

**Bharat
Electronics Ltd.
Techno-Funda
Stock Outlook**



Indbank
Merchant Banking Services Ltd
(A Subsidiary of Indian Bank)

STOCK DETAILS

NSE Scrip code	BEL
BSE Scrip code	500049
Market cap (in Cr)	74,391
52-week High/Low (in Rs)	115 / 71
Price Target (in Rs)	120

RESULTS OVERVIEW

- Bharat Electronics Q3FY23 revenue grew by 12.2% YoY.
- EBITDA margin declined yoy to 20.8% from 22.4% on account of higher expenses.
- PAT increased yoy by 3% to Rs 613 crores from 595.86 cr.

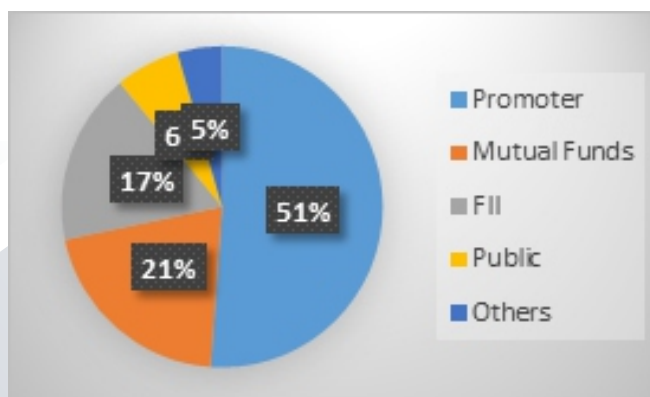
MANAGEMENT COMMENTARY

Owing to robust performance of all manufacturing units, in FY 2021-22, the company achieved a turnover of Rs 15,368.18 cr as against 14,108.69 cr in FY 2020-21, thereby registering a growth of 8.9%. The Profit After Tax grew 13.73% to Rs 2,398.87 Crore in FY 2021-22 as against Rs 2,098.94 Crores in FY 2020-21. The Total investment in R&D as a percentage of turnover during the year was 6.95%.

VALUATION AND OUTLOOK

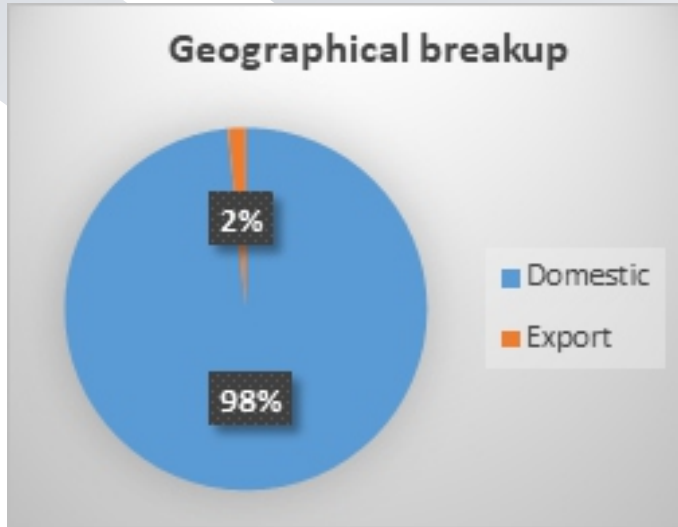
- The order book position of the company as on 1st January, 2023 stood at Rs. 50,116 Cr which provides a robust revenue visibility for the next few years.
- The Government's focus on 'Make in India' and 'Atmanirbharta' towards self-reliance in manufacturing provides great opportunity for import substitution and promoting innovative indigenous solutions for defence equipment. BEL being a key player in defence with multiple existing competencies and strong R&D competencies finds itself in a healthy position.
- To provide impetus to exports, the company plans to expand its network of marketing offices which currently spans six countries.
- In FY 2022-23, the company management target a healthy growth of 12-15% driven by both defence and non-defence businesses.

