Bharat Electronics | BUY

Results beat estimates; maintain BUY

Bharat Electronics (BEL) reported Q1FY27 EBITDA ~7%/4% ahead of JMFe/consensus estimate led by strong beat on execution (revenue 7%/10% ahead of JMFe/Bloomberg consensus estimate). Management has maintained the order inflow guidance of more than INR 550bn, including INR 300bn of the QRSAM order. They indicated QRSAM is awaiting approval from the Cabinet Committee on Security (CCS) and is expected in Q2FY27. For FY27, BEL maintained revenue growth guidance of 15% and EBITDA margin at 28%. With Q1FY27 revenue growth at 25% YoY, BEL's revenue growth guidance is achievable in our view. We estimate order inflows of ~INR 600bn driving revenue/EPS CAGR of 15%/15% over FY26–28E. Our estimates are unchanged. We value BEL at 44x FY28E EPS of INR 11, yielding a TP of INR 485 (unchanged); maintain BUY.

- **Results ahead of estimates led by strong execution offsetting weaker profitability**: BEL reported Q1FY27 EBITDA ~7%/4% ahead of JMFe/consensus estimate led by a strong beat on execution (revenue 7%/10% ahead of JMFe/Bloomberg consensus estimate). EBITDA margin at 25.1% came in line with JMFe, but missed consensus estimate of 26.6%. While gross margin at 45.5% is below our estimate of 48%, EBITDA margin at 25.1% is in-line led by lower other expenses (aided by lower provisions). PAT at INR 10.5bn (+8% YoY) is 8%/11% ahead of JMFe/Bloomberg consensus estimate.

- **Order inflows muted in Q1FY27; management expects to secure QRSAM in Q2FY27**: BEL reported order inflow of INR 37.5bn (-49%YoY), taking the order book to INR 723bn (-3.5% YoY). Management attributed the YoY decline to an adverse base effect as Q1FY26 included some deferred orders from Q4FY25. That said, management has maintained FY27 order inflow guidance of INR 550bn, including INR 300bn of the QRSAM order and base orders of INR 250bn. They indicated QRSAM is awaiting approval from the CCS and is expected in Q2FY27. Other prospects in the near term (FY27/28) include NGC (Next Gen Corvette) order (INR 150bn), Shatrughat/Samghat (INR 90bn), Shakti Phase IV (INR20bn) and HAMMER Alpha (INR 25bn).

- **Execution momentum strong; management maintains FY27 revenue growth guidance of 15% and EBITDA margin at 28%**: BEL delivered revenue growth of 25% YoY in Q1FY27. It has maintained revenue growth guidance of 15% YoY for FY27, implying ~14% growth rate for the remaining 9MFY27, which is achievable in our view. It has also maintained guidance of 28% EBITDA margin for FY27. Management attributed the decline in profitability in Q1FY27 to adverse product mix in execution and not commodity price pressure.

- **Trading at 37x FY28E EPS; estimates unchanged, maintain BUY with TP of INR 485 (unchanged):** We benchmark BEL against a basket of capital goods stocks on growth and RoE outlook (based on Bloomberg consensus estimates) and thus arrive at a target PE of 44x (unchanged) based on average PE implied by its RoE and EPS growth outlook. Our FY28E EPS is unchanged at INR 11, which yields a TP of INR 485, implying 19% upside from current levels; maintain BUY. Key risks to our view include any delay in fructification of the QRSAM order, slowdown in defence electronics spend and weakness in EBITDA margin.

Recommendation and Price Target	
Current Reco.	BUY
Previous Reco.	BUY
Current Price Target (12M)	485
Upside/(Downside)	19.2%
Previous Price Target	485
Change	0.0%

Key Data – BHE IN EQUITY	
Current Market Price	INR407
Market cap (bn)	INR2,976.2/US$31.0
Free Float (%)	46.6
Shares in issue (mn)	7,309.8
Diluted share (mn)	7,310
3-mon avg daily val (mn)	INR5,546.7/US$57.9
52-week range	INR473/361
Sensex/Nifty	76,836/23,996
INR/US$	95.9

