

January 29, 2026

Q3FY26 Result Update

☒ Change in Estimates | ☒ Target | ☒ Reco

Change in Estimates

	Current		Previous	
	FY27E	FY28E	FY27E	FY28E
Rating	REDUCE		HOLD	
Target Price	411		407	
Sales (Rs. m)	3,21,926	3,69,930	3,22,468	3,70,293
% Chng.	(0.2)	(0.1)		
EBITDA (Rs. m)	88,497	1,01,879	87,679	1,00,683
% Chng.	0.9	1.2		
EPS (Rs.)	9.5	11.0	9.5	10.9
% Chng.	0.9	1.1		

Key Financials - Standalone

Y/e Mar	FY25	FY26E	FY27E	FY28E
Sales (Rs. m)	2,36,580	2,75,564	3,21,926	3,69,930
EBITDA (Rs. m)	67,676	78,674	88,497	1,01,879
Margin (%)	28.6	28.6	27.5	27.5
PAT (Rs. m)	52,883	60,866	69,708	80,452
EPS (Rs.)	7.2	8.3	9.5	11.0
Gr. (%)	31.5	15.1	14.5	15.4
DPS (Rs.)	2.2	3.3	4.6	5.3
Yield (%)	0.5	0.7	1.0	1.2
RoE (%)	29.6	27.9	26.7	26.3
RoCE (%)	35.3	33.8	32.0	31.4
EV/Sales (x)	13.6	11.6	9.9	8.6
EV/EBITDA (x)	47.5	40.8	36.2	31.4
PE (x)	62.6	54.4	47.5	41.2
P/BV (x)	16.8	13.9	11.7	10.0

Key Data

BAJE.BO | BHE IN

52-W High / Low	Rs.458 / Rs.240
Sensex / Nifty	82,345 / 25,343
Market Cap	Rs.3,311bn / \$ 36,077m
Shares Outstanding	7,310m
3M Avg. Daily Value	Rs.6211.03m

Shareholding Pattern (%)

Promoter's	-
Foreign	-
Domestic Institution	-
Public & Others	-
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	13.7	16.4	75.4
Relative	17.4	14.3	61.7

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Strong Q3; prospects remain intact

Quick Pointers:

- Management maintained their guidance of ~15% revenue growth with ~27% EBITDA margin and ~Rs270bn+ order intake (ex. QRSAM) in FY26.
- 9MFY26 order intake nearly doubled to ~Rs181bn while order book remains robust at Rs730.2bn (2.8x TTM sales).

Bharat Electronics (BEL) reported a strong quarterly performance with revenue rising by ~23.7% YoY with EBITDA margin expanding by 101bps YoY to 29.7%. Management reiterated its revenue growth guidance of ~15% and order inflows exceeding ~Rs270bn (ex. QRSAM), supported by robust execution capabilities and a strong outlook for Q4FY26. The prospect pipeline for FY27 has been identified at over ~Rs250bn. While 9MFY26 EBITDA margins are unlikely to be sustained due to an unfavorable product mix from orders scheduled for execution in Q4FY26, ongoing supply-chain improvements and BEL's increasing vertical integration, particularly in semiconductors (20-30% of total cost), are expected to enhance operational efficiencies. BEL also remains confident of securing the AMCA RFP in consortium with L&T and is targeting an improvement in its non-defence revenue mix from the current 6-7% to 10-15% in mid-to-long term, driven by growing traction across railways, metros, aviation and space technologies, as well as data centre solutions. The stock is trading at a P/E of 47.5x/41.2x on FY27/28E earnings. We revise our FY27/28E eps estimates by 0.9%/1.1% factoring in robust prospects and downgrade our rating from 'Hold' to 'Reduce' given the recent sharp run up in the stock price. We value the stock at a PE of 40x Sep'27E (same as earlier) arriving at a TP of Rs411 (Rs407 earlier).

Long term View: We remain positive on long-term growth story of BEL given 1) strong order backlog & strong multi-year order pipeline 2) diversification in newer business verticals like Kavach, fiber optics, anti-drone tech, data centers etc., to aid non-defense growth and 3) govt's focus on product indigenization.

