Bharat Electronics | ADD

Order momentum strong; valuations expensive

Bharat Electronics (BEL) is well placed to benefit from rising capex in India's defence electronics. In our view, it could be a key beneficiary of electronic components, avionics and radar orders across large defence platforms. The company has secured order inflows of INR 300bn in FY26 (+60% YoY) ahead of its guidance of INR 270bn. We expect this ordering momentum to persist in FY27 too, with strong prospects of over INR 500bn. We forecast revenue/EPS CAGR of 16% each over FY26–28E. However, BEL's valuation discount to capital goods growth stocks is close to an all-time low (discount at 8% versus 10-year average of 30%). In our view, the current stock price largely reflects these positives. We value BEL at 44x FY28 EPS of INR 11, arriving at our revised TP of INR 485 and assume coverage with an ADD rating.

- **Order inflow strength to sustain over FY27**: BEL secured order inflows of INR 300bn (+60% YoY) in FY26 ahead of its guidance of INR 270bn. For FY27, management has indicated that BEL could attain order inflows of INR 250bn even without the Quick Reaction Surface to Air Missile (QRSAM) order of ~INR 300bn. We estimate order inflow CAGR of ~17% over FY26–28E led by these prospects (excluding QRSAM) and sustained momentum in other base orders. The QRSAM order is expected to be secured in FY27 and, alongside strong order inflows, we estimate the order book to cross INR 1tn by FY27 itself and stay elevated in FY28, supporting a healthy book-to-bill ratio of over 3x and providing significant revenue visibility.

- **Execution momentum to remain robust, profitability may decline marginally:** Continuing the strong execution momentum, we estimate BEL could deliver revenue CAGR of 16% over FY26–28. Over the next two years, we expect a marginal decline in profitability in line with management commentary (the company anticipates product mix deterioration). Even so, management hopes to maintain EBITDA margin above 27%. We forecast EBITDA margin to decline from 29.3% in FY26E to 28.6% in FY28E. This fuels EPS CAGR of 16% over FY26–28.

- **Valuations elevated, await a better entry point**: BEL is up 12% CYTD versus 7.5% decline in the Nifty. The stock has re-rated strongly driven by positive outlook on defence capex in electronics coupled with BEL exceeding its FY26 order inflow guidance and, at the same time, EBITDA margin remaining elevated. BEL is trading significantly higher than the +1SD levels on 12-month forward PE. Its valuation discount even against a group of capital goods growth stocks has fallen to historical lows (8% discount versus 10-year average of 30%). Consequently, we believe any significant corrections could be bought into as the current risk-reward is largely in balance (Exhibit 7:, Exhibit 8:).

- **Trading at 41x FY28 EPS, maintain ADD (TP of INR 485)**: We benchmark BEL against a basket of capital goods stocks on growth and ROE outlook (based on Bloomberg consensus estimates) and arrive at a target PE of 44x based on average PE implied by its RoE and EPS growth outlook. With our FY28E EPS estimate at INR 11, we arrive at a TP of INR 485 implying 8% upside from current levels; we maintain ADD. Key risks to our view include delay in fructification of QRSAM order, slowdown in defence electronics spend and weakness in EBITDA margin.

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This note marks transfer of coverage of Bharat Electronics to Neelotpal Sahu

Recommendation and Price Target	
Current Reco.	ADD
Previous Reco.	ADD
Current Price Target (12M)	485
Upside/(Downside)	8.0%
Previous Price Target	480
Change	0.0%

Key Data – BHE IN EQUITY	
Current Market Price	INR449
Market cap (bn)	INR3,279.9/US$35.0
Free Float (%)	46.6
Shares in issue (mn)	7,309.8
Diluted share (mn)	7,309.8
3-mon avg daily val (mn)	INR9,453.3/US$100.8
52-week range	INR473/294
Sensex/Nifty	78,516/24,378
INR/US$	93.8

