

Date : 29/04/2024

Techno Funda : Buy Bharat Electronics Limited.

Buy Range : @ 315-305

Target : 1st 336 @ , 2nd @ 370

Stock Info

Mkt Cap (cr)	241230.0
52-Weeks High/Low	₹339.35/122.50
Avg Volume	42,830,296
No. of eq shares (cr)	731.00
Face Values	1.00
Bse Code	500049
Nse Code	BEL
Free Float (cr)	117864.98

Source : NSE/BSE

BEL: Bharat Electronics Ltd, an aerospace and defense company owned by the Indian government, manufactures a wide range of specialized electronics for both defense and civilian use. The company's investments are focused on research and development to meet the ever-changing needs of its customers and to test products in its pipeline. With approximately three-fourths of its revenue derived from the defense sector, maintaining strong relationships with government officials and military camps is critical. To capitalize on export opportunities, the company established a marketing division. It ships products to countries that have favorable relationships with India and seeks to identify long-term supply chain relationships with global players.

Key Highlights:

The company announced the signing of a ₹593.22 crore contract with the Indian Air Force, further strengthening its order book and reinforcing its position as a key supplier to the defense sector.

Particulars	2023	2024
P/E	23.85	36.97
P/B	5.14	9.02
EV/EBITDA	14.45	23.79
Quick Ratio	1.15	1.21
Current Ratio	1.46	1.55
ROCE	26.92%	32.53%
ROIC	12.10%	14.53%
ROA	8.60%	10.62%
ROE	22.83%	26.40%
DSO	136.00	130.00
DPO	130.00	125.00
DIO	224.00	240.00
Interest Coverage	245.00	645.00

Source : Company, Fin2Research

BEL has secured a ₹2,210 crore order to supply an advanced Electronic Warfare (EW) Suite for the Indian Air Force's Mi-17 V5 helicopters. Developed by DRDO's CASDIC and manufactured by BEL, the suite includes a Radar Warning Receiver (RWR), Missile Approach Warning System (MAWS), and Counter Measure Dispensing System (CMDs), aimed at significantly enhancing the helicopters' combat survivability against aerial threats.

As of January 1, 2025, the company's order book stands at ₹71,100 crores; with an FY '25 order inflow target of ₹25,000 crores, it has achieved approximately ₹11,000 crores so far, and management remains confident of meeting the target, citing several pipeline projects expected to be finalized within the next two months.

In Q3 FY '25, the company reported a 23.41% YoY revenue growth to ₹14,174 crores, 43.86% rise in PBT to ₹4,242 crores, 42.34% increase in PAT to ₹3,183 crores, and an improved EBITDA margin of 28.07% from 23.67%.

Significant projects such as Ashwini Radar, Electronic Warfare for Mi-17, HimShakti Phase 4, and QRSAM are in the contract finalization stage, with the QRSAM project expected to be secured within 6–8 months and a targeted order value ranging between ₹25,000 crores and ₹30,000 crores.

MRSAM and MFSTAR orders linked to next-generation corvettes are anticipated in the next fiscal year, with an expected order value ranging between ₹14,000 crores and ₹15,000 crores.

The company reported a current gross margin of 44.5%, maintaining its guidance of 42% to 44%, with management expressing optimism about sustaining margins driven by repeat orders and service contracts.

Non-defense revenue currently contributes approximately 10% (8% from non-defense and 3% from exports), with management targeting an increase to 20%–25% over the next five years by focusing on cybersecurity, homeland security, and telecom projects.

Particulars	2023	2024
Revenue op. Growth	15.40%	14.29%
EBITDA Growth	22.31%	23.37%
EBIT Grwoth	23.91%	34.23%
PAT Growth	24.42%	33.46%
EPS	4.08	5.45

Source : Company

Particulars	% of Total Shares
Promoters	51.14%
Mutual Funds/AIF	15.25%
Insurance co. & others	4.16%
Other DIIs	1.46%
FII	17.56%
Retails and Others	10.43%
Total	100.00%

Key Risk :

- BEL has a high dependence on the defense sector for orders, with approximately 85% of its turnover coming from this sector. The company's limited export business means any change in the procurement policy of the defense forces or a significant cutback in defense spending could adversely impact its revenue and order book position.
- BEL is highly dependent on government contracts and faces significant working capital requirements due to the nature of its business operations.

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Support: There is apparent support around ₹240. If the price falls below this level, it could signal a break in the uptrend.

RSI: The RSI is at 66.84, nearing overbought territory (generally considered above 70). This could indicate a potential pullback in the short-term.

MACD: The MACD is above zero and the MACD line (blue) is above the signal line (orange), which is a bullish sign. However, the MACD line is starting to curve downwards, which could be a sign that the uptrend is losing momentum.

Bollinger Bands: The Bollinger Bands are widening, which suggests increasing volatility. This could be a sign of an upcoming breakout or breakdown.

Disclaimer

Guidelines on Report:

- It is recommended to enter in a staggered manner within the prescribed range provided in the report.
- Once the recommendation is executed, it is advisable to keep strict stop loss as provided in the report on closing basis
- The suggestion is valid for 3-5 months; if we want to carry subsequent positions, we will contact via mail or other mode of communications.
- Once target1 achieved, use trailing stop loss of recommended average price.

Portfolio Allocation:

- It is not recommended to allocate entire corpus to a single stock or product without first understanding the risk and return associated with that stock or product.
- It is recommended to diversify the corpus in a proportionate manner among various techno-funda research reports and other reports as stated.

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