11.0	(3.8)

Source: Bloomberg

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Global Markets Research

Financials (YE March)

Income Statement (INR mn)	FY24	FY25	FY26E	FY27E	FY28E
Total Revenue	202,682	237,688	286,600	347,006	396,058
Gross Profit	96,919	115,815	141,867	173,503	198,029
EBITDA	50,464	68,337	77,932	94,553	107,617
EBIT	46,032	63,663	72,762	88,949	101,577
Interest expense	71	97	80	80	80
Other income	6,701	7,424	7,052	8,816	9,609
PBT	52,662	70,990	79,735	97,684	111,106
Tax	13,231	18,119	19,934	24,421	27,776
Minority interest/Associates income	(421)	(355)	(380)	(405)	(430)
Reported PAT	39,010	52,516	59,421	72,858	82,899
Adjusted PAT	39,010	52,516	59,421	72,858	82,899
Balance Sheet (INR mn)	**FY24**	**FY25**	**FY26E**	**FY27E**	**FY28E**
Shareholders' Equity	163,264	199,738	234,836	283,503	340,329
Minority Interest	179	189	189	189	189
Trade Payables	37,063	33,388	78,521	95,070	108,509
Provisions & Other Current Liabilities	183,204	164,138	234,181	278,820	345,212
Other long term liabilities	5,809	5,517	5,517	5,517	5,517
Total liabilities & equity	**389,519**	**402,969**	**553,243**	**658,638**	**798,930**
Net Fixed Assets	30,352	34,192	39,790	40,936	42,146
Business Investments / other NC assets	18,539	20,200	16,407	17,154	17,427
Cash, Bank Balances & treasury investments	110,566	95,451	124,730	148,730	198,507
Inventories	74,469	91,190	95,795	114,084	130,211
Sundry Debtors	73,924	91,164	127,203	152,112	173,614
Other Current Assets	81,670	70,773	149,319	191,200	238,031
Total Assets	**389,519**	**402,969**	**553,243**	**658,638**	**798,930**
Cash Flow Statement (INR mn)	**FY24**	**FY25**	**FY26E**	**FY27E**	**FY28E**
Cashflow from Operations	**46,595**	**5,866**	**60,811**	**54,809**	**84,548**
Capital expenditure	(6,440)	(10,082)	(6,750)	(7,250)	(7,250)
Acquisitions / divestitures	(56,900)	10,125	-	-	-
Other Business cashflow	4,101	6,126	-	-	-
Free Cash Flow	**(12,645)**	**12,035**	**54,061**	**47,559**	**77,298**
Cashflow from Financing	42,095	(27,150)	(24,783)	(23,874)	(26,092)
Net Change in Cash / treasury investments	29,450	(15,115)	29,279	24,000	49,777
Key assumptions & Ratios (%)	**FY24**	**FY25**	**FY26E**	**FY27E**	**FY28E**
Dividend per share (INR)	2.2	2.5	3.0	3.2	3.5
Book value per share (INR)	22.3	27.3	32.1	38.8	46.6
RoCE (Pre-tax)	30.5	35.0	33.5	33.9	32.3
ROIC (Pre-tax)	83.3	80.9	67.8	71.7	72.9
ROE	25.8	28.9	27.3	27.8	26.4
Asset Turnover	6.8	7.4	7.7	8.6	9.5
Net Debt to Equity (x)	(0.7)	(0.5)	(0.5)	(0.5)	(0.6)
Net Debt to EBITDA (x)	(2.2)	(1.4)	(1.6)	(1.6)	(1.9)
Interest cover (x) (EBITDA/ int exp)	706.8	706.0	974.1	1,181.9	1,345.2
Total Working capital days (WC/rev)	231.2	250.4	256.7	268.1	283.3
Valuation	**FY24**	**FY25**	**FY26E**	**FY27E**	**FY28E**
P/E (x)	217.2	161.4	142.6	116.3	102.2
P/Sales (x)	13.9	11.9	9.9	8.1	7.1
EV/ EBITDA (x)	54.1	40.0	35.0	28.9	25.4
EV/ OCF (x)	58.6	465.5	44.9	49.8	32.3
FCF Yield	(0.5)	0.4	2.0	1.7	2.8
Price to BV (x)	17.3	14.1	12.0	10.0	8.3
Dividend yield (%)	0.6	0.6	0.8	0.8	0.9