Price Performance

%	1M	6M	12M
Absolute	0.0	-2.1	3.0
Relative*	0.3	4.9	8.5

*To the NSE Nifty 50

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Financial Summary (INR mn)

Y/E Mar	FY24A	FY25A	FY26E	FY27E	FY28E
Net Sales	202,682	237,688	276,101	318,850	362,771
Sales Growth (%)	14.3	17.3	16.2	15.5	13.8
EBITDA	50,464	68,337	80,493	91,467	103,992
EBITDA Margin (%)	24.9	28.8	29.2	28.7	28.7
Adjusted Net Profit	39,845	53,214	60,620	69,982	80,331
Diluted EPS (INR)	5.5	7.3	8.3	9.6	11.0
Diluted EPS Growth (%)	33.5	33.6	13.9	15.4	14.8
ROIC (%)	27.4	27.5	27.0	29.5	32.7
ROE (%)	26.4	29.3	27.6	25.5	22.9
P/E (x)	74.7	55.9	49.1	42.5	37.0
P/B (x)	18.2	14.9	12.4	9.6	7.6
EV/EBITDA (x)	58.7	43.4	36.7	31.5	27.1
Dividend Yield (x)	0.5	0.6	-	-	-

Source: Company data, JM Financial. Note: Valuations as of July 27, 2026

Results ahead of estimates led by strong execution, guidance maintained

- **Sales beat JMFe/consensus estimate by 7%/10%**: BEL reported sales at INR 55.33bn, up 25% YoY, which is 7%/10% above JMFe/Bloomberg consensus estimate. Management has maintained revenue growth guidance of 15% YoY for FY27, implying ~14% growth ask for the remaining 9MFY27, which is achievable in our view

- **Execution-led EBITDA beat; profitability below estimates; FY28 EBITDA margin guidance maintained at 28%:** EBITDA came in at INR 13.89bn, up 12% YoY and is 7%/4% above JMFe/consensus estimate. EBITDA margin decreased ~300bp YoY to 25.1%, in line with JMFe, but were 145bp below consensus estimate. While gross margin at 45.5% is below our estimate of 48%, EBITDA margin at 25.1% is in-line led by lower other expenses (aided by lower provisions). Management has attributed the decline in profitability to an adverse product mix in execution (not commodity price pressure) and has maintained EBITDA margin guidance of 28% for FY27.

- **PAT comes in 10%/11% above JMFe/consensus estimate:** BEL reported PAT of INR 10.48bn, up 8.2% YoY, which came in 8% above JMFe and 11% above consensus estimate.

- **Order inflows muted in Q1FY27; FY27 order inflow guidance maintained at INR 550bn:** BEL reported order inflows of INR 37.5bn (-49% YoY), taking its order book to INR 723bn (-3.5% YoY). Management attributed the YoY decline to an adverse base effect as Q1FY26 included some deferred orders from Q4FY25. They have maintained FY27 order inflow guidance of INR 550bn, including INR 300bn of the QRSAM order and base orders of INR 250bn. Management indicated QRSAM is awaiting approval from the CCS and is expected in Q2FY27.

- **Working capital improved QoQ:** Receivable days fell to 140 versus 176 days at end-FY26.

Exhibit 1: Q1FY27 result beat JMFe as well as consensus estimates

Bharat Electronics (INR mn)	Jun-25	Mar-26	Jun-26	QoQ	YoY	Vs. JMFe	Vs. BBG
Sales	44,168	1,01,772	55,331	-45.6%	25.3%	7%	10%
EBITDA	12,399	29,624	13,892	-53.1%	12.0%	7%	4%
EBITDA %	28.1%	29.1%	25.1%	-400	-297	14bp	-145bp
PAT	9,691	22,032	10,483	-52.4%	8.2%	8%	11%

Source: Company, JM Financial, Bloomberg

Execution momentum and profitability to sustain; estimates unchanged

We estimate BEL could deliver a revenue CAGR of 15% over FY26–28 and expect the strong profitability levels to sustain as the company has achieved strong indigenisation of its product portfolio (management expects to sustain EBITDA margin at 28%+). We estimate an EPS CAGR of ~15% over FY26–28. Our estimates are largely unchanged.