Price Performance			
%	1M	6M	12M
Absolute	5.3	7.4	47.9
Relative*	-2.5	15.7	50.9

*To the NSE Nifty 50

Financial Summary					(INR mn)
Y/E Mar	FY24A	FY25A	FY26E	FY27E	FY28E
Net Sales	202,682	237,688	272,263	311,817	365,258
Sales Growth (%)	14.3	17.3	14.5	14.5	17.1
EBITDA	50,464	68,337	79,841	89,647	104,398
EBITDA Margin (%)	24.9	28.8	29.3	28.7	28.6
Adjusted Net Profit	39,845	53,214	60,302	68,753	80,851
Diluted EPS (INR)	5.5	7.3	8.2	9.4	11.1
Diluted EPS Growth (%)	33.5	33.6	13.3	14.0	17.6
ROIC (%)	27.4	27.5	27.2	28.0	30.1
ROE (%)	26.4	29.3	27.4	26.0	25.6
P/E (x)	82.3	61.6	54.4	48.6	41.4
P/B (x)	20.1	16.4	13.6	11.6	9.7
EV/EBITDA (x)	64.8	47.9	40.8	36.7	31.2
Dividend Yield (x)	0.4	0.5	0.6	0.6	0.8

Source: Company data, JM Financial. Note: Valuations as of April 22, 2026

JM Financial Research is also available on: Bloomberg - JMFR <GO>, FactSet, LSEG and S&P Capital IQ

Please see Appendix I at the end of this report for Important Disclosures and Disclaimers and Research Analyst Certification.

Order momentum strong; valuations expensive

Robust order prospects for FY27 shall aid robust order inflow growth

BEL secured order inflows of INR 300bn (+60%YoY) in FY26 ahead of its guidance of INR 270bn. For FY27, management has indicated that BEL could attain order inflows of INR 250bn even without the QRSAM order of ~INR 300bn. The prospects include orders for electronics for NGC (INR 150bn), Shatrughat Electronic warfare (EW) (~INR 30bn), Samghat EW (INR 35bn) and other orders worth ~INR 10bn.

We estimate order inflow CAGR of ~17% over FY26–28 led by these prospects (excluding QRSAM) and sustained momentum in other base orders. The QRSAM order is expected to be secured in FY27.

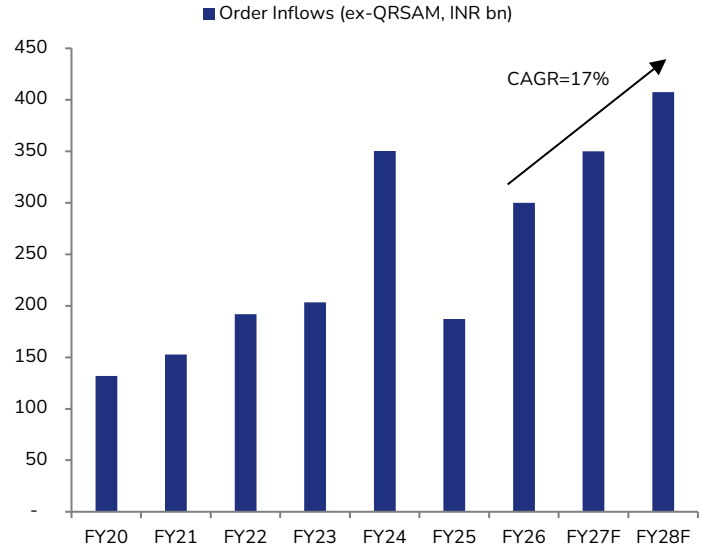
With strong order inflows, we reckon the order book would cross INR 1tn by FY27 itself and stay elevated in FY28 too, thus sustaining a healthy book-to-bill ratio of over 3x (providing significant revenue visibility).

Exhibit 1: Order prospects, management estimates at least INR250bn orders ex QRSAM in FY27

Order Pipeline	Value (INR bn)
QRSAM	300.00
Next Gen Corvette (NGC)	150.00
Shatrughat	30.00
Samaghat	35.00
Others	10.00