Note: Pricing as on 30 July 2025; Source: Company, Elara Securities Estimate

Revenue CAGR of 19% during FY25-28E

Exhibit 1: Quarterly Performance

YE March (INR mn)	Q1FY26	Q1FY25	YoY (%)	Q4FY25	QoQ (%)	Q1FY26E	Variance (%)
Revenues	44,397	42,436	4.6	91,496	(51.5)	47,528	(6.6)
EBITDA	12,383	9,482	30.6	28,161	(56.0)	10,504	17.9
EBITDA Margins (%)	28	22	554.6	31	(288.7)	22	26.2
Other Income	1,633	2,036	(19.8)	1,946	(16.1)	2,100	(22.2)
Interest	14	12	22.0	59	(75.4)	15	(4.0)
Depreciation	1,208	1,077	12.2	1,376	(12.2)	1,150	5.0
PBT	12,794	10,429	22.7	28,673	(55.4)	11,439	11.8
Tax	3,187	2,619	21.7	7,463	(57.3)	2,860	11.4
Tax rate (%)	25	25	(20.5)	26	(111.6)	25	(0.4)
Reported PAT	9,607	7,810	23.0	21,210	(54.7)	8,579	12.0
Adj. PAT	9,607	7,810	23.0	21,210	(54.7)	8,579	12.0
NPM (%)	21	18	18.8	23	(8.1)	17	20.7
EPS (INR)	1	1	23.0	3	(54.7)	1	12.0

Source: Company, Elara Securities Research

Q1 performance highlights

- Margin performance was driven by better product mix, indigenization and cost optimization measures
- BHE could not book INR 2bn revenue due to geopolitical tensions during the Israel-Iran skirmish
- BHE had targeted revenue growth of 10% YoY earlier, which was hit by geopolitical issues
- BHE stated revenue growth is sustainable 15% YoY in the next few years
- BHE target is to sustain a run-rate of 15-17% revenue growth
- Pralay-Bharat dynamics and BHE played a major role in the *Pralay* program.
- EBITDA margin performance would be ~27% and will depend upon revenue mix
- Other expenses: no one-off expenses were booked during the quarter

QRSAM

- BHE has made good progress. It has Defence Acquisition Council (DAC) approval in July for QRSAM and management is confident of winning an order in Q4FY26 and spill-over chances are less in Q1FY27

Big-ticket programs

- Shipbuilding-related orders are going in good momentum to get sub-systems of 5-6 different types
- Management expects major orders to fructify by Q3-Q4FY26 for sub-systems

Project Kusha

- It is currently in the development phase with Defence Research Development Organization (DRDO) and it is in testing phase
- BHE stated the order conversion cycle would be at a minimum of 3-4 years

Emergency procurement orders

- BHE has received 1-2 orders, such as low-level light weight (LLLR) radar
- It expects additional orders to fructify by the next 2-3 months

***Virupaksha* radar**

- *Virupaksha* radar is primarily for the *Su-30*
- It has a development order from the DRDO and in its phase of execution- prototype orders
- Main systems order with BHE and Astra Microwave Products

Exports

- BHE has delivered 20% YoY growth on exports
- It targets exports in the range of 10% of overall revenue in the next five years, which currently stands at 3-4% of overall revenue
- Simulators systems: it has exported systems and they find exports opportunity promising
- Manpower has been employed for simulator programs
- The simulator business is currently ~2% of the overall business
- BHE is confident on achieving exports guidance for the full year
- Major opportunities are in the form of radars, communications systems and anti-drone systems (ADS)
- C4I Solutions in a nascent area for exports
- BHE stated the contract module for transmit receive (TR) modules are finding traction