SHAREHOLDING PATTERN

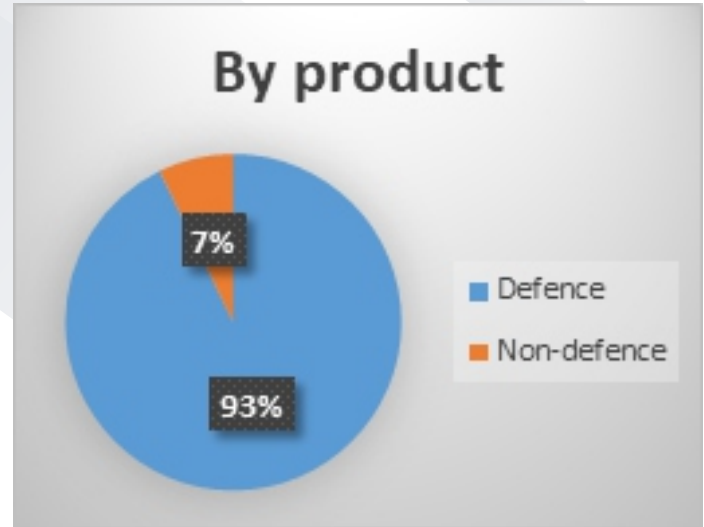


SEGMENT WISE SHARE

Revenue recognition



Turnover break-up



QUARTERLY PERFORMANCE

	Dec-21	Sep-22	Dec-22	Y-O-Y	Q-O-Q
Sales	3,701.65	3,961.59	4,153.12	12.2%	4.8%
Expenses	2,872.34	3,093.31	3,289.73	15%	6.3%
Operating Profit	829.31	868.28	863.39	4.1%	-0.6%
Other Income	59.91	73.79	58.64	-2%	-20.5%
Depreciation	98.19	109.45	106.07	8%	-3.1%
Interest	0.18	1.75	9.72	5300.00%	455.4%
Profit before tax	790.85	830.87	806.24	2%	-3.0%
Tax	205.98	216.04	203.23	-1%	-5.9%
Net profit	595.86	623.74	613	3%	-1.7%
OPM	22%	22%	21%		