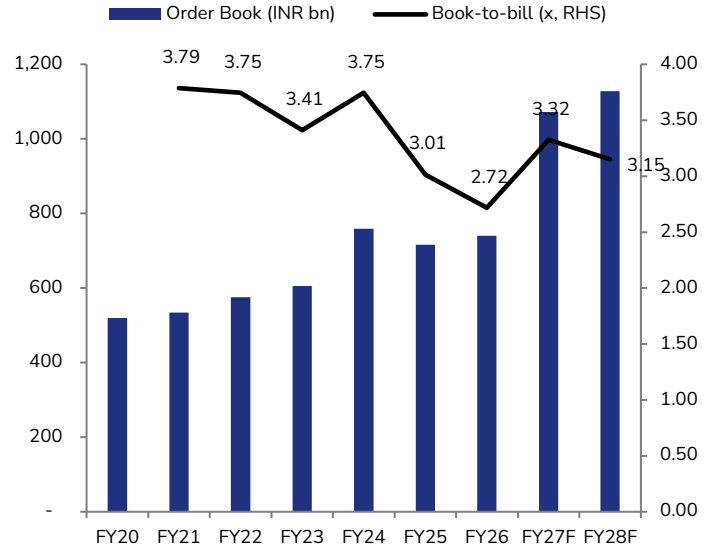
Source: Company, JM Financial

Exhibit 2: Expect order inflow CAGR of 17% (FY26–28E, ex-QRSAM)



Source: Company, JM Financial

Exhibit 3: Book-to-bill expected to remain elevated by FY28

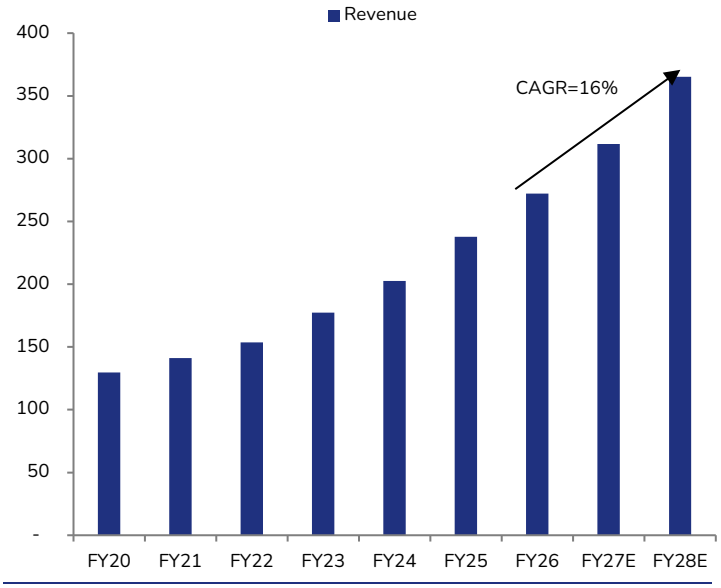


Source: Company, JM Financial

Execution momentum to remain robust, profitability to decline marginally

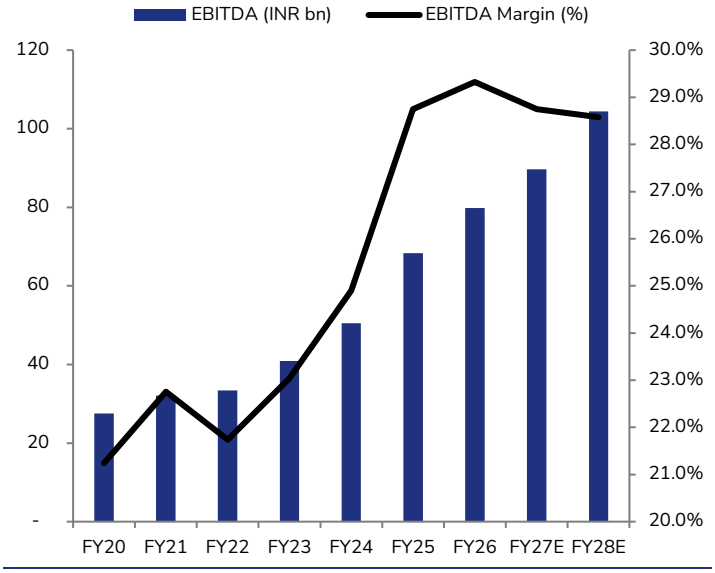
Continuing the strong execution momentum, we estimate BEL could deliver revenue CAGR of 16% over FY26–28. We expect a marginal decline in profitability over the next two years in line with management commentary (the company expects product mix deterioration). Even so, management expects to maintain EBITDA margin above 27%. We estimate EBITDA margin to fall from 29.3% (FY26E) to 28.6% (FY28E). This drives EPS CAGR of 16% over FY26–28E.

Exhibit 4: Estimate revenue CAGR of 16% over FY26–28



Source: Company, JM Financial

Exhibit 5: We expect EBITDA margin to decline marginally



Source: Company, JM Financial

Marginally below consensus on our FY27/FY28 estimates

We are 3–4% lower than consensus on our revenue estimates and ~4% lower each on FY27/28 EPS estimates compared to Bloomberg consensus estimates.