Strong execution led to robust growth: Standalone revenue grew 23.7% YoY to Rs71.2bn (PLe: Rs65.5bn). Gross margin contracted by 152bps YoY to 46.5%. EBITDA grew 28.1% YoY to Rs21.2bn (PLe: Rs18.1bn). EBITDA margin expanded by 101bps YoY to 29.7% as the impact of lower gross margin was offset by lower other expenses (-14.7% YoY to Rs3.8bn). PBT grew 22.4% YoY to Rs21.5bn (PLe: Rs19.1bn). PAT rose 20.8% YoY to Rs15.9bn (PLe: Rs14.3bn) regardless of a decline in other income (-22.2% YoY to Rs1.6bn) and higher effective tax rate (+99bps YoY to 26.0%)

Order book stands strong at ~Rs730.2bn (2.8x TTM sales): Order intake for 9MFY26 stood at ~Rs181bn. Order intake guidance for FY26 is ~Rs270bn excluding QARSM orders worth of ~Rs300bn expected to be awarded in Q4FY26. The company's order book stood strong at Rs730.2bn.

Exhibit 1: Strong execution led to revenue growth of 23.7% YoY to Rs71.2bn while EBITDA margin expanded by 101bps YoY

Y/e March (Rs mn)	Q3FY26	Q3FY25	YoY gr. (%)	Q3FY26E	% Var.	Q2FY26	QoQ gr. (%)	9MFY26	9MFY25	YoY gr. (%)
Revenue	71,220	57,561	23.7%	65,519	8.7%	57,637	23.6%	173,025	145,383	19.0%
Gross Profit	33,106	27,633	19.8%	31,449	5.3%	29,357	12.8%	85,981	71,133	20.9%
Margin (%)	46.5	48.0	(152)	48.0	(151.5)	50.9	(445)	49.7	48.9	77
Employee Cost	8,137	6,653	22.3%	7,797	4.4%	7,612	6.9%	22,650	19,761	14.6%
as % of sales	11.4	11.6	(13)	11.9	(47.5)	13.2	(178)	13.1	13.6	(50)
Other expenditure	3,793	4,447	-14.7%	5,569	-31.9%	4,793	-20.9%	12,802	11,586	10.5%
as % of sales	5.3	7.7	(240)	8.5	(317.4)	8.3	(299)	7.4	8.0	(57)
EBITDA	21,176	16,533	28.1%	18,083	17.1%	16,953	24.9%	50,529	39,786	27.0%
Margin (%)	29.7	28.7	101	27.6	213.4	29.4	32	29.2	27.4	184
Depreciation	1,275	1,029	23.8%	1,160	9.9%	1,185	7.6%	3,588	3,058	17.3%
EBIT	19,902	15,504	28.4%	16,923	17.6%	15,769	26.2%	46,941	36,728	27.8%
Margin (%)	27.9	26.9	101	25.8	211.5	27.4	59	27.1	25.3	187
Other Income	1,595	2,051	-22.2%	2,200	-27.5%	1,591	0.3%	4,822	5,734	-15.9%
Interest	20	13	55.0%	25	-18.8%	17	23.0%	51	38	34.4%
PBT (ex. Extra-ordinaries)	21,477	17,542	22.4%	19,098	12.5%	17,343	23.8%	51,712	42,424	21.9%
Margin (%)	30.2	30.5	(32)	29.1	100.6	30.1	7	29.9	29.2	71
Extraordinary Items	-	-	-	-	-	-	-	-	-	-
PBT	21,477	17,542	22.4%	19,098	12.5%	17,343	23.8%	51,712	42,424	21.9%
Total Tax	5,576	4,381	27.3%	4,775	-	4,482	24.4%	13,259	10,589	25.2%
Effective Tax Rate (%)	26.0	25.0	99	25.0	-	25.8	-	25.6	25.0	68
Reported PAT	15,901	13,161	20.8%	14,324	11.0%	12,861	23.6%	38,453	31,835	20.8%
Adj. PAT	15,901	13,161	20.8%	14,324	11.0%	12,861	23.6%	38,453	31,835	20.8%
Adj. EPS	2.2	1.8	20.8%	2.0	11.0%	1.8	23.6%	5.3	4.4	20.8%

