

# Bharat Electronics

BSE Sensex 80,426 S&P CNX 24,655



Bloomberg	BHE IN
Equity Shares (m)	7310
M.Cap.(INRb)/(USDb)	2893.9 / 32.6
52-Week Range (INR)	436 / 240
1, 6, 12 Rel. Per (%)	8/27/42
12M Avg Val (INR M)	7561

## Financials Snapshot (INR b)

Y/E March	2026E	2027E	2028E
Sales	276.7	325.5	386.4
Sales Gr. (%)	17.0	17.6	18.7
EBITDA	77.4	91.0	108.1
EBITDA Margin	28.0	28.0	28.0
Adj. PAT	60.1	71.8	85.6
Adj. EPS (INR)	8.2	9.8	11.7
EPS Gr. (%)	13.6	19.6	19.2
BV/Sh.(INR)	34.2	42.8	53.1

## Ratios

RoE (%)	24.0	22.9	22.1
RoCE (%)	26.9	25.5	24.4
Payout (%)	12.4	12.4	12.4

## Valuations

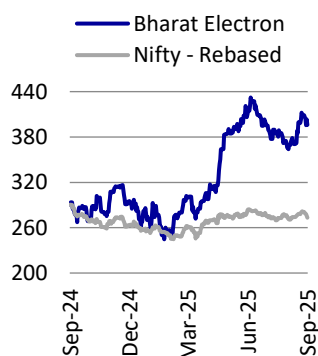
P/E (x)	48.2	40.3	33.8
P/BV (x)	11.6	9.2	7.5
EV/EBITDA (x)	35.2	29.3	24.1
Div. Yield (%)	0.3	0.3	0.4

## Shareholding pattern (%)

As On	Jun-25	Mar-25	Jun-24
Promoter	51.1	51.1	51.1
DII	20.6	20.9	20.6
FII	18.6	17.6	17.4
Others	9.7	10.4	10.8

FII Includes depository receipts

## Stock's performance (one-year)



**CMP: INR396 TP: INR490 (+24%) Buy**

## RFP issued for much-awaited QRSAM project

As per press reports, the Indian Army has issued a tender to Bharat Electronics (BHE) for the QRSAM project, also known as Anant Shastra, worth INR300b. The Indian Army will procure 5-6 regiments of the indigenously developed 'Anant Shastra' surface-to-air missile weapon systems and BHE will be the lead integrator. This order enhances BHE's order book to more than INR1t now. Along with this order, we also expect BHE to benefit from orders for next-generation corvettes, electronics warfare, follow-on orders for electronics for 97 Tejas Mk1A, loitering munition programs, and export opportunities. We maintain our estimates and reiterate BUY on BHE with a TP of INR490, based on 45x Sep'27E earnings.

## Key Investment Thesis

### Award of Anant Shastra (QRSAM) project

The Indian Army has issued a tender to BHE for the much-awaited QRSAM project, which was developed by DRDO. The Defence Acquisition Council had cleared the procurement proposal for this project shortly after Operation Sindoor in May'25. This project is worth nearly INR300b and would strengthen the Indian Army's air defense system. This mobile system can search, track and engage targets on the move, with a firing range of around 30km, complementing existing MRSAM and Akash systems. BHE will be the lead integrator for this project. We also expect the award of missiles for QRSAM to flow through to Bharat Dynamics (BDL). Our estimates already factor in the award of this project, and we expect the execution to commence primarily from FY27 onward.

### Other projects in pipeline for BHE

Beyond this QRSAM project, over the next 12-18 months, we expect the company to benefit from the finalization of orders for next-generation corvettes, multiple subsystem orders for the MF-STAR radar program, which are currently under configuration and pricing discussions with shipyards, Shatrughat and Samaghat electronic warfare (EW) systems, follow-on order for 97 LCA Mk1A, aircraft and loitering munition programs such as MALE-class drones. BHE is also well positioned across 8-10 items for an emergency procurement program and has also tied up with players for EoI for AMCA program. These orders, coupled with its existing strong order book of more than INR1t, now will help BHE sustain 15-17% revenue growth over the next 5-7 years.