INDUSTRY OVERVIEW

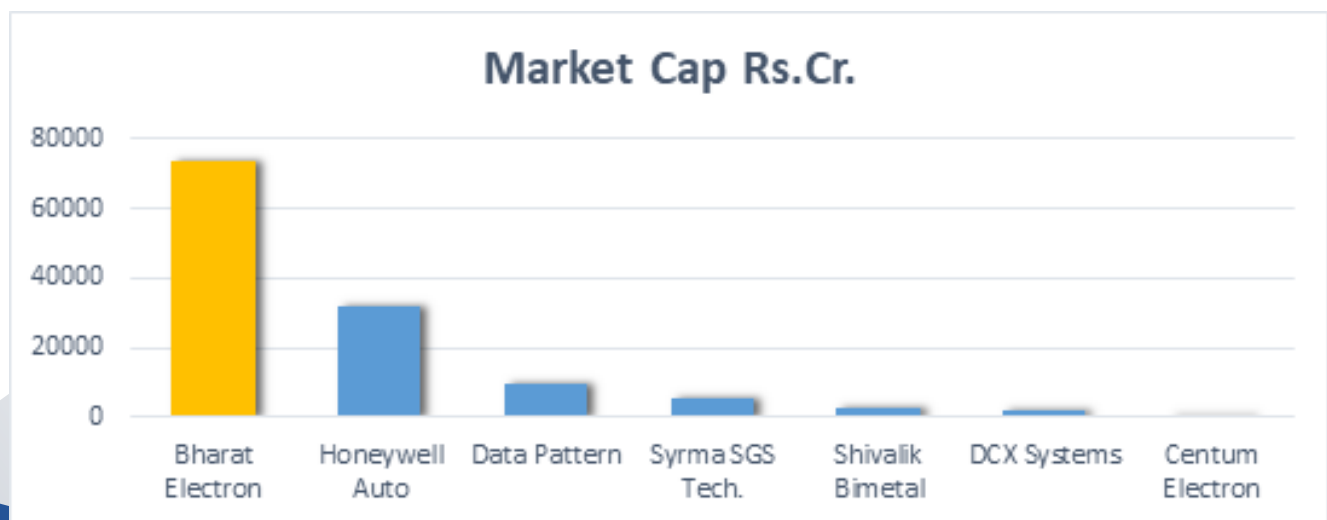
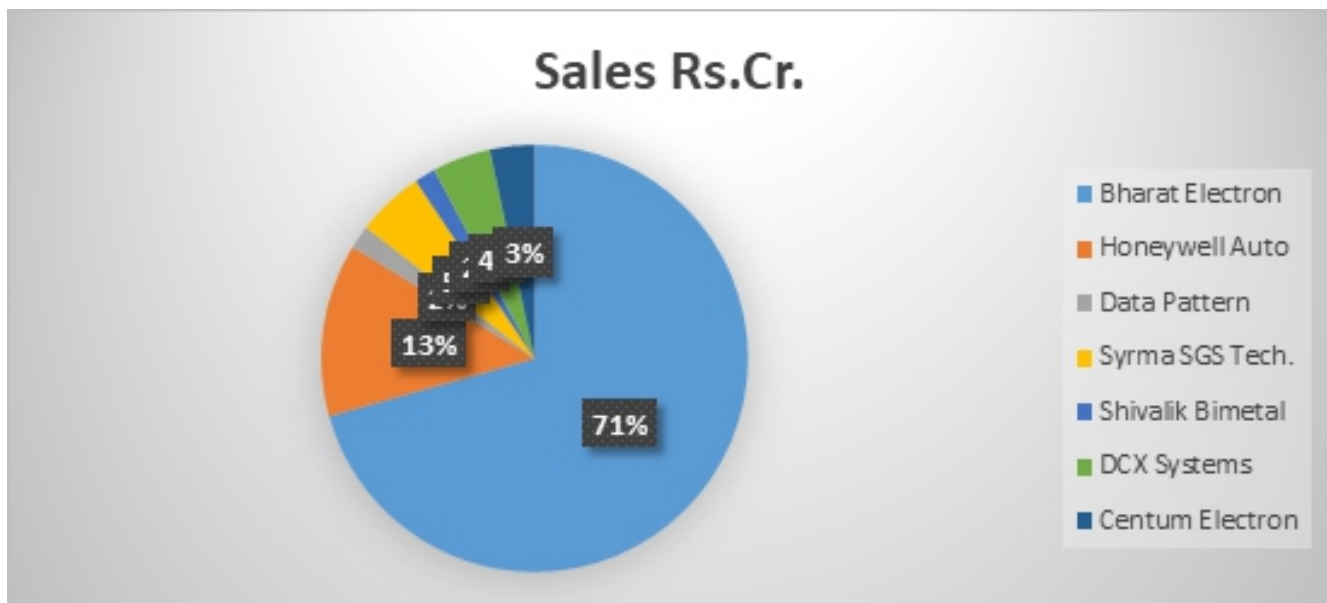
India has coped well with the economic impact of the pandemic. After a sharp contraction of economy (-7.3%) in FY 2020-21, Indian economy witnessed recovery and growth of 9% in FY 2021-22.

The Government of India has planned to achieve a turnover of \$25 Bn including export of \$5 Bn in Aerospace and Defence goods and services by 2025. Also over the next 5-7 years, the Government is set to spend \$ 130 Bn for fleet modernisation across all armed services. The industry gets INR 5.94 lakh crore in Budget 2023-24, a jump of 13% over previous year.