Exhibit 6: Lower than consensus on our FY27/28 estimates

INR mn	JMFe			Consensus			Difference (%)		
	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
Revenues	2,72,263	3,11,817	3,65,258	2,76,434	3,24,537	3,80,992	-1.5%	-3.9%	-4.1%
EBITDA	79,841	89,647	1,04,398	78,445	92,560	1,08,610	1.8%	-3.1%	-3.9%
EBITDA margin (%)	29.3%	28.7%	28.6%	28.4%	28.5%	28.5%			
PAT	59,913	68,753	80,851	60,342	71,589	84,289	-0.7%	-4.0%	-4.1%
EPS (INR)	8.2	9.4	11.0	8.2	9.8	11.5	-0.7%	-4.0%	-4.1%

Source: Company, Bloomberg, JM Financial

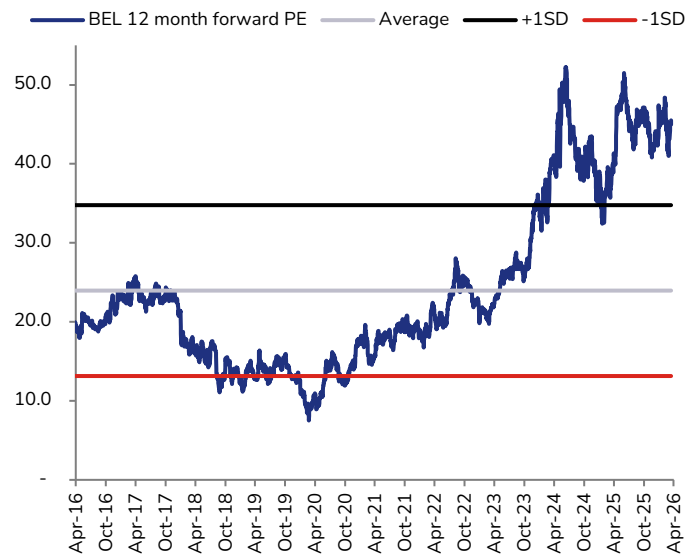
Valuations elevated, await a better entry point

Value BEL at 44x FY28 EPS; revised TP of INR 485, maintain ADD

BEL is up 12% CYTD versus 7.5% decline in Nifty. Its valuation has re-rated strongly driven by positive outlook on defence capex in electronics coupled with BEL exceeding its FY26 order inflow guidance and EBITDA margin remaining elevated.

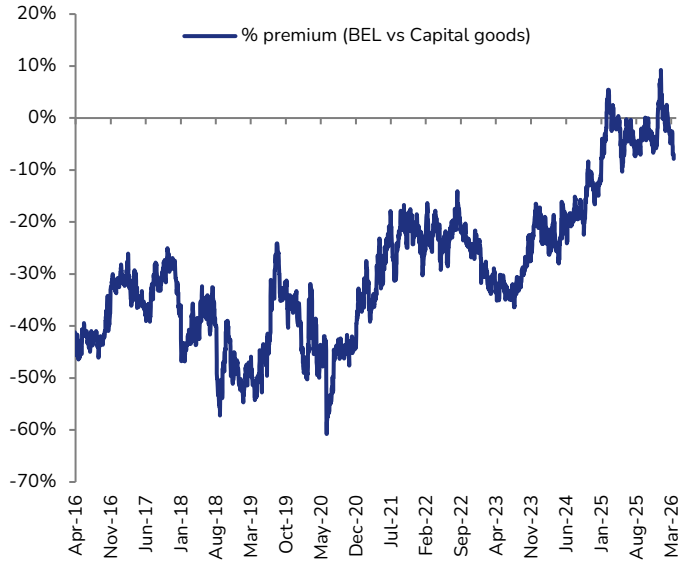
BEL is trading significantly higher than the +1SD levels on 12-month forward PE. Its valuation premium even against a group of capital goods stocks has expanded to historical highs. We benchmark BEL against a basket of capital goods stocks on growth and RoE outlook (based on Bloomberg consensus estimates) and arrive at a target PE of 44x based on average PE implied by its RoE and EPS growth outlook. With our FY28E EPS estimate at INR 11, we arrive at a target price of INR 485 implying 8% upside from current levels and, thus, we reiterate ADD.

