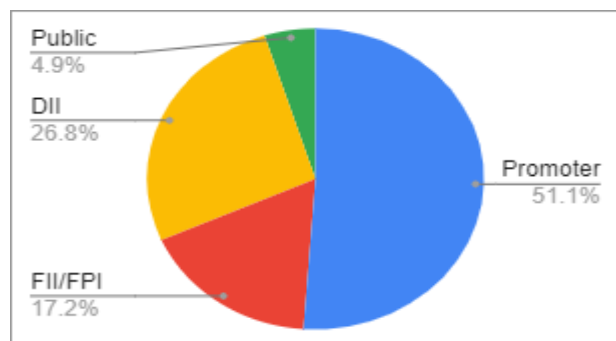


VALUE PARAMETERS

Face Value (Rs.)	1.00
EPS (TTM)	10.72
52-Week High/Low	228/115.85
M.Cap (Rs. in Cr.)	52,910.62
P/E Ratio (TTM)	20.25
Sector P/E	39.8
P/B Ratio (calc at CMP)	4.31
Dividend Yield (%)	1.83
Stock Exchange	NSE

SHAREHOLDING PATTERN



FINANCIAL PERFORMANCE

	ACTUAL	FORECAST	
	FY Mar-21	FY Mar-22	FY Mar-23
Sales (Cr)	14,063.8	15,790	18464
EBITDA (Cr)	3181.1	3345.9	4051
EBITDA margin	22.6	21.1	21.9
PAT (Cr)	2069.34	2406.22	2894.7
EPS (Rs)	9	10.44	12.5
ROE	19.59	20.7	21.5
ROCE	27.92	25.6	26.8
DPS	4	3.9	3.5

Our Recommendation: As per the present scenario, "Make in India" campaign, strong financials, robust Order Book, and increasing foreign contracts, we estimate the company will outperform in coming quarters. Thus, we recommend BUY in price range Rs. 190-205 with target price 270 (Upside 30%).

Investment Rationale:

- **Bharat Electronics Limited (BEL)** is an Indian Government-owned aerospace and defense electronics navratna company. The company manufactures advanced electronic products for ground and aerospace applications. BEL is the biggest supplier of electronics to all the three branches of defense i.e., Army, Navy and Air Force. In defense segment, the company manufactures equipment for communication, electronic warfare systems, tank electronics, naval system products, radars, optoelectronics and night-vision cameras. In non-defense segment, company deals in TV and broadcast, DTH, telecom, simputer, electronic voting machines, equipment for metro projects, and smart cities projects.
- BEL is the leading manufacturer of electronic appliances for defense forces with the market share of 55%. Recent Indian Govt initiatives like "Make in India" and "Atmanirbhar Bharat" for reducing India's dependence on foreign imports is a big opportunity for the entire defense sector and BEL could be the major beneficiary of these initiatives as BEL has 55% market share in defense segment.
- BEL also has competitive advantage because of its state-of-art inhouse capabilities and joint R&D agreement with DRDO and high entry barriers.
- The company has delivered yet another solid performance during Q3, ended in December 2021. BEL's consolidated net profit rose 116.5% to Rs 584.87 crores with 61.3% surge in net sales to Rs 3,660.84 crore in Q3 FY22 over Q3 FY21. The order book of the company as on 1 January 2022 stood at Rs 56,568 crore. The company has significantly decreased its debt by 8.33 Cr. Now, total debt stands Rs 0 Cr.
- In the past 12 months, BEL has declared an equity dividend amounting to Rs 4.10 per share. This results dividend yield of 1.96% at CMP.
- Ministry of Defense on Feb 24, 2022 signed a contract worth Rs 1,075 crore with BEL for retro-modification of commander sight in 957 T-90 battle tanks so that they can detect targets at longer ranges.
- In Feb 2022, Hyperion Global Group LLC, an US based infrastructure telecommunication company, signed a contract worth \$73 million with BEL to develop and manufacture and supply Internet of Things devices for the US market with provisions for supply upgrade worth \$365 million in the next five years.
- **Risks:**
 - Defense sector has been opened for private sector hence threat of competition exists from Bharat Forge, L&T and Mahindra Defense System.
 - Reduction in Govt spending in defense sector due to pandemic.