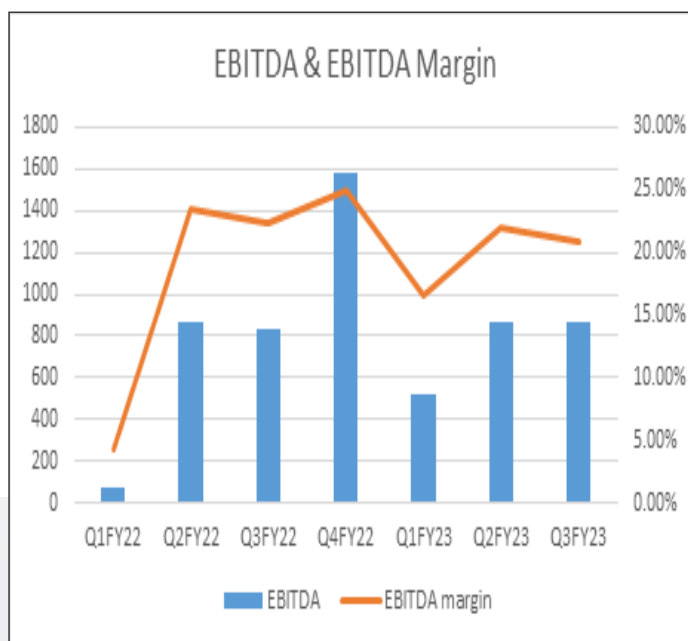
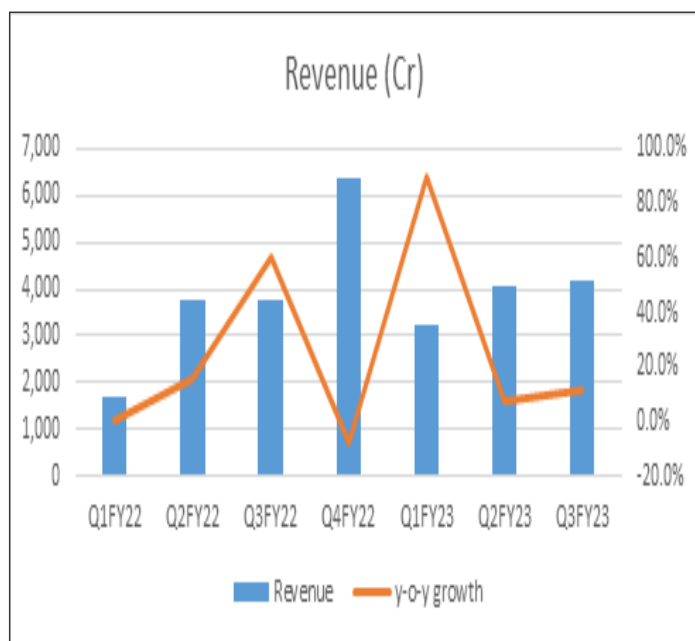
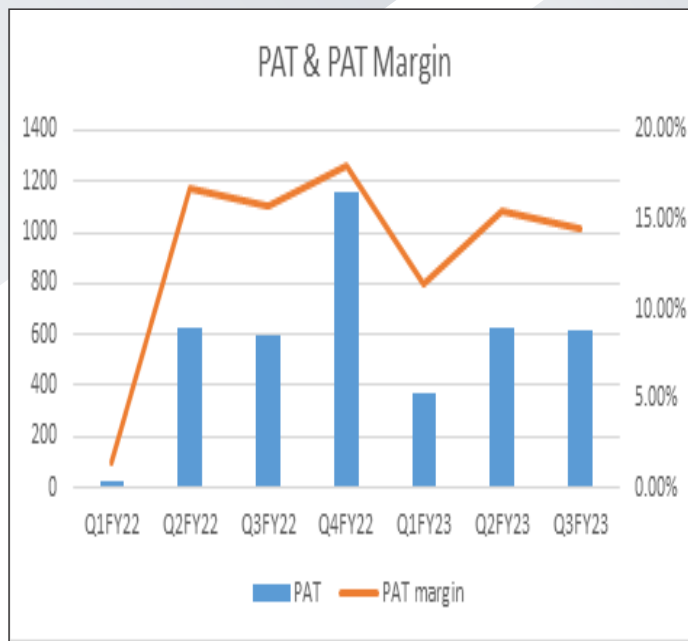
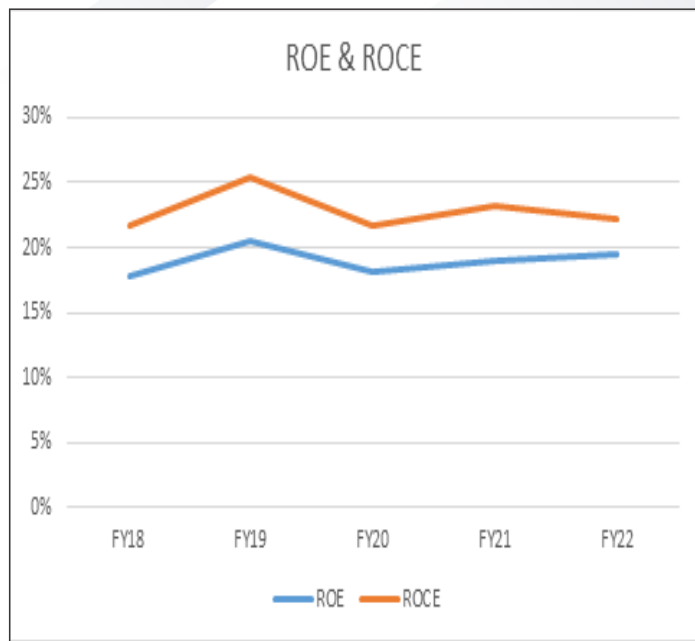
This has resulted in the defence companies' order books to be at an all-time high, which provides a strong revenue visibility for the companies catering to the defence industry.