### BHE can potentially target large number of items from TPCR 2025 roadmap

From the recently announced technology and capability road map, TPCR 2025, we expect BHE can target wide-ranging opportunities across all three services, with the Army focusing on EW systems, radios, radar modules, and drone-countering solutions; the Navy seeking advanced radars, sonar suites, ESM systems, integrated masts, maritime communication networks, and tactical 4G/5G systems; and the Air Force requiring secure communication networks, surveillance radars, EW suites, IFF systems, and AI/ML-based data fusion. Under TPCR 2025, annual potential ordering for the sector can be USD25-30b over the next couple of years.

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**Investors are advised to refer through important disclosures made at the last page of the Research Report.**

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**Financial outlook**

Our estimates already factor in large-sized order inflows from QRSAM and next-generation corvettes to materialize between FY26 and FY27. We also bake in longer gestation period for these orders and expect a sales/EBITDA/PAT CAGR of 18%/17%/17% over FY25-28. We expect OCF/FCF to remain strong over FY26-28, led by control over working capital. Further, the company has a cash surplus of INR94b (as of FY25), providing scope for further capacity expansion.

**Valuation and view**

BHE is currently trading at 48.2x/40.3x/33.8x on FY26E/FY27E/FY28E EPS. We maintain our BUY rating and two-year forward TP of INR490, based on 45x Sep'27E earnings.

