

Bharat Dynamics

Estimate change



TP change



Rating change



Bloomberg	BDL IN
Equity Shares (m)	367
M.Cap.(INRb)/(USDb)	470 / 4.9
52-Week Range (INR)	2097 / 1086
1, 6, 12 Rel. Per (%)	-7/-6/-31
12M Avg Val (INR M)	3413

Financials Snapshot (INR b)

Y/E March	2026	2027E	2028E
Sales	24.4	42.3	61.2
EBITDA	2.2	6.3	9.8
Adj. PAT	4.2	6.7	9.8
Adj. EPS (INR)	11.5	18.2	26.7
EPS Gr. (%)	(23.5)	58.8	46.5
BV/Sh.(INR)	115.7	127.0	145.6

Ratios

RoE (%)	9.9	14.3	18.3
RoCE (%)	10.2	14.7	18.7
Payout (%)	45.3	38.2	30.0

Valuations

P/E (x)	111.9	70.5	48.1
P/BV (x)	11.1	10.1	8.8
EV/EBITDA (x)	189.5	65.4	40.6
Div. Yield (%)	0.4	0.5	0.6

Shareholding pattern (%)

As On	Mar-26	Dec-25	Mar-25
Promoter (%)	74.9	74.9	74.9
DII (%)	11.0	11.0	9.5
FII (%)	2.0	2.3	3.3
Others (%)	12.1	11.8	12.4

FII Includes depository receipts

CMP: INR1,282 TP: INR1,150 (-10%) Downgrade to Neutral

Weakness persists through FY26

Bharat Dynamics' (BDL) results were weaker than our estimates, with execution impacted by delays in the supply of radars, seekers, and other components for Akash and Astra Mk1 missiles from external vendors. The company is likely to book ~INR20-25b of revenues in 1HFY27 from these orders as the supply of these components commences. BDL may also resort to importing certain components to avoid further delivery delays. While the order book remained healthy at ~INR260b, we expect overall execution to remain slower than our earlier estimates, with margins likely to stay under pressure due to a higher share of bought-out components. We, thus, cut our FY27/FY28 earnings by 25%/28% and downgrade the stock to Neutral with a revised TP of INR1,150 (vs. INR1,500 earlier), based on 42x Jun'28E EPS. The stock is currently trading at 70.5x/48.1x/38.1x on FY27/FY28/FY29 EPS. We believe it is prudent to await a sustained ramp-up in execution and improved supply-side visibility.

Weak set of results

BDL reported a weak set of results with a miss across all metrics. Revenue declined 73% YoY to INR4.8b in 4QFY26. Gross margin remained strong at ~62.4% in 4QFY26. However, due to weaker execution, operating leverage resulted in EBITDA margin being lower at 11.5% vs. our estimate of 23.8%. Absolute EBITDA declined 82% YoY to INR552m. Weak execution and margin contraction led to PAT declining 59% YoY to INR1.1b (66% below our estimate). For FY26, revenue/EBITDA/PAT declined 27%/53%/24% YoY to INR24.4b/2.2b/4.2b, while EBITDA margin contracted 500bp YoY to 9.1%. For FY26, OCF increased 260% YoY to INR6b, while the company reported FCF inflow of INR3.8b due to capex of INR2.2b during the year (vs. an outflow of INR1b in FY25).

Performance impacted by delays from external vendors

FY26 revenue performance was impacted by ~INR20b due to delays in deliveries of Akash and Astra Mk1 missiles. The delay in Akash missile was primarily due to delayed supplies of radars and communication systems from another vendor. While testing of these systems has been completed, final government clearance is still awaited. The company expects to deliver and book ~INR13b of revenue from this project itself in 1QFY27. For Astra Mk1, delays in receipt of seekers from an external vendor impacted execution; with this issue likely to persist for some more time, BDL has decided to import these components to avoid further slippages and expects to book ~INR10b of related revenue by 2QFY27. Other key deliverables during FY27 include ATGM and MRSAM programs. With this, FY27 revenue can scale up to ~INR45b, with margins of ~14-15%, as a higher share of bought-out components could continue to weigh on profitability. FY28 is expected to mark the peak execution phase for Akash, with potential revenues of ~INR65b and improved margins as the share of missiles increases. We expect revenue to expand at a CAGR of 58% over FY26-28, while execution ramp-up across key missile programs and resolution of supply-side bottlenecks will remain key monitorables.