Exhibit 7: BEL re-rated significantly over last three years



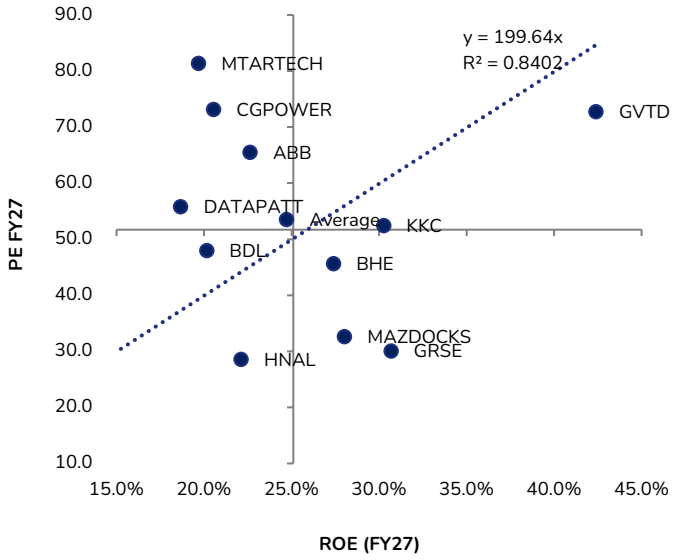
Source: Bloomberg, JM Financial

Exhibit 8: Valuation discount versus average of capital goods shrunk



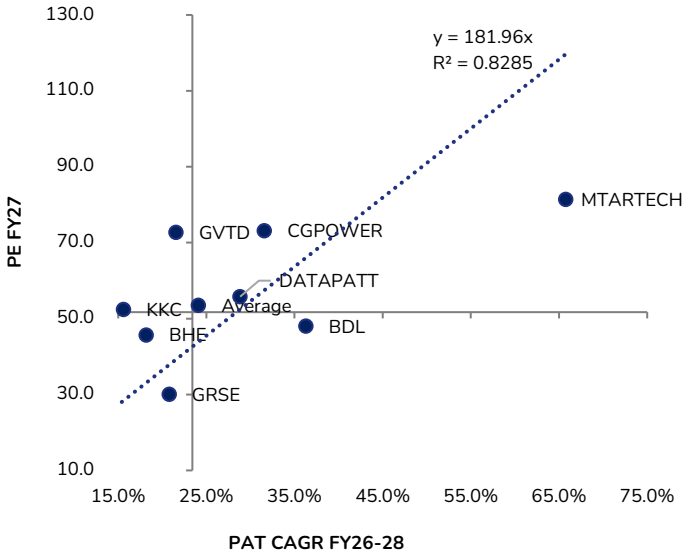
Source: Bloomberg, JM Financial. Capital goods PE includes 12-month forward PE for KKC, SIEM, ABB, HNAL, BHE, BDL, DATAPATT, GRSE, MAZDOCKS, GVTD

Exhibit 9: Valuations of capital goods versus RoE outlook



Source: Bloomberg, JM Financial

Exhibit 10: Valuations of capital goods versus EPS growth outlook



Source: Bloomberg, JM Financial

Financial Tables (Consolidated)

Income Statement					(INR mn)
Y/E Mar	**FY24A**	**FY25A**	**FY26E**	**FY27E**	**FY28E**
Net Sales	202,682	237,688	272,263	311,817	365,258
Sales Growth (%)	14.3	17.3	14.5	14.5	17.1
Other Operating Income	-	-	-	-	-
Total Revenue	**202,682**	**237,688**	**272,263**	**311,817**	**365,258**
Cost of Goods Sold/Op. Exp	105,763	121,872	139,575	161,507	191,005
Personnel Cost	24,895	27,606	31,092	34,196	37,620
Other Expenses	21,560	19,872	21,754	26,467	32,236
EBITDA	**50,464**	**68,337**	**79,841**	**89,647**	**104,398**
EBITDA Margin (%)	24.9	28.8	29.3	28.7	28.6
EBITDA Growth (%)	23.5	35.4	16.8	12.3	16.5
Depn. & Amort.	4,432	4,674	5,187	5,596	5,914
EBIT	46,032	63,663	74,654	84,051	98,484
Other Income	6,701	7,424	5,863	7,308	8,851
Finance Cost	71	97	72	72	72
PBT before Excep. & Forex	52,662	70,990	80,445	91,287	107,263
Excep. & Forex Inc./Loss(-)	-	-	-	-	87
PBT	52,662	70,990	80,445	91,287	107,350
Taxes	13,231	18,119	20,532	22,977	27,020
Extraordinary Inc./Loss(-)	-	-	-	-	-
Assoc. Profit/Min. Int.(-)	429	368	417	475	559
Reported Net Profit	39,845	53,214	60,302	68,753	80,851
Adjusted Net Profit	**39,845**	**53,214**	**60,302**	**68,753**	**80,851**
Net Margin (%)	19.7	22.4	22.1	22.0	22.1
Diluted Share Cap. (mn)	7,310	7,310	7,310	7,310	7,310
Diluted EPS (INR)	**5.5**	**7.3**	**8.2**	**9.4**	**11.1**
Diluted EPS Growth (%)	33.5	33.6	13.3	14.0	17.6
Total Dividend + Tax	14,620	16,813	19,052	21,722	25,544
Dividend Per Share (INR)	2.0	2.3	2.6	3.0	3.5