Exhibit 2: Our estimates for FY27/28: Largely unchanged

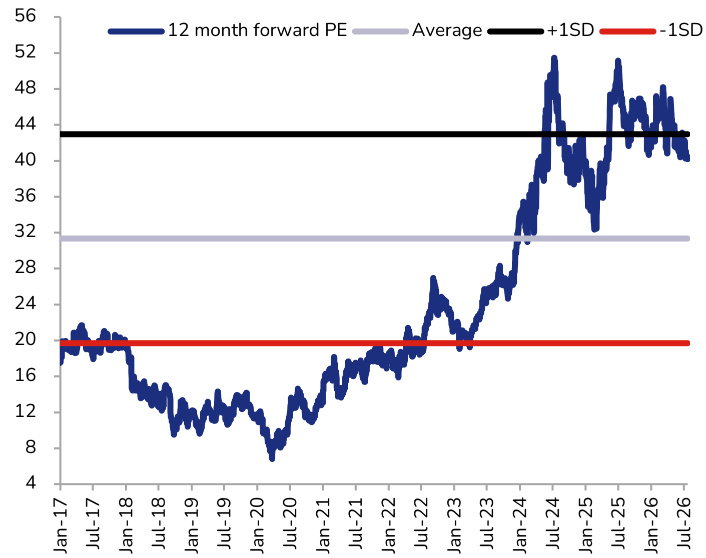
INR mn	New		Old		Old vs New	
	FY27	FY28	FY27	FY28	FY27	FY28
Revenues	3,18,850	3,62,771	3,18,871	3,64,074	0.0%	-0.4%
EBITDA	91,467	1,03,992	92,463	1,04,440	-1.1%	-0.4%
EBITDA margin (%)	28.7%	28.7%	29.0%	28.7%	-31	-2
PAT	69,982	80,331	70,888	81,079	-1.3%	-0.9%
EPS	9.5	10.9	9.7	11.0	-1.3%	-0.9%

Source: Company, JM Financial

Risk-reward favourable; retain BUY with unchanged TP of INR 485

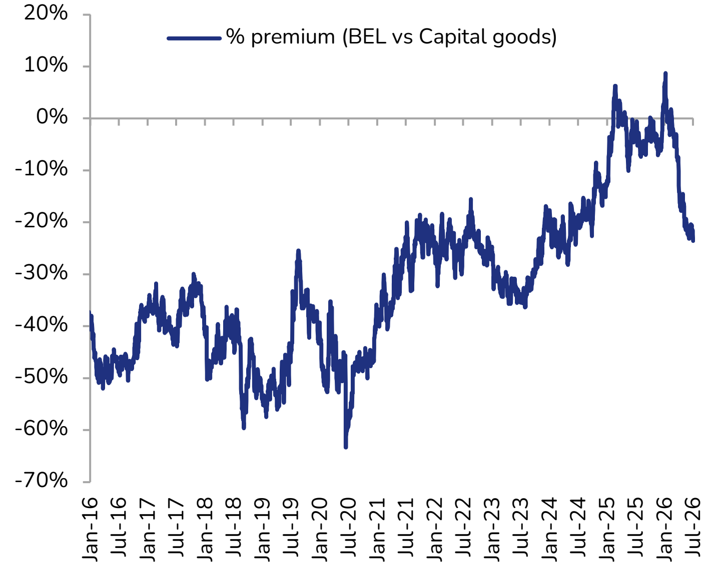
We benchmark BEL against a basket of capital goods stocks on valuations. Its valuation discount to capital goods stocks has expanded over the last one month. We benchmark it against a basket of capital goods stocks on growth and RoE outlook (based on Bloomberg consensus estimates) and arrive at a target PE of 44x (unchanged) based on average PE implied by its RoE and EPS growth outlook. Our estimates are unchanged. Thus, with FY28E EPS at INR 11, we arrive at a TP of INR 485 (unchanged) and maintain BUY.