Financials

Quarterly Financial Results (consolidated)

Amt in Crores

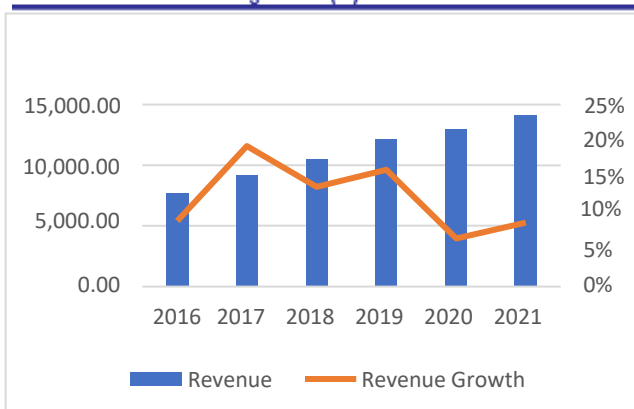
	March 2020	June 2020	September 2020	December 2020	March 2021	June 2021	September 2021	December 2021
Net Sales	5,816.77	1,675.59	3,195.24	2,320.39	6,917.47	1,648.67	3,678.05	3,701.65
Expenditure	4,322.81	1,529.51	2,567.93	1,864.17	4,936.57	1,578.64	2,814.04	2,872.34
EBITDA	1,493.96	146.08	627.31	456.22	1,980.90	70.03	864.01	829.31
Other Income	28.64	16.48	27.46	23.51	57.51	45.31	62.38	59.91
Depreciation	100.58	94.02	96.68	99.78	96.84	97.45	99.40	98.19
Interest	1.93	0.07	0.3	0.4	5.6	0.13	0.49	0.18
PBT	1,420.09	68.47	557.79	379.55	1,935.97	17.76	826.50	790.85
Tax	381.17	20.94	161.83	109.43	580.24	4.71	216.46	205.98
Net Profit	1,038.92	47.53	395.96	270.12	1,355.73	13.05	610.04	584.87
Profit margin%	17.86	2.84	12.39	11.64	19.60	0.79	16.59	15.80
Minority Interest	-0.24	-0.05	-0.26	-0.45	-0.06	-0.06	-0.15	-0.25
Shares Associate	8.05	6.31	3.31	8.38	12.45	11.36	14.57	11.24
Cons Net Profit	1,046.73	53.79	399.01	278.05	1,368.00	24.35	624.46	595.86
EPS	4.3	0.22	1.64	1.14	5.61	0.1	2.56	2.45

Annual Financial Results (consolidated)

