

Date : 09/07/24

Techno Funda : Buy Bharat Electronics Limited.

Buy Range : @ 325-333

Target : 1st 350 @ , 2nd @ 390

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:

Bharat Electronics Ltd (BEL) has received orders worth Rs. 1,150 crores so far during the financial year 2024-25. Major orders include AMC of the Akash Missile System, Combat Management System for ships, Missile Fire Control System for ships, Laser Range Finders, and Communication Network Centre.

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

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	18.06%
Insurance co. & others	2.88%
Other DIIs	1.70%
FII	17.56%
Retails and Others	8.66%
Total	100.00%

Navratna Defence PSU Bharat Electronics Limited (BEL) achieved a turnover of Rs. 19,819.93 crores, marking a 14.35% growth during FY 2023-24 compared to Rs. 17,333.37 crores the previous year. In the 4th quarter of FY 2023-24, BEL's turnover reached Rs. 8,335.01 crores, up from Rs. 6,327.48 crores in the same period the previous year. Profit Before Tax (PBT) for FY 2023-24 was Rs. 5,334.56 crores, reflecting a 33.87% increase over Rs. 3,984.88 crores the previous year. In the 4th quarter, PBT rose to Rs. 2,385.61 crores from Rs. 1,781.49 crores in the corresponding period the previous year. Profit After Tax (PAT) for FY 2023-24 stood at Rs. 4,020.00 crores, a growth of 33.70% compared to Rs. 3,006.67 crores the previous year.

Navratna Defence PSU Bharat Electronics Limited (BEL) achieved a turnover of around Rs. 19,700 crores (provisional and unaudited) during the financial year 2023-24, representing a 13.65% increase from the previous year's turnover of Rs. 17,333 crores.

In FY 2023-24, BEL secured orders worth around Rs. 35,000 crores. Notable defense orders included Electronic Fuzes, EW Systems, Communication Systems for naval warships, Fire Control Systems, Akash Prime Weapon System, Radars, Sonars, Software Defined Radios, Night Vision Devices, and Tactical Communication Systems, along with various projects in the non-defense sector.

BEL is investing around INR 600 crores to INR 700 crores per year to build new capacity and upgrade existing facilities. Additionally, the company is constructing a super component facility at its Hyderabad unit with an investment of around INR 130 crores for AESA-based radar manufacturing.

BEL has set a revenue growth target of 15% for FY 2024-25, with an EBITDA margin expected to be between 23% and 25%. The company aims for an order inflow of around INR 25,000 crores. Additionally, BEL targets \$110 million in exports and aims to acquire export orders worth over \$200 million. The company is committed to exceeding these targets, based on thorough analysis and preparation by the team.

