INVasset Corporate Insights

भारत इलेक्ट्रॉनिक्स
BHARAT ELECTRONICS

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INVASSET

India's Best Performing and Most Customer Centric PMS

Bharat Electronics Ltd (BEL) is India's preeminent defence electronics company, playing a mission-critical role in the nation's self-reliance and strategic deterrence. As a key public sector undertaking under the Ministry of Defence, BEL designs, develops, and manufactures advanced electronic systems for the armed forces—including radars, communication systems, electronic warfare, avionics, naval solutions, and missile electronics With decades of trusted execution, BEL has built a dominant position in high-entry-barrier defence electronics, while steadily expanding into civilian and export markets. It maintains its position among the top 100 global defence firms.

This Quarter at a Glance:

- Revenue rose 3.70% YoY to ₹4,439.74 Cr, led by strong execution in Radar and Naval systems.
- Order book touched ₹74,859 Cr, providing 5x revenue visibility.
- EBITDA margin steady at 23.3%, supported by product mix and scale.
- Exports and civilian segment continue to expand.
- FY26 order inflow guidance maintained at ₹27,000 Cr; visibility remains strong.

Growth Strategies- During H1FY25, the company established five new SBUs, including an Electronic Warfare and systems unit in Hyderabad expected to generate ₹1,500 crore in FY25. The other SBUs , focused on RF and IR seekers, arms and ammunition, network and cybersecurity, and unmanned systems, are projected to contribute over ₹1,000 crore in revenue over the next 2–3 years. To support this expansion, the company is setting up five new factories. Additionally, it signed an MoU with Safran Electronics & Defence (France) to form a joint venture for the manufacturing, customization, sales, and maintenance of HAMMER, a precision-guided air-to-ground weapon, in India.

Order book- BEL reported a total order book of ₹74,859 crore, with 40% contributed by 12 large projects such as LRSAM, HimShakti, Akash Army, Arudhra radar, Akashteer, D-29 EW, BSF project, and LRUs for LCA-83, providing 2–3 years of execution visibility. For FY26, BEL has guided for order inflows exceeding ₹27,000 crore, with the ₹30,000 crore QRSAM contract likely to materialize within the year—potentially pushing total inflows beyond ₹50,000 crore.In July alone, BEL secured fresh orders worth ₹1,640 crore from the Indian Army for Air Defence Fire Control Radars and additional contracts worth ₹563 crore across product segments. BEL achieved export orders worth USD 106 million in FY25 and is targeting USD 120 million in FY26. Management indicates strong inbound interest from Europe and global defence OEMs, particularly following the visibility gained through Operation Sindoor.

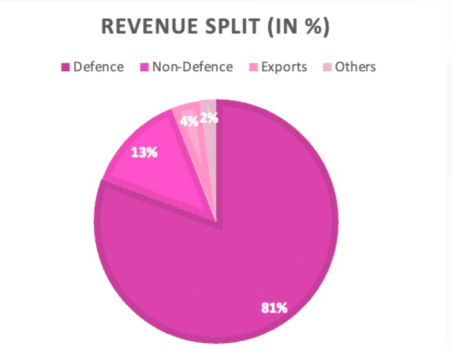
Government Push- BEL is benefiting from a strong government focus on indigenization in defence procurement. In FY25, the Ministry of Defence awarded 92% of its 193 contracts—valued at approximately ₹1.69 trillion—to Indian companies, reinforcing BEL's position as a preferred domestic supplier. Further, BEL signed an MoU with the Ministry under the Defence Testing Infrastructure Scheme to establish a new Electronic Warfare Testing Facility in Chennai, strengthening its validation and development capabilities.

Vertical Integration and R&D Focus- BEL operates with a strong emphasis on vertical integration, meaning it not only manufactures but also actively develops cutting-edge technology. This capability is underpinned by its robust research and development (R&D) foundation and an extensive network of laboratories. This is often conducted in a synergistic relationship with the Indian Armed Forces.

Stock Data	
CMP (29-07-2025)	Rs. 388.25
52 Week High/Low	Rs. 436/ Rs. 240.25
Face Value (in Rs.)	Rs. 1
Market Cap (In Crs)	Rs. 2.83L Cr
Enterprise Value (In Crs)	2.73L Cr
NSE	BEL
BSE	500049
Bloomberg	BHE:IN
Sector	Defence

Shareholding Pattern (in %)		
	Jun 24	Jun 25
Promoter	51.14%	51.14%
FII	17.43%	18.56%
DII	20.62%	20.60%
Public	10.82%	9.70%

Price Performance (in%)			
(%)	1M	6M	1Yr
Nifty 50	-2.55%	6.96%	0.04%
BEL	-8.33%	39.05%	21.85%



Joint Ventures and Collaborations- BEL formed a joint venture with Israel Aerospace Industries in Jan 2025 to provide long-term support for the MRSAM system, aligning with the Atmanirbhar Bharat vision. This strategic move enhances India's defence self-reliance while creating a recurring, high-value support revenue stream for BEL.