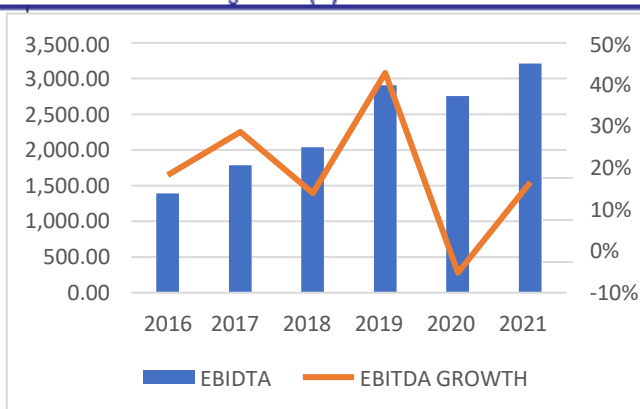
Amt in Crores

	March 2016	March 2017	March 2018	March 2019	March 2020	March 2021
Net Sales	7,729.24	9,220.70	10,485.16	12,164.17	12,967.67	14,108.69
Expenditure	6,339.93	7,433.73	8,449.95	9,257.94	10,213.21	10,898.18
EBITDA	1,389.31	1,786.97	2,035.21	2,906.23	2,754.46	3,210.51
Other Income	539.49	420.11	195.73	72.99	99.40	124.96
Depreciation	191.96	211.63	271.72	338.13	371.86	387.32
Interest	6.02	12.88	2.19	12.75	3.6	6.37
PBT	1,730.82	1,982.57	1,957.03	2,628.34	2,478.40	2,941.78
Tax	427.22	485.54	549.78	780.31	685.77	872.44
Net Profit	1,303.60	1,497.03	1,407.25	1,848.03	1,792.63	2,069.34
Profit margin%	16.87	16.24	13.42	15.19	13.82	14.67
Minority Interest		0.21	0.69	-0.27	-0.87	-0.82
Shares Associate	33.15	26.34	23.78	38.64	32.09	30.42
Cons Net Profit	1,336.75	1,523.58	1,431.72	1,886.40	1,823.85	2,098.94
EPS	0.5	6.2	5.88	7.74	7.49	8.61

Revenue and Revenue growth (%)



EBITDA and EBITDA growth (%)



Cash Flow Statement

Particulars	FY17	FY18	FY19	FY20	FY21
Cash from Operation	-61	-687	1,514	2,570	5,093
PBT	2,009	1,981	2,667	2,510	2,972
Adj for Exp	-278	115	412	328	449
Other adj	1,161	-130	-793	306	2,205
CF after WC	570	-35	2,286	3,145	5,626
Tax	-650	-681	-772	-574	-533
Cash from Investing	3,115	-6.0	-896	-649	-2,595
Cash from Financing	-2,857	-1202	-663	-1,061	-1,076
Net Change	197	-1,895	-45	861	1,422
Total Cash	2,700	804	760	1,621	3,043

Profit & Loss Account

Particulars	FY17	FY18	FY19	FY20	FY21
Net Sales	9,220.7	10,485.2	12,167.2	12,967.7	14,108.7
Expenditure	7,433.7	8,450.0	9,257.9	10,213.2	10,898.2
EBITDA	1,787.0	2,035.2	2,906.2	2,754.5	3,210.5
Other income	420.1	195.7	73.0	99.4	125.0
Depreciation	211.6	271.7	338.1	371.9	387.3
Interest	12.9	2.2	12.8	3.6	6.4
PBT	1,982.6	1,957.0	2,628.3	2,478.4	2,941.8
Tax	485.5	549.8	780.3	685.8	872.4
Net Profit	1,497.0	1,407.3	1,848.0	1,792.6	2,069.3
Profit Marg (%)	16.2	13.4	15.2	13.8	14.7
Minority Int	0.2	0.7	-0.3	-0.9	-0.8
Shares Assoc	26.3	23.8	38.6	32.1	30.4
Cons Net Profit	1,523.6	1,431.7	1,886.4	1,823.9	2,098.9
EPS	6.2	5.9	7.7	7.5	8.6

Balance Sheet (consolidated)

Particulars	FY17	FY18	FY19	FY20	FY21
Share Capital	223.0	243.0	243.0	243.0	243.0
Reserves & surplus	7,512	7,772	8,967	9,827	10,815
Current Liabilities	8,750	9,896	10,448	12,865	16,831
Other Liabilities	1,109	1,048	1,160	1,411	1,600
Total Liabilities	17,596	18,960	20,820	24,348	29,491
Assets					
Fixed assets	2,243	2,779	3,146	3,540	3,534
Current assets	14,066	14,304	15,874	18,790	23,754
Other assets	1,285	1,876	1,799	2,017	2,202
Total assets	17,596	18,960	20,820	24,348	29,491
Contingent Liab	2,196	2,949	1,396	2,742	2,487