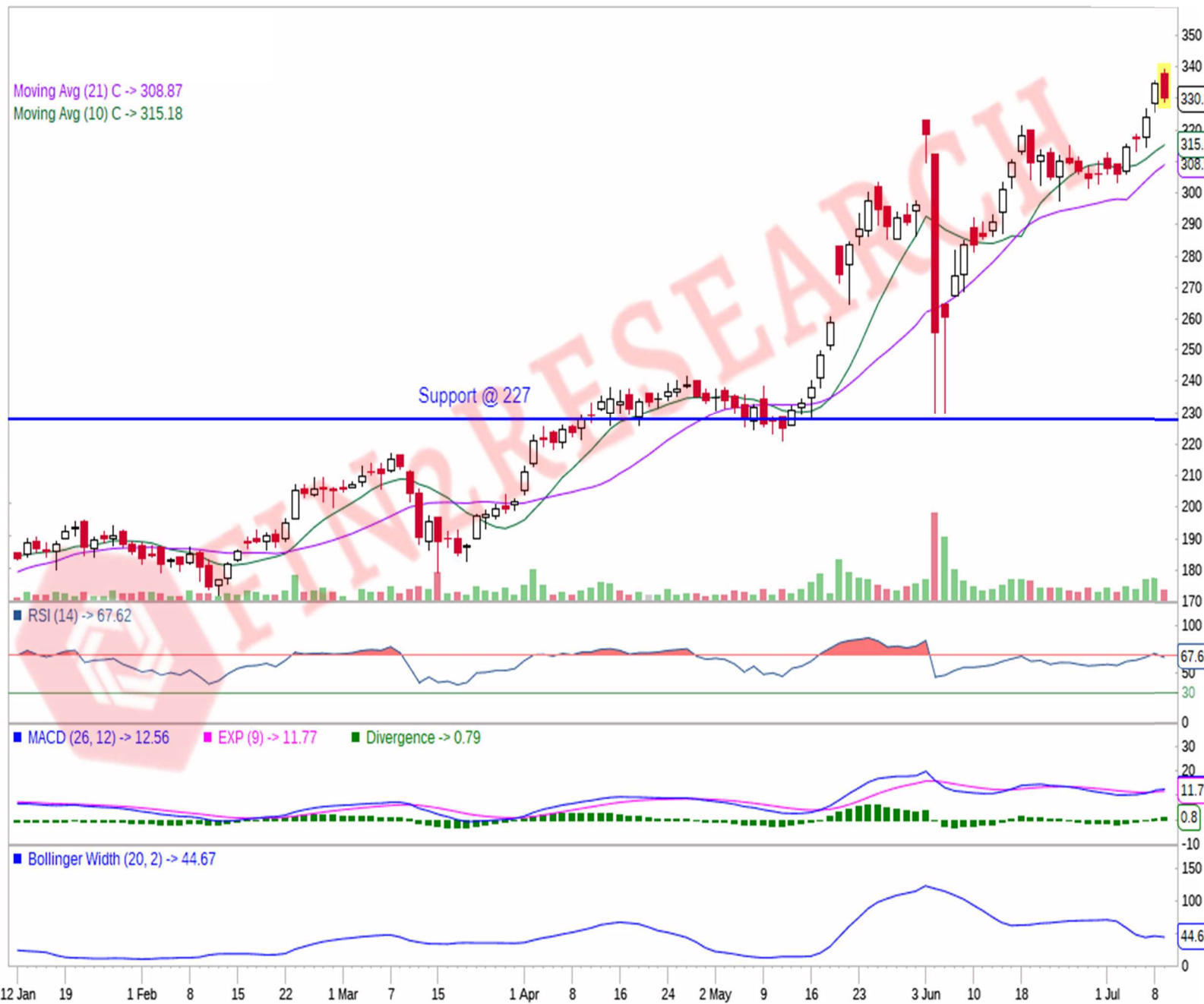
BEL plans to invest between 6% to 7% of its turnover in R&D, which amounts to roughly INR 1,300 crores to INR 1,400 crores. The capital expenditure (Capex) for the year is expected to be around INR 700 crores to INR 800 crores.

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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Moving averages: The price is currently trading above its 10-day and 21-day moving averages. This indicates that the short-term and long-term trends are both bullish.

Support: There is apparent support around ₹227. If the price falls below this level, it could signal a break in the uptrend.

RSI: The RSI is at 67.62, 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.

GUIDELINES FOR THE 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 a closing basis • The suggestion is valid for 3-5 months; if we want to carry subsequent positions, we will contact you via mail or other modes of communications.
- Once target1 is achieved, use a trailing stop loss of the recommended average price.

Portfolio Allocation:

- It is not recommended to allocate the 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 tech-funda research reports and other reports as stated.



FIN2RESEARCH

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Fin2Research Investment Advisor Pvt Ltd (FIA)

CIN: U70200DL2023PTC413207IA

Registration No: INA000018425

Registered Office: Plot No A 2nd Floor, Street New Bungalow Road, Malka Ganj, Delhi North Delhi, 110007 Delhi

Phone no: 9711885801

Email id: customercare@fin2research.com

Website: www.fin2research.com

For Research Query- researchdesk@fin2research.com