Capex announced to expand capacities

BDL is investing INR5b towards 160-acre naval systems manufacturing facility in T. Sirasapalli, Andhra Pradesh. The upcoming facility will focus on manufacturing underwater weapon systems, torpedoes, mines, and associated naval systems for the Indian Navy. It will include advanced assembly infrastructure, integration buildings, explosive handling, storage facilities, testing systems, and acoustic tank infrastructure. The project is expected to be completed over the next four years. Previously announced capex programs towards setting up facilities include:

- **Ibrahimpattanam, Hyderabad:** Eight assembly lines for new weapon systems, and testing infrastructure, including rocket motor and warhead penetration testing.
- **Jhansi, Uttar Pradesh:** For manufacturing of propellants, bulk manufacturing of Grad rockets, and in-house R&D development of new energetics.

Key developments that could support medium- to long-term order inflow

- BDL delivered a production-grade **Wire Guided Heavy Weight Torpedo (WGHWT)** to NSTL at its Visakhapatnam unit, with the system developed in both practice and combat variants.
- BDL completed the first-off production model of the **Advanced Akash Weapon System** with upgraded sub-systems, enabling further production and deployment of the system.
- DRDO recently tested the **UAV Launched Precision Guided Missile-V3 (ULPGM-V3)**, a drone-fired missile with air-to-air and air-to-surface capabilities. The missile will be mass-produced by BDL and Adani Defence Systems.
- India conducted a successful flight trial of **Advanced Agni missile with Multiple Independently Targeted Re-Entry Vehicle (MIRV) system**. Subject to production clearance, the missile is expected to be manufactured by BDL with support from domestic supply chain partners.

Financial outlook

We expect overall execution to remain slower than our earlier estimates, with margins likely to stay under pressure due to a higher share of bought-out components. We, thus, cut our FY27/FY28 earnings by 25%/28%, and expect revenue/ PAT to clock a CAGR of 58%/53% over FY26-28 on a low base, with margins to improve gradually as the supply of components commences.

Valuation and view

The stock currently trades at 70.5x/48.1x/38.1x P/E on FY27/FY28/FY29 estimates. **We downgrade our rating on the stock to Neutral with a revised TP of INR1,150 (vs INR1,500 earlier), based on 42x Jun'28E earnings.**

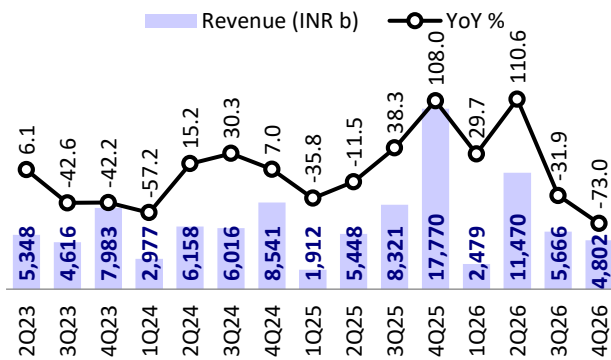
Key risks and concerns

Key risks for the company include a decline or reprioritization of the Indian defense budget, termination of existing contracts or failure to succeed in tendering projects, changes in procurement rules and regulations of the MoD and the government, and supply chain-related issues.

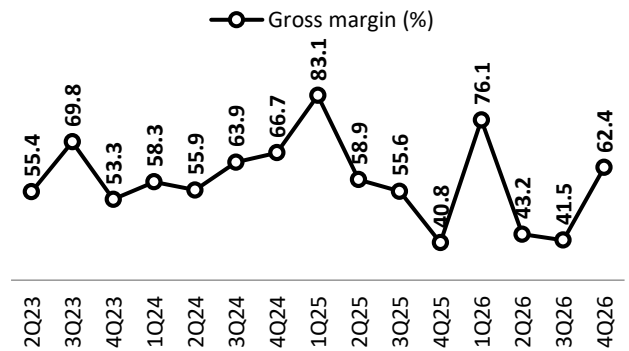
Standalone - Quarterly Snapshot

(INR m)