Growth Indicators

Particulars	FY17	FY18	FY19	FY20	FY21
Revenue (%)	19.0	14.0	16.0	7.0	9.0
EBITDA (%)	29.0	14.0	43.0	-5.0	17.0
Net Income	15.0	-6.0	31.0	-3.0	15.0
EPS (%)	21.0	-5.0	32.0	-3.0	15.0

Valuation (x)

Particulars	FY17	FY18	FY19	FY20	FY21
P/E	20.84	24.18	12.05	9.93	14.52
P/BV	4.51	4.32	2.47	1.80	2.76
EV/EBITDA	12.65	15.15	7.31	5.76	7.61
EV/EBIT	15.58	17.24	8.24	6.62	8.61

Financial Ratio

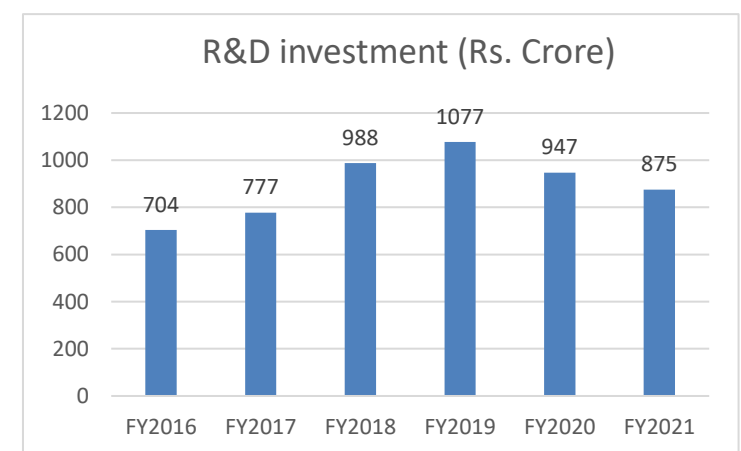
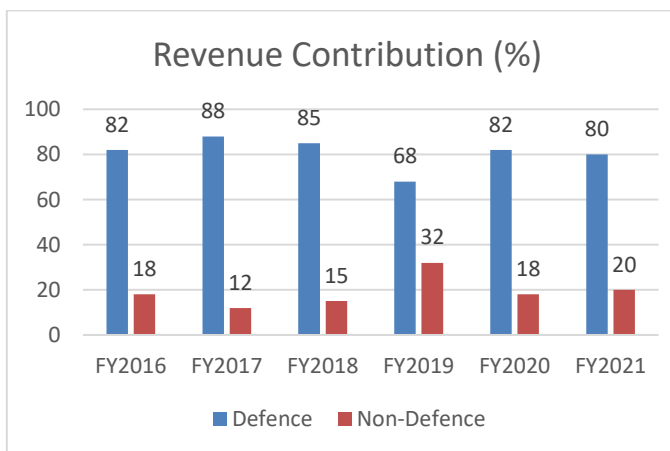
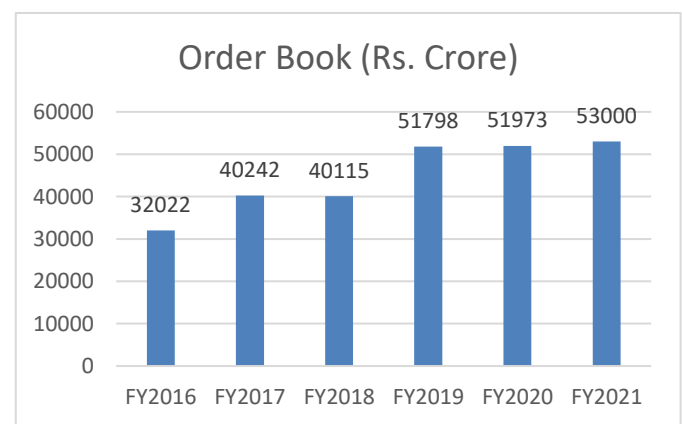
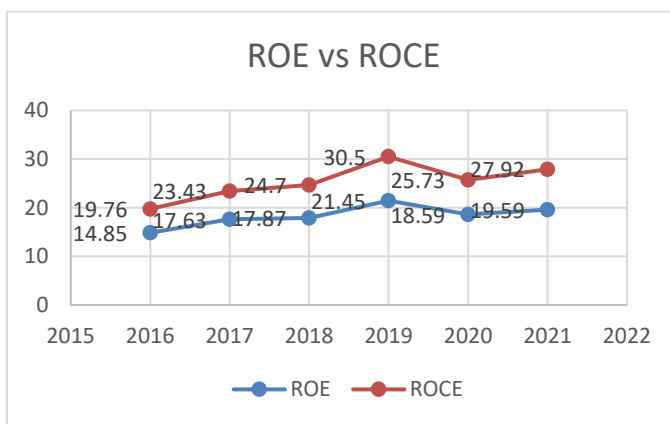
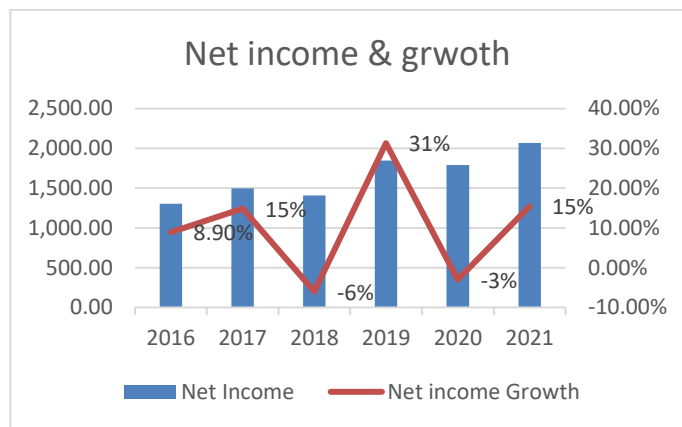
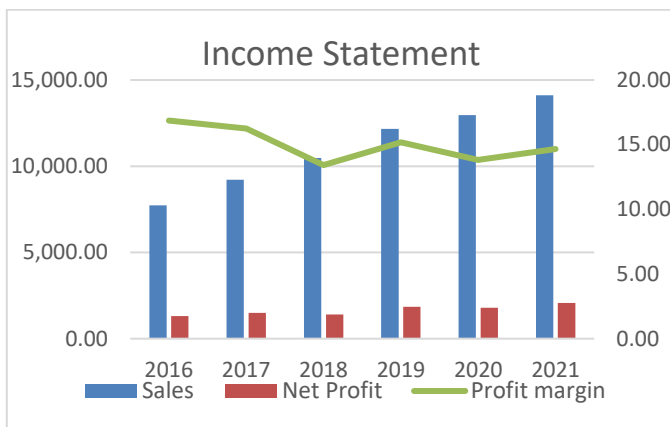
Particulars	FY17	FY18	FY19	FY20	FY21
ROE (%)	17.63	17.87	21.45	18.59	19.59
ROCE (%)	23.43	24.70	30.53	25.73	27.92
Debt/Equity	0.01	0.01	0.00	0.00	0.00
Asset/T. O	0.52	0.59	0.63	0.59	0.53

Margins (%)

Particulars	FY17	FY18	FY19	FY20	FY21
EBITDA margin	19.38	19.41	23.88	21.2	22.75
EBIT margin(%)	21.7	18.7	21.7	19.2	20.9
PAT margin(%)	16.2	13.4	15.2	13.8	14.7

Per Share Data

Particulars	FY17	FY18	FY19	FY20	FY21
EPS (Rs)	6.20	5.88	7.74	7.49	8.61
Diluted EPS (Rs)	6.03	5.70	7.91	7.36	8.48
Cash EPS (Rs)	7.79	6.77	9.21	8.80	9.98
BVPS (Rs)	31.49	32.90	37.80	41.33	45.39
DPR	32.99	34.04	43.92	37.41	46.43
DPS	2.25	2.00	3.40	2.80	4.00



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