Exhibit 3: 12-month forward PE for BEL



Source: Bloomberg, JM Financial

Exhibit 4: Valuation discount to average of capital goods expands



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

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Financial Tables (Consolidated)

Income Statement					(INR mn)
Y/E Mar	FY24A	FY25A	FY26E	FY27E	FY28E
Net Sales	202,682	237,688	276,101	318,850	362,771
Sales Growth (%)	14.3	17.3	16.2	15.5	13.8
Other Operating Income	-	-	-	-	-
Total Revenue	**202,682**	**237,688**	**276,101**	**318,850**	**362,771**
Cost of Goods Sold/Op. Exp	105,763	121,872	140,332	164,371	187,734
Personnel Cost	24,895	27,606	31,156	35,830	41,201
Other Expenses	21,560	19,872	24,121	27,182	29,843
EBITDA	**50,464**	**68,337**	**80,493**	**91,467**	**103,992**
EBITDA Margin (%)	24.9	28.8	29.2	28.7	28.7
EBITDA Growth (%)	23.5	35.4	17.8	13.6	13.7
Depn. & Amort.	4,432	4,674	5,557	5,488	6,020
EBIT	46,032	63,663	74,937	85,980	97,972
Other Income	6,701	7,424	5,660	7,014	8,763
Finance Cost	71	97	67	67	67
PBT before Excep. & Forex	52,662	70,990	80,530	92,927	106,669
Excep. & Forex Inc./Loss(-)	-	-	-	-	-
PBT	52,662	70,990	80,530	92,927	106,669
Taxes	13,231	18,119	20,295	23,390	26,848
Extraordinary Inc./Loss(-)	-	-	-	-	-
Assoc. Profit/Min. Int.(-)	429	368	391	451	517
Reported Net Profit	39,845	53,214	60,620	69,982	80,331
Adjusted Net Profit	**39,845**	**53,214**	**60,620**	**69,982**	**80,331**
Net Margin (%)	19.7	22.4	22.0	21.9	22.1
Diluted Share Cap. (mn)	7,310	7,310	7,310	7,310	7,310
Diluted EPS (INR)	**5.5**	**7.3**	**8.3**	**9.6**	**11.0**
Diluted EPS Growth (%)	33.5	33.6	13.9	15.4	14.8
Total Dividend + Tax	14,620	16,813	-	-	-
Dividend Per Share (INR)	2.0	2.3	-	-	-

Source: Company, JM Financial

Balance Sheet					(INR mn)
Y/E Mar	FY24A	FY25A	FY26E	FY27E	FY28E
Shareholders Fund	163,444	199,928	240,071	310,053	390,384
Share Capital	7,310	7,310	7,310	7,310	7,310
Reserves & Surplus	155,955	192,429	232,573	302,552	382,879
Preference Share Capital	-	-	-	-	-
Minority Interest	179	189	188	191	195
Total Loans	-	-	-	-	-
Def. Tax Liab. / Assets (-)	-15,420	-14,370	-16,713	-16,713	-16,713
Other non-current liabilities / Lease Liabilities	1,905	1,869	1,898	1,898	1,898
Total - Equity & Liab.	**165,349**	**201,797**	**241,970**	**311,951**	**392,282**
Net Fixed Assets	44,596	50,526	54,767	59,133	62,966
Gross Fixed Assets	33,192	37,862	41,065	45,431	49,264
Intangible Assets	2,467	2,147	6,390	6,390	6,390
Less: Depn. & Amort.	-	-	-	-	-
Capital WIP	8,937	10,518	7,312	7,312	7,312
Investments	-	-	-	-	-
Current Assets	344,924	352,444	384,734	449,995	534,423
Inventories	74,469	91,190	101,755	104,350	120,584
Sundry Debtors	73,924	91,164	128,758	114,100	121,384
Cash & Bank Balances	12,063	7,135	18,880	96,203	157,113
Loans & Advances	14	15	18	18	18
Other Current Assets	184,454	162,941	135,324	135,324	135,324
Current Liab. & Prov.	229,918	206,522	203,406	203,051	210,982
Current Liabilities	139,860	125,569	106,840	106,485	114,416
Provisions & Others	90,057	80,952	96,566	96,566	96,566
Net Current Assets	12,210	53,741	110,323	175,939	252,435
Other Non Current Assets/ROU Assets	102,797	92,182	71,006	71,006	71,006
Total - Assets	**165,349**	**201,797**	**241,970**	**311,951**	**392,282**