Source: Company, PL

Conference Call Highlights

- **Management retains its guidance:** Management continues to guide for ~15% YoY revenue growth with EBITDA margin of ~27%. Full year order intake is expected to surpass ~Rs270bn (vs Rs193bn YTD).
- Company's strong order book of Rs730.2bn includes electronic fuses (8 years execution remaining), LRSAM (1-1.5-year execution remaining), BMP 2 upgrade, Akash Missile – Army, Ashwini Radar and MPR Rudra radar.
- BEL executed LRSAM, Himshakti, Battlefield surveillance, Akash missile – Army, LRUs for LCA by HAL, Shakti EW systems in Q3FY26 together accounting for ~Rs50bn revenue. Meanwhile, portion of LRSAM, Akash Missile – Army, MPR Rudra radar, BMP 2 upgrades and LRUs for LCA by HAL is slated for execution accounting for ~Rs40-50bn revenue in Q4FY26.
- **Order pipeline for Q4FY26:** Q4FY26 order pipeline includes LRU supply order for LCA from HAL worth ~Rs24bn+, Next Generation Corvettes (NGC) worth ~Rs30-40bn, Shatrughat worth ~Rs30bn and 2-3 more orders worth Rs10bn+ each.
- **Mid-to-long term order pipeline:** BEL's mid-to-long term **order pipeline surpasses ~Rs250bn** (ex. of QRSAM) which includes notable programs such as Akash Next Generation (NG) missiles estimated to be worth ~Rs25-30bn expected in FY28, Samaghat expected by H1FY27 and project Kusha worth ~Rs300bn anticipated to be awarded in FY29.
- **Supply chain improvements:** Supply chain conditions have improved, though some headwinds persist in areas such as semiconductors and rotary heads; however, there are no major constraints from chip availability due to design changes. **The company plans to indigenize microwave semiconductor chips** and has invested in chip manufacturing, with **semiconductors accounting for ~20-30% of equipment cost**. Management expects ~95% of deliveries to be on time in the current year, improving to 100% on-time deliveries by FY27.
- **QRSAM:** QRSAM orders are expected in Q4FY26, with a small risk of slippage. The missile, the largest sub-system, will be supplied by BDL and is expected to account for ~30% of the total QRSAM order value, while the remaining ~70% will be executed by BEL along with other industry partners.
- **Non-defence mix aimed at ~10%:** Non-defence currently contributes ~6–7% of revenues, which management expects to scale to ~10% and ~15% over the long term. The opportunity pipeline spans railways, metros, airports/aviation, space technologies (partially non-defence), cybersecurity, and data centers. In data centers, the company is targeting orders worth a few thousand crore for end-to-end solutions covering AI, computing, and cybersecurity, with government data centers as the primary customers.
- R&D expenditure is expected to surpass ~Rs17bn in FY26 and ~Rs20bn in FY27 versus Rs14.7bn in FY25.
- RFP for AMCA program is expected by mid-February 2026.

Financials

Income Statement (Rs m)

Y/e Mar	FY25	FY26E	FY27E	FY28E
Net Revenues	2,36,580	2,75,564	3,21,926	3,69,930
YoY gr. (%)	17.3	16.5	16.8	14.9
Cost of Goods Sold	1,21,810	1,42,191	1,69,655	1,95,323
Gross Profit	1,14,770	1,33,373	1,52,271	1,74,607
Margin (%)	48.5	48.4	47.3	47.2
Employee Cost	27,344	30,422	33,802	37,733
Other Expenses	3,562	4,960	7,404	8,878
EBITDA	67,676	78,674	88,497	1,01,879
YoY gr. (%)	35.4	16.3	12.5	15.1
Margin (%)	28.6	28.6	27.5	27.5
Depreciation and Amortization	4,356	4,859	4,944	5,411
EBIT	63,320	73,815	83,553	96,468
Margin (%)	26.8	26.8	26.0	26.1
Net Interest	96	101	106	111
Other Income	7,676	7,440	9,497	10,913
Profit Before Tax	70,900	81,154	92,944	1,07,269
Margin (%)	30.0	29.5	28.9	29.0
Total Tax	18,017	20,289	23,236	26,817
Effective tax rate (%)	25.4	25.0	25.0	25.0
Profit after tax	52,883	60,866	69,708	80,452
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
Adjusted PAT	52,883	60,866	69,708	80,452
YoY gr. (%)	31.5	15.1	14.5	15.4
Margin (%)	22.4	22.1	21.7	21.7
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	52,883	60,866	69,708	80,452
YoY gr. (%)	31.5	15.1	14.5	15.4
Margin (%)	22.4	22.1	21.7	21.7
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	52,883	60,866	69,708	80,452
Equity Shares O/s (m)	7,310	7,310	7,310	7,310
EPS (Rs)	7.2	8.3	9.5	11.0