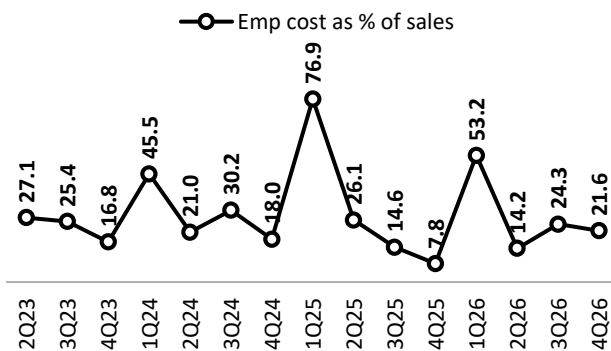
Income Statement Y/E March	FY25				FY26				FY25	FY26	Est 4QE	Var. Vs Est
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q				
Net revenue	1,912	5,448	8,321	17,770	2,479	11,470	5,666	4,802	33,451	24,418	17,458	-72
Change (%)	-35.8	-11.5	38.3	108.0	29.7	110.6	-31.9	-73.0	41.2	-27.0	-1.8	
Expenses	2,435	4,459	7,053	14,780	2,933	9,595	5,406	4,250	28,727	22,184	13,306	
EBITDA	-523	988	1,269	2,990	-454	1,875	260	552	4,724	2,234	4,152	-87
Change (%)	NA	-26.3	6.8	-5.5	NA	89.7	-79.5	-81.5	-12.0	-52.7	38.9	
As of % Sales	-27.4	18.1	15.2	16.8	-18.3	16.3	4.6	11.5	14.1	9.1	23.8	
Depreciation	157	177	177	197	177	191	193	198	707	759	216	-8
Interest	12	7	7	7	7	13	7	7	33	34	6	13
Other Income	804	860	844	996	869	1,206	972	1,192	3,504	4,238	645	85
PBT pre EO items	112	1,665	1,929	3,782	231	2,876	1,032	1,539	7,488	5,678	4,576	-66
PBT	112	1,665	1,929	3,782	231	2,876	1,032	1,539	7,488	5,678	4,576	-66
Tax	40	439	458	1,054	48	717	303	407	1,991	1,475	1,250	
Effective Tax Rate (%)	35.8	26.4	23.7	27.9	20.7	24.9	29.3	26.5	26.6	26.0	27.3	
Extra-ordinary Items	0	0	0	0	0	0	0	0	0	0	0	
Reported PAT	72	1,225	1,471	2,728	183	2,159	729	1,132	5,496	4,203	3,326	-66
Adj PAT	72	1,225	1,471	2,728	183	2,159	729	1,132	5,496	4,203	3,326	-66
Change (%)	-82.7	-16.7	9.0	-5.5	154.3	76.2	-50.4	-58.5	-10.3	-23.5	21.9	
As of % Sales	3.8	22.5	17.7	15.4	7.4	18.8	12.9	23.6	16.4	17.2	19.1	

