

Bharat Electronics (BEL) - SELL

Company Update

Current Market Price (CMP) Rs.419	Fair Value (FV) Rs.390
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Rationale:

- BEL's provisional update for FY26 indicates a strong order momentum.
- Order inflow at Rs30000cr, 11% ahead of its guidance of Rs27000 cr (ex-QRSAM orders), led by a surge in orders in March.
- Registered 16.2% yoy growth in line with guided range, but below our estimates of 19%.
- Signing of the QRSAM order by Q1FY27 will remain a key monitorable.
- We lower our estimates by 2-6% as we moderate our execution.
- We maintain SELL rating with unchanged FV of Rs390 as we roll forward to March 2028.

👍 Positives:

- Strong surge in orders in March 2026 with ~Rs9500cr worth of orders, of which, Rs8600cr were awarded to BEL in the last two days of March.
- Exports strong performance; FY26 export order book up 38%.
- Steady order inflow has taken BEL's book-to-bill ratio to 2.7X, providing visibility for the next three years.
- We expect EBITDA margin to remain at 29% over FY26-28E, on favorable product mix.
- We expect BEL to see orders worth Rs1.4 lakh cr over FY26-28E as compared with Rs75000 cr over FY22-25.

👎 Negatives:

- BEL missed few large-size orders such as Next Generation Corvette & Shatrugath.
- The large Rs30000cr order for QRSAM has been deferred to FY27.
- Any further delay in signing QRSAM order could pose some risk to out-year estimates.

(QRSAM: Quick Reaction Surface-to-Air Missile)



The content of this document has been derived from KIE research report. Kotak's PCG Research has summarized the report (Research Team: shrikant.chouhan@kotak.com). Readers who wish to access the complete report are kindly requested to contact their respective Relationship Manager. Further, the recipient of this material should take their own professional advice before investing.

Holding Period: 12 months

RATING SCALE (PRIVATE CLIENT GROUP)

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- BUY** – We expect the stock to deliver more than 15% returns over the next 12 months
- ADD** – We expect the stock to deliver 5% - 15% returns over the next 12 months
- REDUCE** – We expect the stock to deliver -5% - +5% returns over the next 12 months
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- NA** – **Not Available or Not Applicable.** The information is not available for display or is not applicable
- NM** – **Not Meaningful.** The information is not meaningful and is therefore excluded.
- NOTE** – Our target prices are with a 12-month perspective. Returns stated in the rating scale are our internal benchmark.

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