Macro Tailwinds: Structural Levers Driving BEL's Growth

1. India's 75% Domestic Defence Mandate- India's defence sector is undergoing sustained expansion, with the total market valued at USD 30.52 billion in 2025 and projected to reach USD 37.57 billion by 2030, growing at a 4.24% CAGR. This growth is being fuelled by a combination of rising strategic tensions, a deliberate policy focus on indigenisation, and steady private-sector participation. The 75% domestic procurement mandate ensures a large, guaranteed demand base for local players like BEL, anchoring long-term visibility. As the procurement ecosystem matures and procurement cycles accelerate, BEL stands to benefit from consistent inflows, especially in radar, communication, and integrated platform contracts.

2. Year of Reforms- The Government of India has designated 2025 as the "Year of Reforms" in defence, initiating wide-ranging changes across military preparedness and procurement. The emphasis is on integrated modernisation across land, sea, air, cyber, and space — areas where BEL already plays a leadership role through its proven capabilities in surveillance, electronic warfare, avionics, and network-centric operations. This reform-driven clarity is driving structural demand for multi-domain solutions, often bundled under Make-in-India platforms. BEL's long-standing relationships with defence services and its ability to customise complex electronic systems give it a distinct edge in addressing these modernisation-led opportunities.

3. Localisation Drive— ₹1.27 L Cr defence production (+16.7% YoY) - India's push for self-reliance in defence electronics is translating into measurable procurement and production outcomes. Domestic defence production reached ₹1.27 lakh crore in FY24, marking a 16.7% YoY increase and reflecting strong execution on indigenisation. With over 80% of BEL's revenues linked to domestic defence programs, the company is a direct beneficiary of this structural transition. Localisation not only secures demand for BEL's core platforms but also encourages deeper integration across subsystems, spares, and lifecycle services. As supply chains shift inward—especially in electronics, fuses, and sensors—BEL is well-positioned to deepen its value capture through expanded manufacturing, R&D, and system integration capacity.

4. Export Momentum — BrahMos, ASEAN interest, Middle East- India's emergence as a defence exporter is no longer aspirational but demonstrably underway. In February 2025, India secured a landmark ₹3,800 crore BrahMos missile export deal with Indonesia, showcasing its growing global reputation in strategic hardware. BEL, as a key electronics supplier to BrahMos and other indigenous platforms, gains both direct and derivative benefits from such international deals. BEL reported USD 106 million in export orders in FY25, and has guided for USD 120 million in FY26, supported by active inquiries from Southeast Asia and the Middle East. These markets are seeking credible alternatives to legacy Western or Chinese systems, and BEL's field-tested platforms make it a natural partner in expanding India's strategic footprint abroad.

5. Global Share Still Low — High Headroom for Growth- Despite being ranked among the top 100 global arms firms, BEL accounts for less than 1% of global arms sales, indicating substantial room for international expansion. Meanwhile, the 61.1% share of indigenous production in India's defence market in 2024 is projected to grow at a 5.10% CAGR, unlocking long-term opportunities across platforms, components, and subsystems. As the government tightens restrictions on imports in critical categories—such as semiconductors, special alloys, and guided systems—the ecosystem is increasingly favouring vertically integrated domestic players like BEL. The growth potential lies not only in headline orders but in developing strategic capability ownership, enabling BEL to scale its global presence while deepening its leadership in the domestic market.

6. Adjacent Sector Diversification Building Long-Term Resilience- While defence remains BEL's dominant growth driver, the company has been steadily expanding into adjacent non-defence verticals such as homeland security, smart cities, energy storage, space electronics, railways, and healthcare systems. These segments benefit from overlapping competencies in communication, sensors, and system integration. Government-led investments in digital infrastructure, public safety, and transport modernisation provide a structural tailwind to these initiatives. Although currently contributing a modest share to overall revenues, these segments serve as strategic buffers and growth options, positioning BEL to support broader national capability development beyond conventional defence.

Financial Analysis

PAT Grows 24.87% YoY on Cost Control and Operating Leverage- Profit after tax stood at ₹969.13 Cr, compared to ₹791.28 Cr in Q1 FY25. The margin improvement was driven by stable material costs, tight control on employee and other expenses, and positive associate contributions.