Key Exhibits
Exhibit 1: Revenue declined 73% YoY


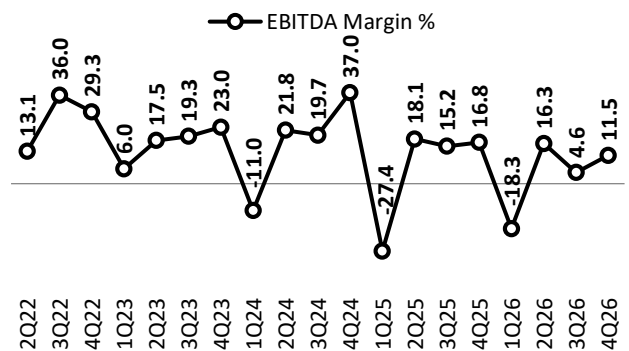
Source: MOFSL, Company

Exhibit 2: Gross margin expanded in 4QFY26


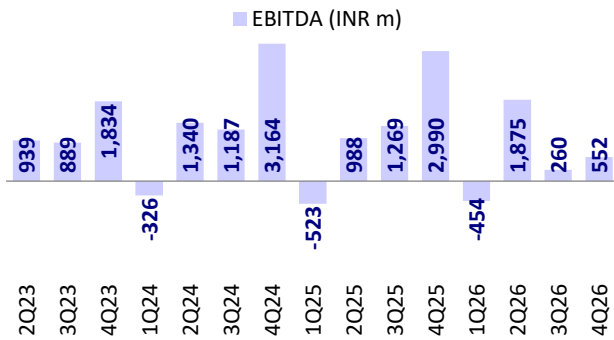
Source: MOFSL, Company

Exhibit 3: Employee costs as % of sales remained high


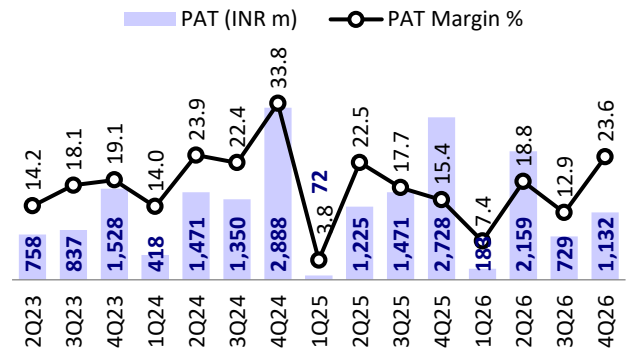
Source: MOFSL, Company

Exhibit 4: EBITDA margin contracted during the quarter


Source: MOFSL, Company

Exhibit 5: EBITDA decreased 82% YoY


Source: MOFSL, Company

Exhibit 6: PAT declined 59% YoY


Source: MOFSL, Company

Exhibit 7: We expect an addressable market of ~INR500b for BDL over the next few years

Future programs expected	Category	Amount (INR b)	Expected year of order	Comments
In association with DRDO				
Base orders	Base orders	120	FY2026-29	❖ Run rate of INR30b every year for the next 3-4 years
MRSAM	surface-to-air	30	FY2024-25	❖ Order received in Jan'25
Astra Mk1	air-to-air	29		❖ Production clearance for 200 missiles to BDL has been given by the IAF
QRSAM	surface-to-air	113	FY2025-26	❖ Expected by 4QFY25 or 1QFY27
Akash NG SAM	surface-to-air		FY 2026-27	❖ User evaluation trials completed on 23 Dec'25
Long Range Land Attack Cruise Missile (LRLACM)	surface-to-surface	140	FY 2027-28	❖ Flight test done on 12th Nov'24. IAF/IA to procure missiles worth INR100b/40b once developed
VSHORAD	Very short-range air defense system	19	FY 2025-26	❖ In Jan'23, DAC gave a green light for the procurement of VSHORADS systems. Three consecutive flight trials done on 1 Feb'25
VLSRSAM	surface-to-air		FY 2026-27	❖ Testing done on 26th Mar'25
Dhruvastra/Helina ATGM	air-to-surface	43	FY 2025-26	
NAG ATGM	surface-to-air	18	FY 2025-26	
Torpedoes			FY2026-28	❖ In Mar'25, for the Navy, the DAC accorded AoN for the procurement of Varunastra Torpedoes (Combat), while the cost is not disclosed
Overall TAM		511		

Source: Company, Industry, MOFSL

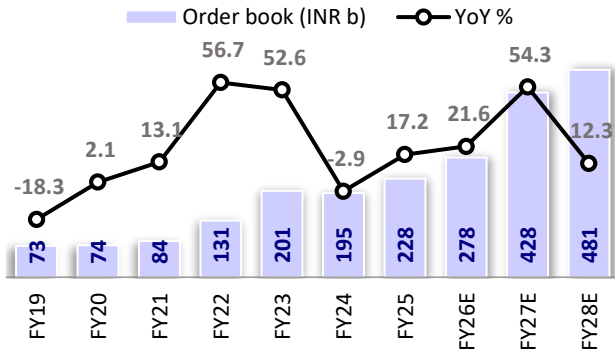
Exhibit 8: We cut our estimates to factor in slower execution and lower margins

(INR m)	FY27E			FY28E		
	Rev	Old	Chg (%)	Rev	Old	Chg (%)
Net Sales	42,347	51,720	-18.1	61,204	72,704	-15.8
EBITDA	6,333	9,010	-29.7	9,808	14,559	-32.6
EBITDA (%)	15.0	17.4	-240 bp	16.0	20.0	-400 bp
Adj. PAT	6,676	8,851	-24.6	9,779	13,659	-28.4
EPS (INR)	18.2	24.1	-24.6	26.7	37.3	-28.4