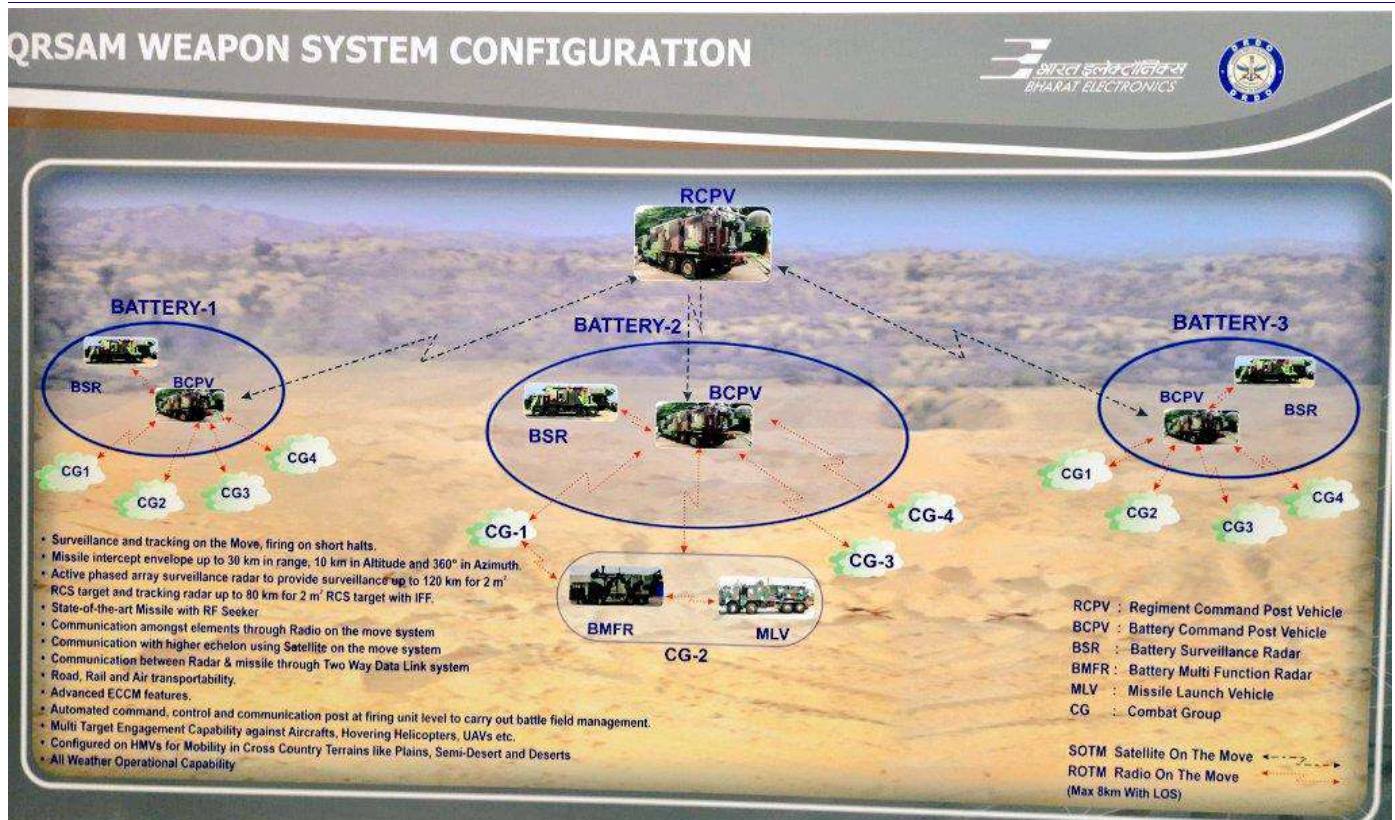
**Key risks and concerns**

A slowdown in order inflows from the defense and non-defense segments, intensified competition, further delays in the finalization of large tenders, a sharp rise in commodity prices, and delays in payments from the MoD can adversely impact our estimates on revenue, margins, and cash flows.

## Quick reaction surface-to-air missile (QRSAM)

The QRSAM is a short-range, mobile air defense system developed by India's DRDO in association with BHE and BDL, with both firms participating in development and manufacturing. The QRSAM system has a high level of indigenization, with a current level of 90% indigenous components. It is designed to protect the moving armored columns from aerial threats, offering a rapid response against aircraft, helicopters, UAVs, and cruise missiles. The QRSAM system is highly mobile, capable of searching, tracking, and firing on the move or with short halts.

Exhibit 1: QRSAM – system configuration



Source: Company, MOFSL

### Components of QRSAM:

- **Regiment Command Post Vehicle (RCPV):** A QRSAM weapon system comprises one RCPV, which acts as the central system controlling three guided-weapon batteries via SOTM (satellite on the move).
- **Battery Command Post Vehicle (BCPV):** The heart of the battery system is the BCP, which is capable of commanding up to six combat groups (CG).
- **Battery Multi-Function Radar (BMFR):** Each CG, in its two-vehicle configuration, consists of one BMFR vehicle, which can track 64 targets simultaneously at a distance of up to 80km.
- **Battery Surveillance Radar (BSR):** BCP also receives target data from BSR vehicle with a tracking range of 120km.
- **Missile Launch Vehicle:** The vehicle to which the launchers are attached.
- **Missile:** For the missiles meant for the Indian Armed Forces, **BDL** is the lead integrator of the missile.
- **Mobile Launcher Vehicle:** There is a transporter erector launcher (TEL), which is a six-tube canisterized launcher mounted heavy mobility vehicles. Each launcher has six missiles and can target six different targets. The launcher has all-round firing capability, 10-16 degrees in elevation, and 360-degree azimuth.
- **BMFR and BSR:** The BMFR & BSR, developed by **BHE**, are four-walled and configured to provide 360-degree coverage. The radar uses Quad TR modules based on gallium nitride.
- **RF Seeker:** QRSAM uses an indigenous RF seeker developed by **RCI**, which is also used in the Astra BVR air-to-air missile and Akash 1s SAM. DRDO has also developed a ceramic radome for QRSAM.
- **Laser proximity fuze:** The missile has a laser proximity fuze developed by the **Instruments Research and Development Establishment (IRDE)** to enhance accuracy and reduce its susceptibility to jamming.
- **Avionics:** The IRDE has developed a stabilized electro-optical sight (SEOS) with two-axis stabilization and an integrated automatic video tracker facility. The indigenous SEOS has three electro-optical sensors, a third-generation 3-5  $\mu\text{m}$  (640 x 512 FPA) thermal imager (TI) with optical zoom, a color day TV with optical zoom camera, and an eye-safe laser range finder (ELRF).