Shatrughat & Samaghat

- BHE has received one request for proposal (RFP) for *Samaghat* and it is in the process of receiving RFP for *Shatrughat*
- Total overall order: INR 65bn

Guidance

- Revenue growth: 15% YoY guidance maintained.
- EBITDA margin: ~27.0%
- Order inflow: INR 270bn (ex- QRSAM)
- Capex: INR 10bn
- R&D expenditure: INR 16bn

Others key highlights

- Rare earth magnets: it is not affecting BHE financial performance at well as it is into the EV segment
- Next Generation Corvette (NGC) corvette program: multi-function surveillance and threat alert (MFTR) -- medium range surface to air missile (MRSAM) has 50:50 import dependence. All other subsystems are home-grown with minimum 70% indigenous content for NGC
- Employee strength: BHE currently has employee strength of ~9,000 and expects to add employee to touch 10,000
- BHE has agreed to invest in R&D department for employee-majorly on the technical front
- R&D as a percentage of sales to remain in the range of ~6-7%. BHE intends to do R&D expenditure worth ~INR 16bn on an overall basis
- BHE is working on newer technologies, such as AI & ML with incubation centres established
- It has invested in technological infra related to AI & ML without any foreign support
- LCA Mark 1A- electronic components have been regularly supplying to Hindustan Aeronautics (HNAL)
- Contribution of revenue from HNAL-BHE to supply helicopter components worth INR 10bn in FY26
- Breakdown of orderbook: As on 1 July 2025, major order is long range surface to air missile (LRSAM) of INR 50bn, fuses worth INR 45bn and *Akash Army* of INR 30bn, BMP upgrade worth INR 30bn, *Ashwini and Arudhra* radar worth INR 25bn, the shakti electronic warfare (EW) systems worth INR 20bn, together amounting to INR 350bn

- *Atulya* radar: BHE stated that the overall execution cycle is three years and intend to supply 24
- Mi-17 order: overall execution cycle is four years
- Major orders to be executed in FY26: LRSAM worth INR 30bn, *Himshakti* (INR 17bn), *Akash Army* (INR 13bn), *Arudhra and Shakti* EW systems
- Sound navigation & ranging (SONAR): Trusted partner is Naval Physical & Oceanographic Laboratory (NPOL) and working in collaboration with them
- Share of defence: non-defence at 90:10
- Services revenue at 14-15% of overall revenue in the next 2-3 years; currently, it is 10-11% of revenue
- Drones: BHE is currently working on *Archer UAV*, loitering munitions, and the company expects large orders in the medium to long term
- Management says the fuses program would be for the next 10 years and electronic warfare systems (EWS) for 4-5 years
- It believes majority orders have an execution cycle of three years
- BHE has orders with two years of execution cycle worth INR 220bn

Exhibit 2: Valuation

(INR)	
EPS – FY26E	8.1
EPS – FY27E	10.0
Five-year average P/E (x)	42.1
Target multiple (x)	40.0
March 2027E EPS	10.0
Target price	**415**