Source: MOFSL

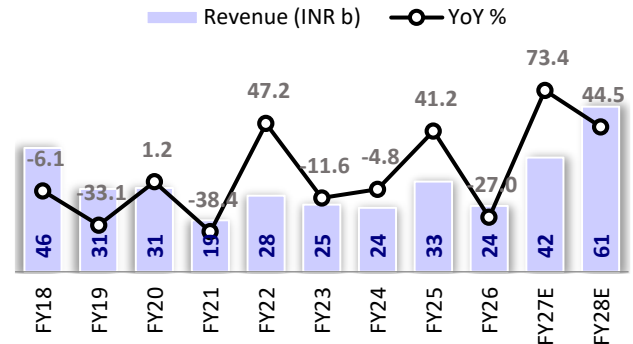
Financial outlook

Exhibit 9: We expect a CAGR of 24% in the order book over FY26-28



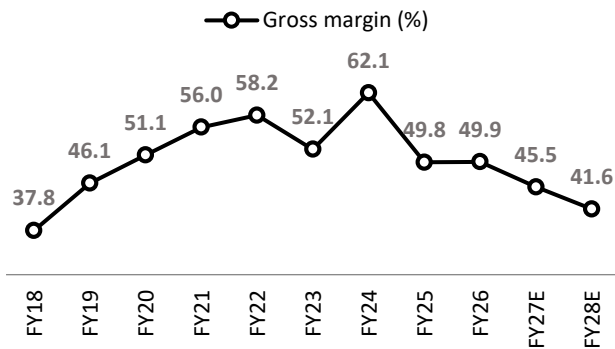
Source: Company, MOFSL

Exhibit 10: We expect revenue to clock a CAGR of 58% over FY26-28 on a low base



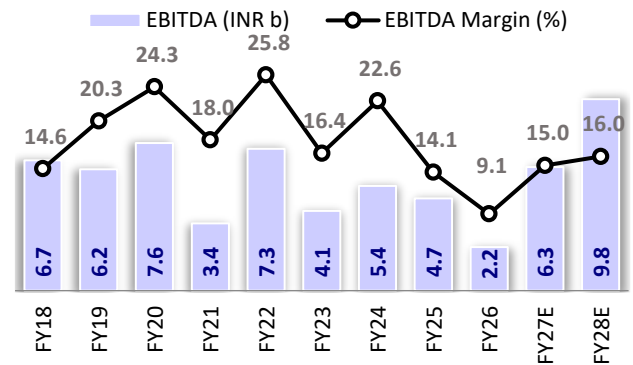
Source: Company, MOFSL

Exhibit 11: We expect a gross margin of ~40-45%



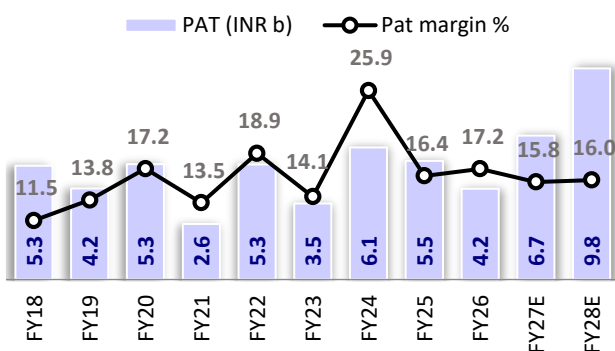
Source: Company, MOFSL