EPS Uptrend Continues- EPS improved to ₹1.33 from ₹1.08 in the prior year, reflecting stronger profit growth than revenue. The company remains debt-free, with a cash-rich balance sheet and sustained investments in R&D.BEL declared a total dividend of ₹2.40 per share for FY25, comprising ₹1.50 interim and ₹0.90 final (subject to shareholder approval), reflecting its continued focus on shareholder value.

Return Performance- BEL has emerged as a powerful wealth creator over the long term, delivering astronomical returns over 3- and 5-year periods. Its one-year gain of 21.85%, though modest relative to its recent past, signals continued investor interest and confidence in its earnings potential. Given its valuation has lagged fundamentals at times, BEL today may present an opportunity to invest in a structural defender of long-term returns, trading at a relative discount to its potential.

Revenue Growth Sustained Despite High Base- BEL reported consolidated revenue from operations of ₹4,439.74 Cr in Q1 FY26, marking a 3.7% YoY increase over ₹4,243.57 Cr in Q1 FY25. This growth reflects continued execution strength across defence platforms and a robust ₹74,859 Cr order book.
However, revenue declined 51.5% sequentially from ₹9,149.59 Cr in Q4 FY25, a typical seasonal pattern in defence procurement where the March quarter sees peak execution due to year-end government spending.

Credit Profile and Liquidity Strength- BEL's AAA credit rating was reaffirmed by ICRA, reflecting its debt-free balance sheet, strong liquidity (₹8,000 Cr cash), robust 25%+ margins, and strategic position as a key defence electronics supplier to the Government of India.

Reinvestment of Earnings- BEL incurred a capex of ₹650 Cr in FY24, with investments directed towards new facilities for seekers, night vision devices, and TI cameras. Capex continues in FY25 with five new factories under various stages of implementation, aligned with its long-term manufacturing and R&D expansion strategy.

EBITDA & Expense Structure- BEL's consolidated EBITDA rose to ₹1,238.27 Cr in Q1 FY26, marking a 30.5% YoY increase over ₹948.20 Cr in Q1 FY25. This pushed the EBITDA margin up to 27.9%, compared to 22.3% last year. The margin expansion significantly outperformed analyst expectations of 24%, driven by improved cost control, operational leverage, and a favourable product mix.BEL's total expenses for Q1 FY26 amounted to ₹3,320.14 crore, representing a marginal decrease from ₹3,295.37 crore recorded in Q1 FY24. This reduction in overall expenses, even amidst revenue growth, is a strong indicator of effective cost control and operational discipline

Operational Leverage Turns Modest Growth into a Profit Surge

BEL's Q1 FY25 results highlight a decisive step-up in profitability. Consolidated revenue rose 3.70% YoY to ₹4,439.74 Cr, but the real story lies in margin expansion. EBITDA margin jumped to 27.9%, up 610 bps from 21.8% last year, on the back of richer product mix, stronger execution, and cost discipline. PAT margin improved 320 bps, driving a 24.87% YoY surge in PAT despite modest top-line growth. This operating efficiency translated into exceptional leverage — every 1% revenue growth delivered roughly 7x EBIT growth.Their order book stands at ₹74,859 Cr, which is roughly 16.9× the Q1 FY25 revenue, providing multi-year revenue visibility and strong earnings assurance.

The quality of this earnings growth is equally important. Other income declined YoY and no one-offs distorted results, meaning the performance is entirely operational and repeatable. With margins now operating in a higher band and fixed-cost leverage firmly in play, BEL can translate even moderate revenue growth into sustained double-digit profit compounding. For long-term investors, this is a textbook case of a company entering a structurally stronger earnings phase — one that justifies conviction in owning BEL today.

Peer Comparison

Name	CMP Rs.	Mar Cap Rs.Cr.	P/E	Sales Growth %	ROE %
HAL	4564.60	305269.04	36.57	1.97	26.07
BEL	386.30	282376.82	51.30	14.23	29.32
Bharat Dynamics	1629.70	59738.71	108.74	41.18	14.38
Garden Reach SH.	2636.00	30195.86	57.20	41.28	28.11
Data Pattern	2689.40	15056.38	70.12	36.27	15.18
Zen Technologies	1489.60	13449.63	53.58	56.08	26.08
Astra Microwave	964.55	9157.97	59.73	15.66	14.87

While BEL's scope is broader — spanning R&D, manufacturing, and system integration — these companies help benchmark valuation, margins, and growth trajectories across India's evolving defence ecosystem.