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY25	FY26E	FY27E	FY28E
Non-Current Assets				
Gross Block	62,554	71,455	81,455	91,455
Tangibles	62,554	71,455	81,455	91,455
Intangibles	-	-	-	-
Acc: Dep / Amortization	31,312	36,171	41,116	46,527
Tangibles	31,312	36,171	41,116	46,527
Intangibles	-	-	-	-
Net fixed assets	31,242	35,284	40,340	44,928
Tangibles	31,242	35,284	40,340	44,928
Intangibles	-	-	-	-
Capital Work In Progress	10,925	12,024	12,675	13,635
Goodwill	-	-	-	-
Non-Current Investments	8,464	12,704	13,231	15,204
Net Deferred tax assets	5,341	5,341	5,341	5,341
Other Non-Current Assets	1,938	5,787	6,760	11,098
Current Assets				
Investments	-	-	-	-
Inventories	90,697	1,04,941	1,21,714	1,39,864
Trade receivables	90,920	1,05,696	1,23,478	1,40,877
Cash & Bank Balance	93,973	1,02,792	1,10,266	1,17,118
Other Current Assets	68,278	77,158	80,482	96,182
Total Assets	3,98,840	4,59,995	5,13,808	5,84,863
Equity				
Equity Share Capital	7,310	7,310	7,310	7,310
Other Equity	1,89,667	2,31,527	2,75,427	3,22,419
Total Network	1,96,977	2,38,837	2,82,737	3,29,729
Non-Current Liabilities				
Long Term borrowings	587	587	587	587
Provisions	-	-	-	-
Other non current liabilities	-	-	-	-
Current Liabilities				
ST Debt / Current of LT Debt	25	25	25	25
Trade payables	33,151	38,504	45,863	52,702
Other current liabilities	1,73,441	1,87,384	1,89,936	2,07,161
Total Equity & Liabilities	3,98,840	4,59,995	5,13,808	5,84,863

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY25	FY26E	FY27E	FY28E
PBT	70,900	81,154	92,944	1,07,269
Add. Depreciation	4,356	4,859	4,944	5,411
Add. Interest	96	101	106	111
Less Financial Other Income	7,676	7,440	9,497	10,913
Add. Other	(6,533)	-	-	-
Op. profit before WC changes	68,819	86,114	97,994	1,12,792
Net Changes-WC	(47,341)	(23,703)	(30,243)	(32,670)
Direct tax	(16,674)	(20,289)	(23,236)	(26,817)
Net cash from Op. activities	4,804	42,122	44,515	53,304
Capital expenditures	(10,010)	(10,000)	(10,652)	(10,960)
Interest / Dividend Income	7,005	-	-	-
Others	10,489	(4,196)	(477)	(1,920)
Net Cash from Invst. activities	7,484	(14,196)	(11,128)	(12,880)
Issue of share cap. / premium	-	-	-	-
Debt changes	-	-	-	-
Dividend paid	(16,806)	(19,005)	(25,808)	(33,460)
Interest paid	(96)	(101)	(106)	(111)
Others	(60)	-	-	-
Net cash from Fin. activities	(16,961)	(19,106)	(25,914)	(33,571)
Net change in cash	(4,673)	8,819	7,473	6,853
Free Cash Flow	(5,236)	32,122	33,864	42,344

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q4FY25	Q1FY26	Q2FY26	Q3FY26
Net Revenue	3,84,247	3,37,008	3,54,987	3,67,640
YoY gr. (%)	21.1	13.0	34.4	27.9
Raw Material Expenses	2,11,989	1,82,361	1,93,419	2,01,134
Gross Profit	1,72,258	1,54,647	1,61,567	1,66,506
Margin (%)	91.7	98.0	95.4	91.5
EBITDA	1,06,270	93,509	99,243	1,02,506
YoY gr. (%)	31.2	36.1	28.3	30.9
Margin (%)	57.3	55.8	57.1	57.2
Depreciation / Depletion	6,208	6,069	6,145	6,335
EBIT	1,00,062	87,441	93,099	96,172
Margin (%)	54.2	51.5	53.4	53.7
Net Interest	58	14	17	20
Other Income	11,572	12,156	13,441	11,485
Profit before Tax	1,11,576	99,582	1,06,523	1,07,637
Margin (%)	59.6	58.8	60.1	59.2
Total Tax	27,348	23,861	25,522	25,516
Effective tax rate (%)	50.1	48.7	49.4	49.1
Profit after Tax	84,228	75,721	81,001	82,121
Minority interest	10	170	360	140
Share Profit from Associates	-	-	-	-
Adjusted PAT	84,218	75,551	80,641	81,981
YoY gr. (%)	28.7	33.6	28.8	25.0
Margin (%)	44.6	44.4	45.1	44.6
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	84,218	75,551	80,641	81,981
YoY gr. (%)	28.7	33.6	28.8	25.0
Margin (%)	44.6	44.4	45.1	44.6
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	84,218	75,551	80,641	81,981
Avg. Shares O/s (m)	11,251	11,250	11,250	11,252
EPS (Rs)	18.9	18.0	19.0	18.9