## Financials and valuation

Income statement							(INR M)		
Y/E March	2020	2021	2022	2023	2024	2025	2026E	2027E	2028E
<b>Net Sales</b>	<b>1,29,211</b>	<b>1,40,638</b>	<b>1,53,138</b>	<b>1,76,462</b>	<b>2,01,694</b>	<b>2,36,580</b>	<b>2,76,738</b>	<b>3,25,492</b>	<b>3,86,417</b>
Change (%)	6.9	8.8	8.9	15.2	14.3	17.3	17.0	17.6	18.7
Raw Materials	71,052	78,278	89,025	98,088	1,05,659	1,21,810	1,42,486	1,67,588	1,98,958
<b>Gross Profit</b>	<b>58,160</b>	<b>62,360</b>	<b>64,113</b>	<b>78,374</b>	<b>96,035</b>	<b>1,14,770</b>	<b>1,34,252</b>	<b>1,57,903</b>	<b>1,87,460</b>
Staff Cost	20,575	19,407	21,094	22,977	24,667	27,344	33,762	39,710	47,143
Other expenses	10,283	11,142	9,926	14,921	21,386	19,751	23,103	27,174	32,260
<b>EBITDA</b>	<b>27,301</b>	<b>31,811</b>	<b>33,092</b>	<b>40,475</b>	<b>49,982</b>	<b>67,676</b>	<b>77,386</b>	<b>91,020</b>	<b>1,08,057</b>
% of Net Sales	21.1	22.6	21.6	22.9	24.8	28.6	28.0	28.0	28.0
Depreciation	3,496	3,663	3,802	4,079	4,124	4,356	4,968	5,551	6,185
Interest	33	61	49	148	70	96	96	96	96
Other Income	1,019	1,261	2,336	3,600	7,558	7,676	8,198	10,911	12,981
<b>PBT</b>	<b>24,792</b>	<b>29,348</b>	<b>31,578</b>	<b>39,849</b>	<b>53,346</b>	<b>70,900</b>	<b>80,520</b>	<b>96,283</b>	<b>1,14,757</b>
Tax	6,853	8,694	8,089	9,782	13,146	18,017	20,462	24,468	29,163
Rate (%)	27.6	29.6	25.6	24.5	24.6	25.4	25.4	25.4	25.4
<b>Adjusted PAT</b>	<b>17,938</b>	<b>20,654</b>	<b>23,489</b>	<b>30,067</b>	<b>40,200</b>	<b>52,883</b>	<b>60,058</b>	<b>71,815</b>	<b>85,595</b>
<b>Reported PAT</b>	<b>17,938</b>	<b>20,654</b>	<b>23,489</b>	<b>30,067</b>	<b>40,200</b>	<b>52,883</b>	<b>60,058</b>	<b>71,815</b>	<b>85,595</b>
Change (%)	-6.9	15.1	13.7	28.0	33.7	31.5	13.6	19.6	19.2