Source: Company, JM Financial

Balance Sheet					(INR mn)
Y/E Mar	**FY24A**	**FY25A**	**FY26E**	**FY27E**	**FY28E**
Shareholders Fund	163,444	199,928	241,178	288,210	343,516
Share Capital	7,310	7,310	7,310	7,310	7,310
Reserves & Surplus	155,955	192,429	233,665	280,680	335,968
Preference Share Capital	-	-	-	-	-
Minority Interest	179	189	203	219	238
Total Loans	-	-	-	-	-
Def. Tax Liab. / Assets (-)	-15,420	-14,370	-14,370	-14,370	-14,370
Other non-current liabilities / Lease Liabilities	1,905	1,869	1,869	1,869	1,869
Total - Equity & Liab.	**165,349**	**201,797**	**243,047**	**290,078**	**345,385**
Net Fixed Assets	44,596	50,526	55,452	59,969	64,168
Gross Fixed Assets	33,192	37,862	42,788	47,304	51,503
Intangible Assets	2,467	2,147	2,147	2,147	2,147
Less: Depn. & Amort.	-	-	-	-	-
Capital WIP	8,937	10,518	10,518	10,518	10,518
Investments	-	-	-	-	-
Current Assets	344,924	352,444	384,032	432,952	492,463
Inventories	74,469	91,190	89,895	103,110	120,723
Sundry Debtors	73,924	91,164	104,784	112,015	120,575
Cash & Bank Balances	12,063	7,135	26,397	54,871	88,209
Loans & Advances	14	15	15	15	15
Other Current Assets	184,454	162,941	162,941	162,941	162,941
Current Liab. & Prov.	229,918	206,522	201,786	208,191	216,594
Current Liabilities	139,860	125,569	120,833	127,239	135,642
Provisions & Others	90,057	80,952	80,952	80,952	80,952
Net Current Assets	12,210	53,741	90,065	132,580	183,687
Other Non Current Assets/ROU Assets	102,797	92,182	92,182	92,182	92,182
Total - Assets	**165,349**	**201,797**	**243,047**	**290,078**	**345,385**

Source: Company, JM Financial

Cash Flow Statement					(INR mn)
Y/E Mar	**FY24A**	**FY25A**	**FY26E**	**FY27E**	**FY28E**
Profit before Tax	39,845	53,214	60,302	68,753	80,851
Depn. & Amort.	4,432	4,674	5,187	5,596	5,914
Net Interest Exp. / Inc. (-)	71	97	72	72	72
Inc (-) / Dec in WCap.	8,181	-47,103	-17,062	-14,041	-17,770
Others	-5,934	-5,016	-5,863	-7,308	-8,851
Taxes Paid	-	-	-	-	-
Operating Cash Flow	**46,595**	**5,866**	**42,636**	**53,073**	**60,216**
Capex	-6,525	-10,113	-10,113	-10,113	-10,113
Free Cash Flow	40,070	-4,247	32,523	42,960	50,103
Inc (-) / Dec in Investments	-325	-608	-	-	-
Others	-52,388	16,891	5,863	7,308	8,851
Investing Cash Flow	**-59,239**	**6,169**	**-4,250**	**-2,805**	**-1,262**
Inc / Dec (-) in Capital	-	-	-	-	-
Dividend + Tax thereon	-14,621	-16,808	-19,052	-	-
Inc / Dec (-) in Loans	12	-13	-	-	-
Others	-141	-144	-72	-72	-72
Financing Cash Flow	**-14,750**	**-16,964**	**-19,124**	**-72**	**-72**
Inc / Dec (-) in Cash	**-27,394**	**-4,929**	**19,262**	**28,474**	**33,338**
Opening Cash Balance	39,457	12,063	7,135	26,397	54,871
Closing Cash Balance	12,063	7,135	26,397	54,871	88,209