SWOT Analysis

BEL commands a formidable position in India's defence electronics landscape, underscored by its substantial ₹74,859 Cr order book, debt-free balance sheet, and strong relationships with government stakeholders. These strengths are further bolstered by BEL's diversified R&D-backed product portfolio, enabling consistent delivery of mission-critical systems. However, the company remains vulnerable to long approval cycles, geopolitical dependencies for certain technologies, and policy-linked budget shifts. Looking ahead, BEL stands to benefit from the government's heightened defence expenditure, export push, and rapid induction of emerging technologies like AI and electronic warfare systems. Yet, threats loom in the form of global pricing pressure, increasing foreign competition, and a dynamic regulatory landscape. Overall, BEL's core competencies position it well to capitalize on future opportunities while requiring strategic agility to navigate external headwinds.

Strengths

- Massive order book-74,859 Cr
- Dominant Market Position
- Strong R&D
- Diversified Product Portfolio
- Strong Financials & Debt Free
- Government Backing

Weaknesses

- Vulnerable to policy and budget shifts
- Long Project Cycles
- Intense Competition
- Some Advanced tech requires Foreign Tie ups

Opportunities

- Booming Defense Exports
- Strategic Partnerships
- Emerging Technologies
- India's Defense Modernisation
- Non-defense sector growth

Threats

- Geopolitical Instability
- Rapid Tech Obsolescence
- Global Competition & Pricing Pressure
- Policy & Regulatory Changes

Investment Rationale

Structural Growth in Defence

– BEL is uniquely positioned to benefit from India's multi-decade defence modernisation, driven by rising domestic procurement, localisation mandates, and a robust policy push. Its presence across advanced radar, naval systems, communication networks, and electronic warfare ensures long-term growth with high entry barriers and deep client relationships.

5x Revenue Visibility:

– With an ₹74,000+ crore order book across strategic programmes and export contracts, BEL enjoys revenue visibility well beyond FY26. Proven execution, indigenous R&D strength, and manufacturing depth underpin its ability to deliver on large-scale, complex defence mandates.

Margin Expansion Story

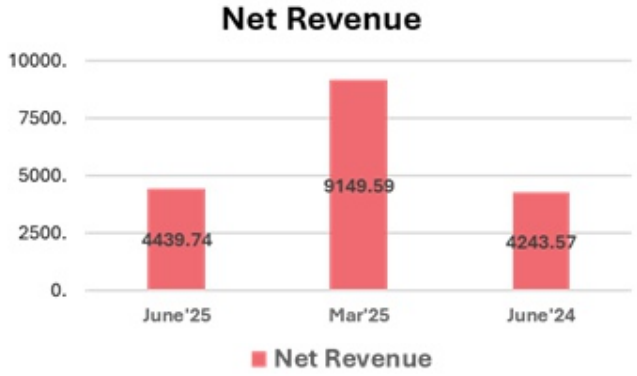
– FY25 began with PAT up 25% YoY and EBITDA margins above 27%, supported by cost control, favourable mix, and operational leverage. A debt-free balance sheet, robust liquidity, and 'AAA' credit rating provide headroom for growth without compromising returns.

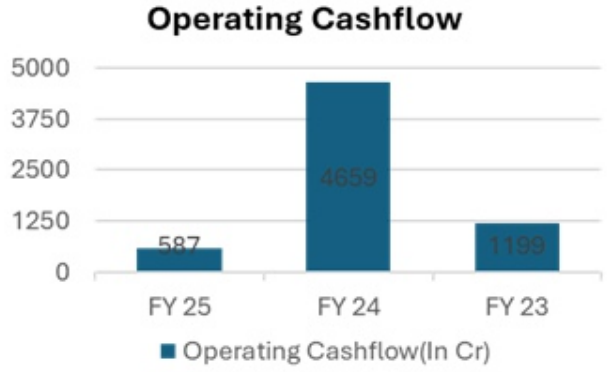
Export Upside & Strategic Tie-Ups

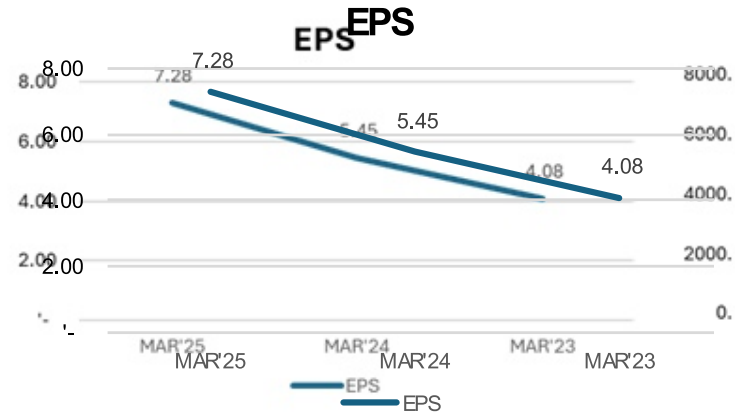
– Growing exports to Southeast Asia, Africa, and the Middle East, coupled with collaborations such as the Israel Aerospace Industries missile systems JV, strengthen BEL's global footprint and open recurring, high-value revenue streams.