PEER COMPARISON

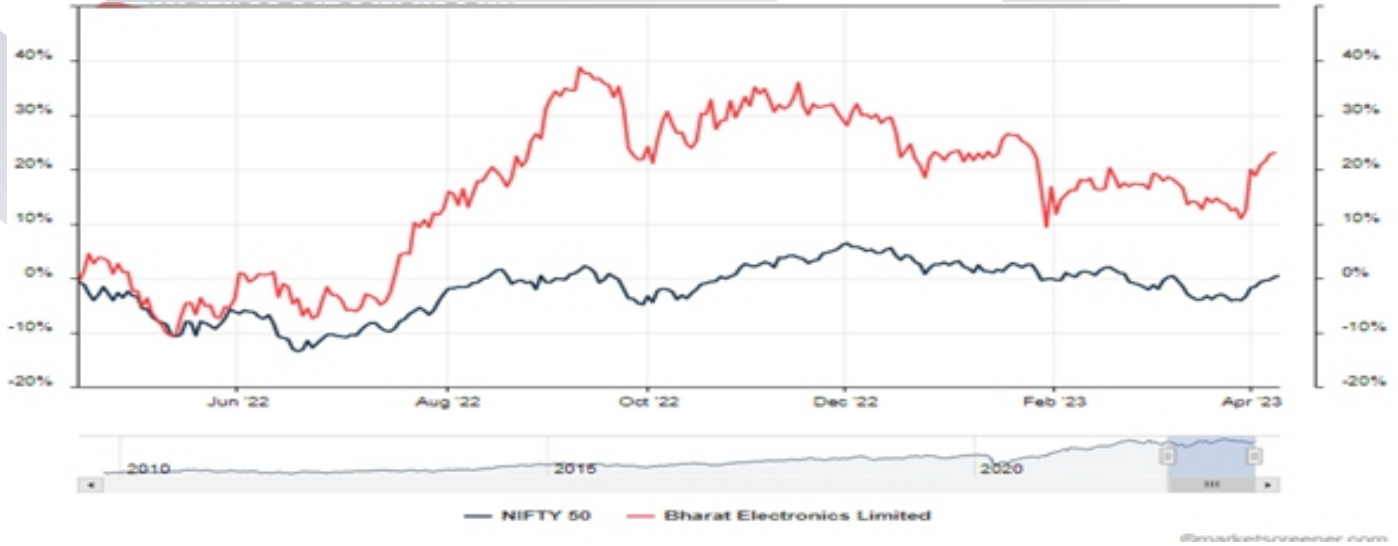
BEL leads in terms of market share and market cap.