Source: Company, JM Financial

Cash Flow Statement					(INR mn)
Y/E Mar	FY24A	FY25A	FY26E	FY27E	FY28E
Profit before Tax	39,845	53,214	60,620	69,982	80,331
Depn. & Amort.	4,432	4,674	5,557	5,488	6,020
Net Interest Exp. / Inc. (-)	71	97	67	67	67
Inc (-) / Dec in WCap.	8,181	-47,103	-45,589	11,708	-15,587
Others	-5,934	-5,240	-5,241	-7,014	-8,763
Taxes Paid	-	-	-	-	-
Operating Cash Flow	**46,595**	**5,643**	**15,414**	**80,230**	**62,067**
Capex	-6,525	-10,113	-9,854	-9,854	-9,854
Free Cash Flow	40,070	-4,470	5,560	70,377	52,214
Inc (-) / Dec in Investments	-325	-608	-353	-	-
Others	-52,388	17,114	27,507	7,014	8,763
Investing Cash Flow	**-59,239**	**6,393**	**17,300**	**-2,839**	**-1,090**
Inc / Dec (-) in Capital	-	-	-	-	-
Dividend + Tax thereon	-14,621	-16,808	-20,829	-	-
Inc / Dec (-) in Loans	12	-13	42	-	-
Others	-141	-144	-182	-67	-67
Financing Cash Flow	**-14,750**	**-16,964**	**-20,969**	**-67**	**-67**
Inc / Dec (-) in Cash	**-27,394**	**-4,929**	**11,745**	**77,324**	**60,910**
Opening Cash Balance	39,457	12,063	7,135	18,880	96,203
Closing Cash Balance	12,063	7,135	18,880	96,203	157,113

Source: Company, JM Financial

Dupont Analysis					
Y/E Mar	FY24A	FY25A	FY26E	FY27E	FY28E
Net Margin (%)	19.7	22.4	22.0	21.9	22.1
Asset Turnover (x)	1.2	1.2	1.2	1.1	1.0
Leverage Factor (x)	1.1	1.1	1.1	1.0	1.0
RoE (%)	26.4	29.3	27.6	25.5	22.9

Source: Company, JM Financial

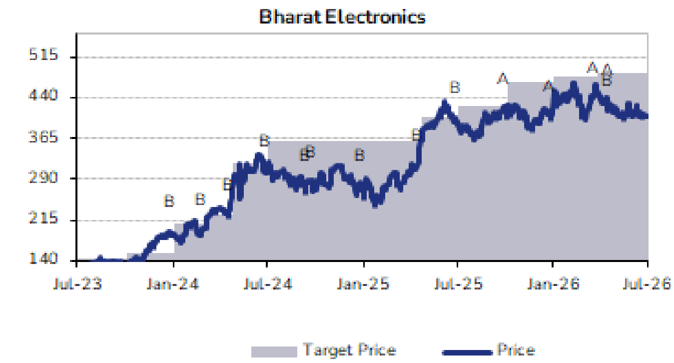
Key Ratios					
Y/E Mar	FY24A	FY25A	FY26E	FY27E	FY28E
BV/Share (INR)	22.3	27.3	32.8	42.4	53.4
ROIC (%)	27.4	27.5	27.0	29.5	32.7
ROE (%)	26.4	29.3	27.6	25.5	22.9
Net Debt/Equity (x)	-0.1	0.0	-0.1	-0.3	-0.4
P/E (x)	74.7	55.9	49.1	42.5	37.0
P/B (x)	18.2	14.9	12.4	9.6	7.6
EV/EBITDA (x)	58.7	43.4	36.7	31.5	27.1
EV/Sales (x)	14.6	12.5	10.7	9.0	7.8
Debtor days	133	140	170	131	122
Inventory days	134	140	135	119	121
Creditor days	89	72	67	57	61

Source: Company, JM Financial

Recommendation History Table

Date	Recommendation	Target Price	% Chg.
21-May-26	BUY	485	-0.1
19-May-26	ADD	485	0.0
23-Apr-26	ADD	485	1.0
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	

Recommendation History Chart



APPENDIX I

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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.

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