Source: Company, JM Financial

Dupont Analysis					
Y/E Mar	**FY24A**	**FY25A**	**FY26E**	**FY27E**	**FY28E**
Net Margin (%)	19.7	22.4	22.1	22.0	22.1
Asset Turnover (x)	1.2	1.2	1.2	1.1	1.1
Leverage Factor (x)	1.1	1.1	1.1	1.0	1.0
RoE (%)	26.4	29.3	27.4	26.0	25.6

Source: Company, JM Financial

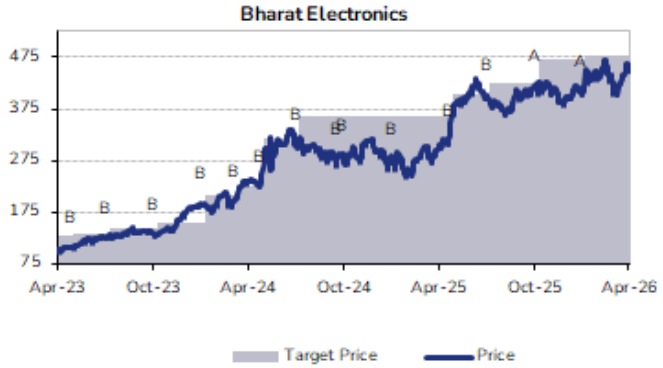
Key Ratios					
Y/E Mar	**FY24A**	**FY25A**	**FY26E**	**FY27E**	**FY28E**
BV/Share (INR)	22.3	27.3	33.0	39.4	47.0
ROIC (%)	27.4	27.5	27.2	28.0	30.1
ROE (%)	26.4	29.3	27.4	26.0	25.6
Net Debt/Equity (x)	-0.1	0.0	-0.1	-0.2	-0.3
P/E (x)	82.3	61.6	54.4	48.6	41.4
P/B (x)	20.1	16.4	13.6	11.6	9.7
EV/EBITDA (x)	64.8	47.9	40.8	36.7	31.2
EV/Sales (x)	16.1	13.8	12.0	10.6	8.9
Debtor days	133	140	140	131	120
Inventory days	134	140	121	121	121
Creditor days	89	72	54	58	61

Source: Company, JM Financial

Recommendation History Table

Date	Recommendation	Target Price	% Chg.
29-Jan-26	Add	480	2.1
2-Nov-25	Add	470	10.6
31-Jul-25	Buy	425	4.9
20-May-25	Buy	405	12.5
30-Jan-25	Buy	360	0.0
28-Oct-24	Buy	360	0.0
17-Oct-24	Buy	360	0.0
30-Jul-24	Buy	360	12.5
22-May-24	Buy	320	42.2
1-Apr-24	Buy	225	7.1
31-Jan-24	Buy	210	35.5
1-Nov-23	Buy	155	6.9
31-Jul-23	Buy	145	7.4
24-May-23	Buy	135	3.8
3-Apr-23	Buy	130	0.0
2-Feb-23	Buy	130	-3.7
31-Oct-22	Buy	135	15.8
30-Aug-22	Buy	117	11.1
21-Jul-22	Buy	105	14.5
14-Jun-22	Buy	92	

Recommendation History Chart



APPENDIX I

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No part of his or her or their compensation was, is, or will be directly or indirectly related to the specific recommendations or views expressed in this research report.

Rating System: Definition of ratings	
Rating	**Meaning**
BUY	Expected return >= 15% over the next twelve months.
ADD	Expected return >= 5% and < 15% over the next twelve months.
REDUCE	Expected return >= -10% and < 5% over the next twelve months.
SELL	Expected return < -10% over the next twelve months.

Note: For REITs (Real Estate Investment Trust) and InvIT (Infrastructure Investment Trust) total expected returns include dividends or DPU (distribution per unit)

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