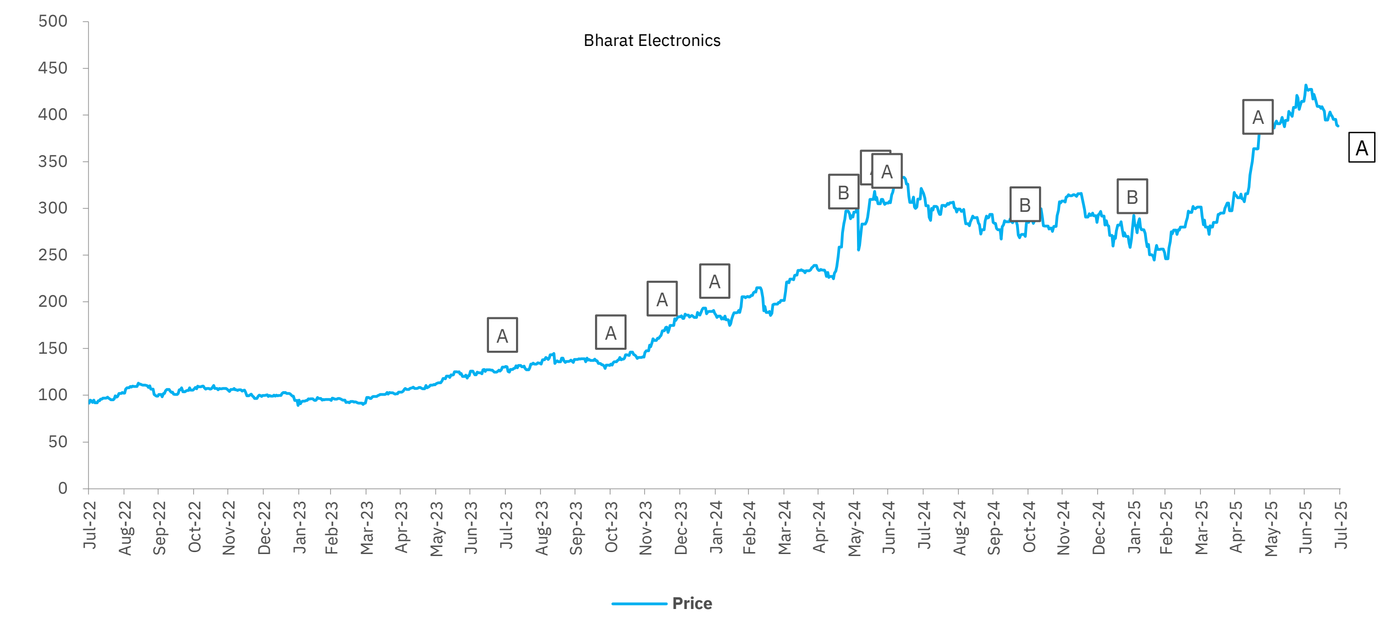
Source: Elara Securities Estimate

Exhibit 3: Change in estimates

(INR mn)	Earlier			Revised			% Change		
	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
Revenue	2,86,600	3,43,089	3,97,616	2,86,600	3,47,006	3,96,058	-	1.0	-
EBITDA	77,932	93,641	1,08,108	77,932	94,553	1,07,617	-	1.0	-
EBITDA margin (%)	27.2	27.3	27.2	27.2	27.2	27.2	-	(4.5)	(1.7)
PAT	59,421	72,173	83,268	59,421	72,858	82,899	-	1	-
EPS (INR)	8.1	9.9	11.4	8.1	10.0	11.3	-	0.9	(0.4)
TP (INR)		**400**			**415**			**3.8**	

Source: Elara Securities Estimate

Coverage History



Date	Rating	Target Price (INR)	Closing Price (INR)
28-Jul-2023	Accumulate	145	130
31-Oct-2023	Accumulate	155	132
15-Dec-2023	Accumulate	185	169
30-Jan-2024	Accumulate	195	188
22-May-2024	Buy	340	284
19-Jun-2024	Accumulate	340	309
29-Jun-2024	Accumulate	355	321
28-Oct-2024	Buy	345	270
30-Jan-2025	Buy	370	279
20-May-2025	Accumulate	400	364
30-Jul-2025	Accumulate	415	387

Guide to Research Rating

BUY (B)	Absolute Return >+20%
ACCUMULATE (A)	Absolute Return +5% to +20%
REDUCE (R)	Absolute Return -5% to +5%
SELL (S)	Absolute Return < -5%

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