Exhibit 12: We expect EBITDA margin to be around ~15-16%



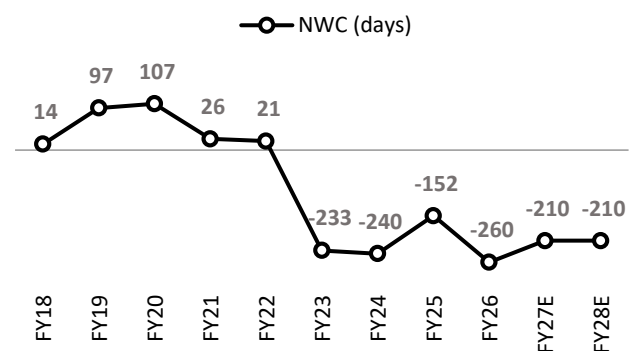
Source: Company, MOFSL

Exhibit 13: We expect PAT to clock 53% CAGR over FY26-28E



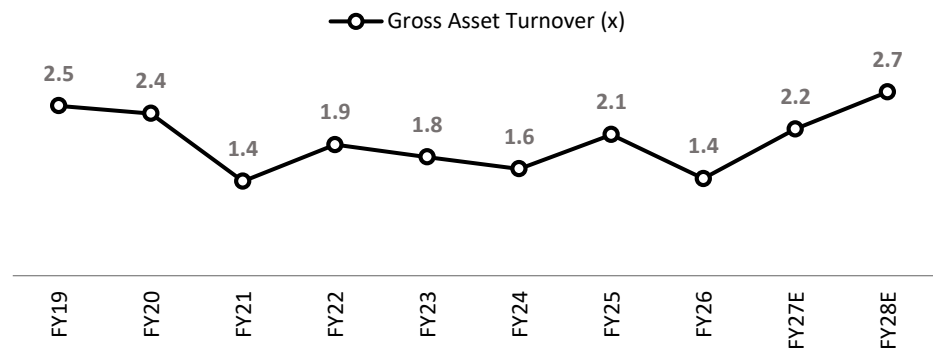
Source: MOFSL, Company

Exhibit 14: We expect NWC to remain at comfortable levels



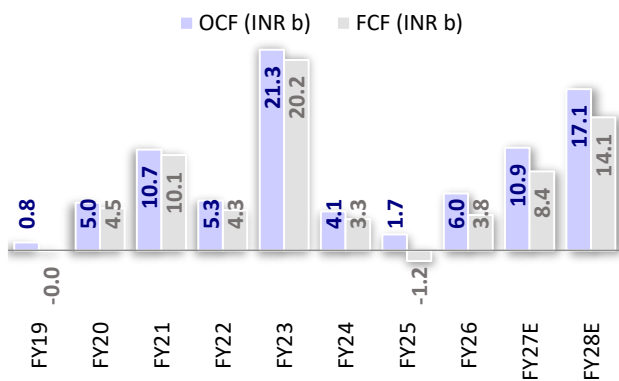
Source: MOFSL, Company

Exhibit 15: BDL's gross asset turnover is likely to increase on improved execution