Balance sheet							(INR M)		
Y/E March	2020	2021	2022	2023	2024	2025	2026E	2027E	2028E
Share Capital	2,437	2,437	2,437	7,310	7,310	7,310	7,310	7,310	7,310
Reserves	96,824	1,06,331	1,18,055	1,29,146	1,54,116	1,90,237	2,42,823	3,05,704	3,80,650
<b>Net Worth</b>	<b>99,261</b>	<b>1,08,768</b>	<b>1,20,492</b>	<b>1,36,455</b>	<b>1,61,426</b>	<b>1,97,546</b>	<b>2,50,133</b>	<b>3,13,014</b>	<b>3,87,960</b>
Loans	-	-	-	-	-	-	-	-	-
Deferred Tax Liability	(4,974)	(4,634)	(6,207)	(5,034)	(5,742)	(5,341)	(5,341)	(5,341)	(5,341)
<b>Capital Employed</b>	<b>94,287</b>	<b>1,04,134</b>	<b>1,14,285</b>	<b>1,31,422</b>	<b>1,55,684</b>	<b>1,92,205</b>	<b>2,44,791</b>	<b>3,07,673</b>	<b>3,82,619</b>
Gross Fixed Assets	42,815	45,103	50,090	55,847	60,414	70,287	78,787	87,787	97,787
Less: Depreciation	12,784	16,448	20,250	24,328	28,453	32,808	37,776	43,328	49,512
<b>Net Fixed Assets</b>	<b>30,030</b>	<b>28,655</b>	<b>29,840</b>	<b>31,518</b>	<b>31,962</b>	<b>37,479</b>	<b>41,011</b>	<b>44,459</b>	<b>48,275</b>
Capital WIP	1,994	3,507	3,986	3,616	4,538	4,688	4,688	4,688	4,688
Investments	12,233	13,313	15,543	6,645	7,678	8,204	8,204	8,204	8,204
<b>Curr. Assets</b>	<b>1,89,879</b>	<b>2,40,423</b>	<b>2,78,924</b>	<b>3,03,732</b>	<b>3,41,637</b>	<b>3,48,469</b>	<b>4,65,592</b>	<b>5,73,420</b>	<b>7,05,028</b>
Inventory	39,628	49,547	55,669	64,121	74,076	90,697	1,06,092	1,24,782	1,48,139
Debtors	40,055	65,515	61,034	70,220	73,622	90,920	1,06,352	1,25,089	1,48,503
Cash & Bank Balance	15,562	50,082	74,991	80,090	1,09,681	93,973	1,70,467	2,26,302	2,92,937
Loans & Advances	400	527	88	83	84	81	17	20	24
Other Current Assets	94,235	74,752	87,142	89,219	84,174	72,799	82,663	97,226	1,15,425
<b>Current Liab. &amp; Prov.</b>	<b>1,39,850</b>	<b>1,81,764</b>	<b>2,14,008</b>	<b>2,14,089</b>	<b>2,30,131</b>	<b>2,06,635</b>	<b>2,74,703</b>	<b>3,23,099</b>	<b>3,83,576</b>
Liabilities	1,25,091	1,64,265	1,91,851	1,99,468	2,13,630	1,90,387	2,55,697	3,00,744	3,57,037
Provisions	14,759	17,499	22,157	14,621	16,500	16,248	19,006	22,355	26,539
<b>Net Current Assets</b>	<b>50,029</b>	<b>58,659</b>	<b>64,916</b>	<b>89,643</b>	<b>1,11,506</b>	<b>1,41,834</b>	<b>1,90,889</b>	<b>2,50,321</b>	<b>3,21,452</b>
<b>Application of Funds</b>	<b>94,287</b>	<b>1,04,134</b>	<b>1,14,285</b>	<b>1,31,422</b>	<b>1,55,684</b>	<b>1,92,205</b>	<b>2,44,791</b>	<b>3,07,673</b>	<b>3,82,619</b>

## Financials and valuation

### Ratios

Y/E March	2020	2021	2022	2023	2024	2025	2026E	2027E	2028E
<b>Adjusted EPS</b>	<b>7.4</b>	<b>8.5</b>	<b>9.6</b>	<b>4.1</b>	<b>5.5</b>	<b>7.2</b>	<b>8.2</b>	<b>9.8</b>	<b>11.7</b>
Growth (%)	-6.9	15.1	13.7	-57.3	33.7	31.5	13.6	19.6	19.2
Cash EPS	8.8	10.0	11.2	4.7	6.1	7.8	8.9	10.6	12.6
Book Value	40.7	44.6	49.5	18.7	22.1	27.0	34.2	42.8	53.1
DPS	3.1	3.4	4.2	1.7	0.8	0.9	1.0	1.2	1.5
Payout (incl. Div. Tax.)	42	40	44	41	15	12	12	12	12
<b>Valuation (x)</b>									
P/E (standalone)	53.8	46.7	41.1	96.3	72.0	54.7	48.2	40.3	33.8
Cash P/E	45.0	39.7	35.3	84.8	65.3	50.6	44.5	37.4	31.5
EV/EBITDA	34.8	28.7	26.9	69.5	55.7	41.4	35.2	29.3	24.1
EV/Sales	7.5	6.6	5.9	16.2	13.8	11.8	9.8	8.2	6.7
Price/Book Value	9.7	8.9	8.0	21.2	17.9	14.6	11.6	9.2	7.5
Dividend Yield (%)	0.8	0.9	1.1	0.4	0.2	0.2	0.3	0.3	0.4
<b>Profitability Ratios (%)</b>									
RoE	18.1	19.0	19.5	22.0	24.9	26.8	24.0	22.9	22.1
RoCE	18.9	19.9	20.5	23.5	27.0	29.5	26.9	25.5	24.4
RoIC	26.7	38.9	76.5	90.3	92.3	79.3	73.6	98.1	104.6
<b>Turnover Ratios</b>									
Debtors (Days)	113	170	145	145	133	140	140	140	140
Inventory (Days)	112	129	133	133	134	140	140	140	140
Fixed Asset Turnover (x)	2.9	3.1	3.0	3.1	3.3	3.4	3.5	3.7	4.0