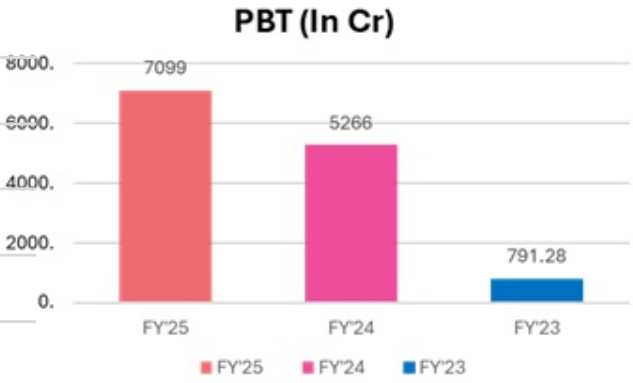
Capacity Expansion & Diversification

– Ongoing capex in seeker tech, night vision systems, integration facilities, and allied capabilities readies BEL for the next defence upcycle. Select diversification into smart cities, energy storage, and cybersecurity leverages core competencies to tap non-defence growth avenues.

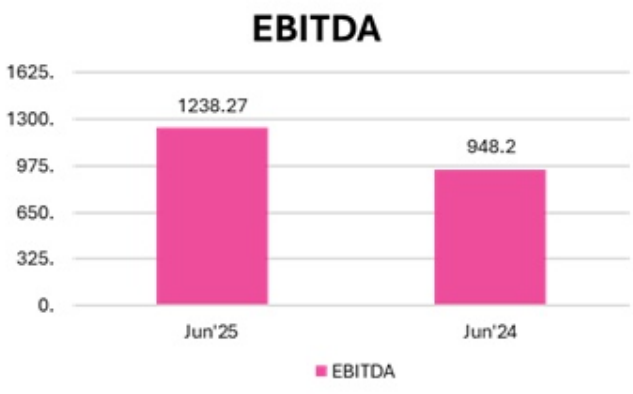

Net Revenue
10000.
7500.
5000.
2500.
0.
4439.74
9149.59
4243.57
June'25
Mar'25
June'24
Net Revenue


Operating Cashflow
5000
3750
2500
1250
0
587
4659
1199
FY 25
FY 24
FY 23
Operating Cashflow(In Cr)


EPS
EPS
8.00
6.00
4.00
2.00
7.28
5.45
4.08
4.08
MAR'25
MAR'24
MAR'23
EPS
EPS


PBT (In Cr)
8000.
6000.
4000.
2000.
0.
7099
5266
791.28
FY'25
FY'24
FY'23
FY'25
FY'24
FY'23


Compounded Growth(In %)
40.
32.
24.
16.
8.
0.
23.9
12.9
30.5
15.6
5 Years
3 Years
Profit
Sales


EBITDA
1625.
1300.
975.
650.
325.
0.
1238.27
948.2
Jun'25
Jun'24
EBITDA

Technical Outlook



The weekly chart of BEL Ltd displays a textbook uptrend within a well-defined rising channel since mid-2020. Every dip toward the lower channel has historically invited strong buying interest, while the upper channel has acted as a resistance zone. The stock recently bounced off the lower channel in May 2025, reaffirming structural strength.

Despite a mild pullback from the ₹430+ zone, the broader trend remains firmly positive. As long as the ₹345–₹360 zone holds (which aligns with channel support and previous breakout levels), the bullish setup remains intact. Volume action continues to support the trend, with no major distribution visible. A fresh breakout above ₹430 could unlock new highs in this long-term uptrend.

Moving Averages Days	Simple Moving Average	Exponential Moving Average
5	384.24	385.79
10	389.24	389.29
20	397.86	395.02
50	401.76	389.74
100	357.01	365.88
200	319.88	333.05

Pivot Levels : FIBONACCI		
R1 390.69	Pivot 385.42	S1 380.15
R2 393.95		S2 376.89
R3 399.22		S3 371.62

	Daily	Weekly
Relative Strength Index (RSI)	40.57	60.32

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