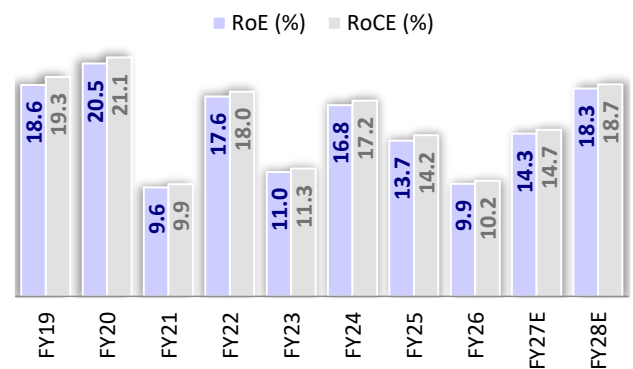
Source: Company, MOFSL

Exhibit 16: OCF and FCF to improve going forward



Source: MOFSL, Company

Exhibit 17: RoE and RoCE to remain comfortable at 14-19%



Source: MOFSL, Company

Financials and valuation

Income Statement (Standalone)								(INR m)	
Y/E March	2020	2021	2022	2023	2024	2025	2026	2027E	2028E
Net Sales	31,049	19,138	28,174	24,894	23,693	33,451	24,418	42,347	61,204
Change (%)	1.2	-38.4	47.2	-11.6	-4.8	41.2	-27.0	73.4	44.5
Raw Materials	15,178	8,412	11,790	11,913	8,973	16,779	12,225	23,079	35,743
Staff Cost	5,340	5,011	5,707	5,325	6,000	5,488	5,356	6,159	7,391
Other Expenses	2,976	2,268	3,417	3,574	3,354	6,460	4,604	6,775	8,263
EBITDA	7,555	3,447	7,261	4,082	5,366	4,724	2,234	6,333	9,808
Margin %	24.3	18.0	25.8	16.4	22.6	14.1	9.1	15.0	16.0
Depreciation	964	945	904	773	670	707	759	832	958
Interest	47	39	34	45	31	33	34	34	34
Other Income	881	946	1,112	1,554	3,618	3,504	4,238	3,627	4,505
PBT	7,425	3,409	7,435	4,818	8,282	7,488	5,678	9,094	13,321
Tax	2,076	831	2,100	1,296	2,155	1,991	1,475	2,418	3,542
Tax Rate (%)	28.0	24.4	28.2	26.9	26.0	26.6	26.0	26.6	26.6
Extra-ordinary Inc.(net)	0	0	-336	0	0	0	0	0	0
Reported PAT	5,349	2,578	4,999	3,522	6,127	5,496	4,203	6,676	9,779
Change (%)	26.6	-51.8	93.9	-29.6	74.0	-10.3	-23.5	58.8	46.5
Adjusted PAT	5,349	2,578	5,335	3,522	6,127	5,496	4,203	6,676	9,779
Change (%)	26.6	-51.8	107.0	-34.0	74.0	-10.3	-23.5	58.8	46.5
Margin %	17.2	13.5	18.9	14.1	25.9	16.4	17.2	15.8	16.0

Balance Sheet (Standalone)								(INR m)	
Y/E March	2020	2021	2022	2023	2024	2025	2026	2027E	2028E
Share Capital	1,833	1,833	1,833	1,833	1,833	1,833	1,833	1,833	1,833
Reserves	24,235	25,015	28,473	30,282	34,535	38,257	40,577	44,704	51,553
Net Worth	26,068	26,847	30,306	32,115	36,368	40,090	42,410	46,537	53,385
Loans	22	0	0	0	0	0	0	0	0
Deffered Tax Liability	-542	-477	-571	-564	-707	-1,227	-912	-912	-912
Capital Employed	25,547	26,370	29,735	31,551	35,661	38,862	41,498	45,626	52,474
Gross Fixed Assets	12,914	13,685	14,511	14,157	14,965	16,007	16,976	19,476	22,476
Less: Depreciation	3,590	4,535	5,772	6,071	6,729	7,436	8,195	9,027	9,985
Net Fixed Assets	9,324	9,150	8,738	8,085	8,236	8,571	8,781	10,449	12,491
Capital WIP	421	215	407	743	729	2,303	2,987	2,987	2,987
Investments	39	45	0	0	0	39	39	39	39
Curr. Assets	46,527	49,730	55,922	77,331	93,728	1,05,284	1,29,897	1,82,727	2,54,588
Inventory	8,565	13,970	16,545	18,224	19,825	26,451	46,256	74,419	1,07,559
Debtors	3,384	3,227	3,042	1,846	3,104	8,264	4,229	7,334	10,600
Cash & Bank Balance	6,635	15,610	18,995	38,589	42,285	41,904	47,093	56,529	72,191
Loans & Advances	54	45	39	38	37	57	59	103	149
Other Current Assets	27,889	16,879	17,302	18,635	28,477	28,609	32,259	44,343	64,090
Current Liab. & Prov.	30,763	32,770	35,333	54,609	67,032	77,335	1,00,205	1,50,576	2,17,631
Creditors	3,455	7,426	5,525	4,644	7,984	15,056	28,348	37,560	54,286
Other Liabilities	24,042	22,754	26,269	46,445	55,045	57,199	67,887	1,06,130	1,53,392
Provisions	3,265	2,590	3,540	3,521	4,003	5,081	3,971	6,886	9,953
Net Current Assets	15,764	16,960	20,589	22,722	26,696	27,949	29,691	32,151	36,957
Application of Funds	25,547	26,370	29,735	31,551	35,661	38,862	41,498	45,626	52,474