### Cash flow statement

Y/E March	2020	2021	2022	2023	2024	2025	2026E	2027E	2028E
<b>PBT before Extraordinary Items</b>	<b>24,792</b>	<b>29,348</b>	<b>31,578</b>	<b>39,849</b>	<b>53,346</b>	<b>70,900</b>	<b>80,520</b>	<b>96,283</b>	<b>1,14,757</b>
Add : Depreciation	3,496	3,663	3,802	4,079	4,124	4,356	4,968	5,551	6,185
Interest and others	(292)	750	(1,241)	(2,046)	5,516	(6,437)	96	96	96
Less : Direct Taxes Paid	5,684	5,323	8,024	9,150	14,130	16,674	20,462	24,468	29,163
(Inc)/Dec in WC	3,013	22,597	15,498	(21,179)	(2,376)	(47,341)	27,440	(3,598)	(4,496)
<b>CF from Operations</b>	<b>25,325</b>	<b>51,035</b>	<b>41,612</b>	<b>11,552</b>	<b>46,480</b>	<b>4,804</b>	<b>92,562</b>	<b>73,865</b>	<b>87,379</b>
<b>CF from Operations after EOI</b>	<b>25,325</b>	<b>51,035</b>	<b>41,612</b>	<b>11,552</b>	<b>46,480</b>	<b>4,804</b>	<b>92,562</b>	<b>73,865</b>	<b>87,379</b>
(Inc)/Dec in FA	(7,264)	(4,664)	(5,461)	(5,621)	(6,423)	(10,010)	(8,500)	(9,000)	(10,000)
<b>Free Cash Flow</b>	<b>18,062</b>	<b>46,371</b>	<b>36,151</b>	<b>5,931</b>	<b>40,057</b>	<b>(5,206)</b>	<b>84,062</b>	<b>64,865</b>	<b>77,379</b>
(Pur)/Sale of Investments	(731)	(1,094)	(43,145)	33,442	(52,465)	17,494	-	-	-
<b>CF from Investments</b>	<b>(7,995)</b>	<b>(5,758)</b>	<b>(48,606)</b>	<b>27,820</b>	<b>(58,888)</b>	<b>7,484</b>	<b>(8,500)</b>	<b>(9,000)</b>	<b>(10,000)</b>
(Inc)/Dec in Networth	(250)	(83)	-	-	-	-	0	-	-
(Inc)/Dec in Debt	(13)	(16)	-	-	-	-	-	-	-
Less : Interest Paid	552	431	539	697	128	156	96	96	96
Dividend Paid	9,793	10,227	10,233	12,424	14,615	16,806	7,471	8,934	10,648
<b>CF from Fin. Activity</b>	<b>(10,608)</b>	<b>(10,757)</b>	<b>(10,772)</b>	<b>(13,121)</b>	<b>(14,743)</b>	<b>(16,961)</b>	<b>(7,568)</b>	<b>(9,030)</b>	<b>(10,744)</b>
<b>Inc/Dec of Cash</b>	<b>6,722</b>	<b>34,519</b>	<b>(17,766)</b>	<b>26,251</b>	<b>(27,152)</b>	<b>(4,673)</b>	<b>76,494</b>	<b>55,835</b>	<b>66,635</b>
Add: Beginning Balance	8,840	15,562	50,082	74,991	80,090	98,646	93,973	1,70,467	2,26,302
Other adjustments	-	-	42,675	(21,153)	56,743	(11,035)	-	-	-
<b>Closing Balance</b>	<b>15,562</b>	<b>50,082</b>	<b>74,991</b>	<b>80,090</b>	<b>1,09,681</b>	<b>93,973</b>	<b>1,70,467</b>	<b>2,26,302</b>	<b>2,92,937</b>

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Explanation of Investment Rating	
Investment Rating	Expected return (over 12-month)
BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

\*In case the recommendation given by the Research Analyst is inconsistent with the investment rating legend for a continuous period of 30 days, the Research Analyst shall be within following 30 days take appropriate measures to make the recommendation consistent with the investment rating legend.

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