GRAPHICAL PRESENTATION OF KEY MEASURES



The stock has yielded 23.06% against Nifty returns of 0.27% over the last one year -



INVESTMENT RATIONALE

- BEL leads the industry with a 71% market share.
- It recorded its highest ever turnover of 15,368.18 Crore in FY2021-22.
- BEL has received biggest Avionics order worth 2,400 Crore from Hindustan Aeronautics Limited (HAL) for LCA TEJAS Fighter Aircraft in FY2021-22.
- Its order book clocked highest value of Rs 57,570 Crore as on 1 April, 2022 led by ` 19,016 crore of new order bookings.
- BEL also received largest export order worth USD 93.15 Million from Airbus Defence and Space for the manufacture and supply of Radar Warning Receiver (RWR) and Missile Approach Warning System (MAWS) under the prestigious C295 aircraft programme.
- The company received PSU Excellence Award 2022 from Media Federation of India.

RISKS

- Challenges due to geopolitical situations
- Competition and evolving customer expectations
- Changing policies and regulatory landscapes

COMPANY RECAP

Bharat Electronics Limited (BEL) is a Navratna PSU under the Ministry of Defence, Government of India. It manufactures state-of-the-art electronic products and systems for the Army, Navy and the Air Force. BEL has also diversified into various areas like homeland security solutions, smart cities, e-governance solutions, space electronics including satellite integration, energy storage products including e-vehicle charging stations, solar, network & cyber security, railways & metro solutions, airport solutions, Electronic Voting Machines, telecom products, passive night vision devices, medical electronics, composites and software solutions.

ANNUAL PERFORMANCE

	Mar-21	Mar-22	Y-O-Y	Mar-23 E
Sales	14,108.69	15,368.18	8.9%	17,212.36
Expenses	10,894.94	12,023.80	10.4%	13,466.66
Operating Profit	3,213.75	3,344.38	4.1%	3,745.71
Other Income	124.96	231.54	85.3%	259.32
Depreciation	387.32	401.13	3.6%	439.31
Interest	9.61	8.55	-11.0%	16.45
Profit before tax	2,941.78	3,166.24	7.6%	3,549.27
Tax	872.44	811.78	-7.0%	981.29
Net profit	2,098.94	2,398.87	14.3%	2,567.98
EPS	2.87	3.28	14.3%	3.51
OPM	23%	22%		22%

RATIOS

RATIOS	FY21	FY22
RoA %	7.11%	7.07%
ROE %	18.97%	19.52%
ROCE %	23.28%	22.13%
EV Per EBITDA	7.6	12.3
EV/net sales	1.8	2.9
D/E	0.1	0
Net Profit Margin%	14.66%	15.32%
Current ratio	1.4	1.4

TECHNICAL OUTLOOK



BEL technically in chart has taken a strong support around 60-65 levels and moving up. Stock is witnessing a bullish breakout from a descending channel which can take the stock to levels of 115-120 in the medium term. One can initiate long at current levels keeping a stop loss below the levels of 90.

Stock after seven months of muted performance and broad consolidation is now witnessing a bullish price-volume break out around 80 levels. This bullish range breakout can take the stock towards highs of 2021 around 95 levels in short-medium term. Thus we recommend a buy in this stock keeping a stoploss below recent lows of 65.

Web link for Standard & General Disclaimer:

<https://corporate.indbankonline.com/Standard%20and%20General%20Disclaimer.pdf>

**For live and real time updates on stock market
Visit our website: www.indbankonline.com**



Indbank Merchant Banking Services Ltd.

I Floor, Khiviraj Complex I,
No.480, Anna Salai, Nandanam, Chennai-600035.

Telephone No: 044 - 24313094 - 97.

Fax No: 044 - 24313093 www.indbankonline.com