

About the Company

BEL, a Navratna DPSU, was established in 1954 under the Ministry of Defence, the GOI, to cater to the electronic equipment requirements of the defence sector. The GOI remains BEL's largest shareholder, with a current shareholding of 51.14%. It is the dominant radar, communication, and electronic warfare equipment supplier to the Indian armed forces. The company has nine manufacturing units across India and two research units. The Bangalore and the Ghaziabad units are BEL's two major units, with the former contributing the largest share to the company's total revenues and profits.

Investment Rationale

- **Robust order book to drive revenue growth:** As of September 30, 2024, Bharat Electronics Limited (BEL) reported an order book of Rs 74,595 Cr, 3.7 times its FY24 revenue, offering strong revenue growth visibility over the medium term. The company remains confident in meeting its guided order inflow target of Rs 25,000 Cr for FY25. Additionally, the government's increasing capital budget allocations for the defence sector and its focus on implementing reforms to enhance domestic defence manufacturing and reduce imports are expected to support order inflows over the medium to long term.
- **Dominant supplier of defence equipment:** Bharat Electronics Limited (BEL), the leading domestic supplier of defence electronics to the Indian armed forces, benefits significantly from its position as the largest domestic electronics manufacturer. Its scale enhances cost efficiency and competitiveness. The company secures approximately 80-90% of its defence orders on a nomination basis, providing a stable and reliable revenue stream. BEL's EBITDA margins are expected to remain strong at 24% or higher.
- **Indigenization of defence supply:** The Government of India has taken significant steps to support domestic manufacturers by mandating increased procurement from local suppliers. As a result, the share of domestic procurement has risen from 55% in 2019 to 75% and is expected to grow further in the coming years. Additionally, boosting defence exports remains a top priority, with a target of reaching Rs 500 Bn by 2029. Bharat Electronics Limited (BEL) is strategically positioned to capitalise on these opportunities and expand its market share.

Valuation / Analyst recommendation:

- **Management is optimistic about maintaining a minimum growth rate of 15% annually over the next five years, driven by a strong order book and a growing defence budget.** We expect BEL to report Revenue/EBITDA/APAT CAGR of 15%/17%/19% respectively over FY23-FY26E. The stock is currently trading at 46x and 40x FY25E/FY26E EPS. We recommend a BUY rating on the stock with a TP of Rs 315/share, implying an upside of 10% from the CMP.

Financial Summary

Y/E March	Sales (Rs Cr)	EBITDA (Rs Cr)	PAT (Rs Cr)	EPS (Rs)	P/E (x)	RoE (%)	RoCE (%)	EV/EBITDA (x)
FY23	17,734	4,086	2,941	4.0	24	21	27	16
FY24	20,268	5,047	3,943	5.4	51	25	33	38
FY25E	23,308	5,641	4,254	5.8	47	23	30	34
FY26E	26,804	6,513	4,926	6.7	40	23	30	29

Source: Axis Securities; CMP as on 20th January, 2025

Duration: 3-6 Months

CMP (Rs)	286
Target Price (Rs)	315
Upside (%)	10%

| Why BEL Ltd

- ✓ **Robust Order Book**
- ✓ **Growth in Export Market**
- ✓ **Govt. Thrust on Defence Sector Development**

| Key risks

- ✓ **Delay in Project Execution**
- ✓ **Increase in Input Costs**
- ✓ **Geopolitical Conflicts**

MARKET DATA

No. of Shares	731 Cr
Market Cap	2,08,919 Cr
52-week High / Low	340/172
BSE Code	500049
NSE Code	BEL

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| OBJECTIVE



Axis Punch is designed to generate solid return in short to medium term based on High Conviction Stock Ideas for both investors and traders. This fundamental medium-term product targets return of 10% plus with an investment horizon of 3 to 6 months. Recommendations under Axis Punch are driven by various business and economic events, company valuations, market direction, or a mix of these factors.

| Axis PUNCH is strong research based idea based on



Events Based: Our recommendations are based on the following critical factors, providing a comprehensive approach to medium-term investment opportunities:

- **Company-Specific Events:** Recommendations consider significant company-specific events such as new orders, product launches, acquisitions, management changes, and the commissioning of new plants.
- **Commodity Price Fluctuations:** We analyze changes in commodity prices, including metals, cement, chemicals, and pharmaceutical materials.
- **Macro-Economic Events:** Key macroeconomic events such as RBI Monetary Policy, US Fed decisions, inflation rates, GDP figures, budget announcements, and changes in government policies are factored into our recommendations.
- **Sector Developments:** Material developments within sectors, including monthly production and sales numbers in industries like Auto, Cement, and Steel, as well as competitive landscape changes due to business actions or new entrants/exits, are considered.
- **Earnings Surprises:** We identify companies expected to report better-than-anticipated earnings in upcoming quarters.
- **Corporate Actions:** Corporate actions such as mergers and acquisitions, capital raising programs, and regulatory announcements that impact a company or its industry form crucial elements for our recommendations.

Strategic Insights: Benefit from insights based on a blend of critical business events, economic trends, and thorough company valuations.

Informed Decisions: Make well-informed investment decisions backed by the expertise of our dedicated research team.

Medium-term Horizon: Enjoy the medium-term investment strategy, perfectly suited for those looking to optimize returns over 3 to 6 months.

| Why to choose Axis PUNCH



These medium-term recommendations are crafted by the fundamental research team of Axis Securities, ensuring a rigorous analysis of developments around the company. Please note that Axis Punch recommendations may differ from our long-term company recommendations. Key investment rational and risks are clearly highlighted in stock ideas.

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