Financials and valuation

Ratios

Y/E March	2020	2021	2022	2023	2024	2025	2026	2027E	2028E
Basic (INR)	14.6	7.0	13.6	9.6	16.7	15.0	11.5	18.2	26.7
Adjusted EPS	14.6	7.0	14.6	9.6	16.7	15.0	11.5	18.2	26.7
Growth (%)	26.6	-51.8	107.0	-34.0	74.0	-10.3	-23.5	58.8	46.5
Cash EPS	17.2	9.6	17.0	11.7	18.5	16.9	13.5	20.5	29.3
Book Value	71.1	73.2	82.7	87.6	99.2	109.4	115.7	127.0	145.6
DPS	4.2	4.6	4.0	4.6	4.0	5.9	5.2	7.0	8.0
Payout (incl. Div. Tax.)	34.9	65.6	27.2	47.4	23.7	39.4	45.3	38.2	30.0
Valuation (x)									
P/Sales	15.2	24.6	16.7	18.9	19.9	14.1	19.3	11.1	7.7
P/E	88.0	182.5	88.2	133.6	76.8	85.6	111.9	70.5	48.1
Cash P/E	74.5	133.5	75.4	109.6	69.2	75.8	94.8	62.7	43.8
EV/EBITDA	61.4	131.9	62.2	105.8	79.8	90.7	189.5	65.4	40.6
EV/Sales	14.9	23.8	16.0	17.3	18.1	12.8	17.3	9.8	6.5
Price/Book Value	18.0	17.5	15.5	14.6	12.9	11.7	11.1	10.1	8.8
Dividend Yield (%)	0.3	0.4	0.3	0.4	0.3	0.5	0.4	0.5	0.6
Profitability Ratios (%)									
RoE	20.5	9.6	17.6	11.0	16.8	13.7	9.9	14.3	18.3
RoCE	21.1	9.9	18.0	11.3	17.2	14.2	10.2	14.7	18.7
RoIC	25.2	17.7	42.5	-34.4	-52.4	-95.7	-19.4	-36.9	-32.9
Turnover Ratios									
Debtors (Days)	40	62	39	27	48	90	63	63	63
Inventory (Days)	101	266	214	267	305	289	691	641	641
Creditors. (Days)	41	142	72	68	123	164	424	324	324
Asset Turnover (x)	1.2	0.7	0.9	0.8	0.7	0.9	0.6	0.9	1.2
Gross Asset Turnover (x)	2.4	1.4	1.9	1.8	1.6	2.1	1.4	2.2	2.7
Leverage Ratio									
Net Debt/Equity (x)	-0.3	-0.6	-0.6	-1.2	-1.2	-1.0	-1.1	-1.2	-1.4

Cash Flow Statement (Standalone)

(INR m)

Y/E March	2020	2021	2022	2023	2024	2025	2026	2027E	2028E
PBT before EO Items	7,425	3,409	7,435	4,818	8,282	7,488	5,678	9,094	13,321
Add : Depreciation	964	945	904	773	670	707	759	832	958
Interest	47	39	34	45	31	33	34	34	34
Less : Direct Taxes Paid	1,736	778	2,034	2,181	1,560	2,031	2,186	2,418	3,542
(Inc)/Dec in WC	1,096	-7,756	983	-18,915	274	3,701	-4,820	-6,976	-10,856
Others	-560	-691	-59	-1,068	-3,033	-821	-3,066	-3,627	-4,505
CF from Operations	5,042	10,680	5,297	21,303	4,117	1,674	6,040	10,891	17,121
(Inc)/Dec in FA	-569	-565	-1,020	-1,081	-807	-2,827	-2,287	-2,500	-3,000
Free Cash Flow	4,473	10,115	4,276	20,222	3,310	-1,153	3,753	8,391	14,121
(Pur)/Sale of Investments	-117	-7,380	-5,305	-11,715	-8,287	-4,258	2,105	0	0
Others	354	608	595	1,085	1,870	3,014	3,378	3,627	4,505
CF from Investments	-332	-7,338	-5,730	-11,710	-7,224	-4,071	3,196	1,127	1,505
(Inc)/Dec in Net Worth	0	-11	-12	-13	-15	-16	-18	0	0
(Inc)/Dec in Debt	0	0	0	0	0	0	0	0	0
Less : Interest Paid	33	25	20	31	17	19	20	34	34
Dividend Paid	1,867	1,691	1,453	1,669	1,452	2,167	1,904	2,548	2,930
Others	-9	0	0	0	0	0	0	0	0
CF from Fin. Activity	-1,909	-1,726	-1,485	-1,714	-1,484	-2,202	-1,942	-2,582	-2,964
Inc/Dec of Cash	2,802	1,616	-1,919	7,878	-4,590	-4,600	7,295	9,436	15,662
Add: Beginning Balance	3,833	13,994	20,914	30,710	46,875	46,504	39,799	47,093	56,529
Closing Balance	6,635	15,610	18,995	38,589	42,285	41,904	47,093	56,529	72,191

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