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY25	FY26E	FY27E	FY28E
Per Share(Rs)				
EPS	7.2	8.3	9.5	11.0
CEPS	7.8	9.0	10.2	11.7
BVPS	26.9	32.7	38.7	45.1
FCF	(0.7)	4.4	4.6	5.8
DPS	2.2	3.3	4.6	5.3
Return Ratio(%)				
RoCE	35.3	33.8	32.0	31.4
ROIC	55.2	47.8	41.5	38.1
RoE	29.6	27.9	26.7	26.3
Balance Sheet				
Net Debt : Equity (x)	(0.5)	(0.4)	(0.4)	(0.4)
Net Working Capital (Days)	229	228	226	225
Valuation(x)				
PER	62.6	54.4	47.5	41.2
P/B	16.8	13.9	11.7	10.0
P/CEPS	57.9	50.4	44.4	38.6
EV/EBITDA	47.5	40.8	36.2	31.4
EV/Sales	13.6	11.6	9.9	8.6
Dividend Yield (%)	0.5	0.7	1.0	1.2

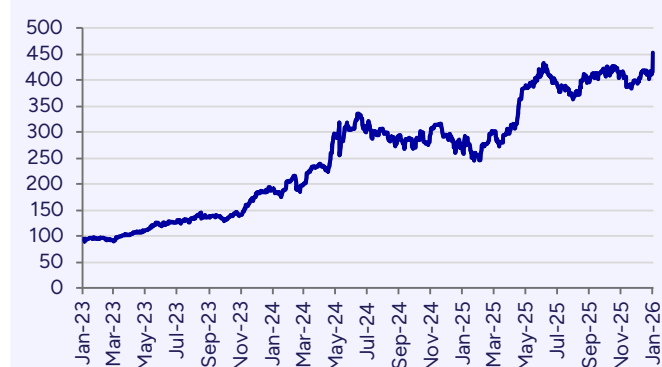
Source: Company Data, PL Research

Key Operating Metrics

Y/e Mar	FY25	FY26E	FY27E	FY28E
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Source: Company Data, PL Research

Price Chart



Recommendation History

No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	07-Jan-26	Hold	407	416
2	31-Oct-25	Hold	407	426
3	07-Oct-25	Hold	374	410
4	30-Jul-25	Hold	374	387
5	09-Jul-25	Hold	374	422
6	20-May-25	Hold	374	364
7	09-Apr-25	BUY	340	281
8	31-Jan-25	BUY	340	279

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	ABB India	Accumulate	5,540	4,695
2	Apar Industries	Hold	9,431	8,184
3	BEML	Hold	1,982	1,861
4	Bharat Electronics	Hold	407	416
5	BHEL	Hold	245	263
6	Carborundum Universal	Hold	894	824
7	Cummins India	Hold	4,172	4,148
8	Elgi Equipments	Accumulate	561	472
9	Engineers India	BUY	255	205
10	GE Vernova T&D India	BUY	4,005	3,151
11	Grindwell Norton	Hold	1,744	1,576
12	Harsha Engineers International	Hold	407	395
13	Hindustan Aeronautics	BUY	5,507	4,525
14	Ingersoll-Rand (India)	Accumulate	4,271	3,395
15	Kalpataru Projects International	BUY	1,494	1,174
16	KEC International	BUY	932	717
17	Kirloskar Pneumatic Company	BUY	1,557	1,068
18	Larsen & Toubro	BUY	4,766	4,157
19	Praj Industries	Hold	353	322
20	Siemens	Accumulate	3,470	3,134
21	Siemens Energy India	Accumulate	3,312	2,603
22	Thermax	Accumulate	3,513	3,069
23	Triveni Turbine	Accumulate	609	533
24	Voltamp Transformers	BUY	10,318	7,720

PL's Recommendation Nomenclature (Absolute Performance)

Buy	: > 15%
Accumulate	: 5% to 15%
Hold	: +5% to -5%
Reduce	: -5% to -15%
Sell	: < -15%
Not Rated (NR)	: No specific call on the stock
Under Review (UR)	: Rating likely to change shortly

ANALYST CERTIFICATION

(Indian Clients)

We/I, Mr. Amit Anwani- MBA (Finance), Mr. Prathmesh Salunkhe- MBA Finance, Mr. Hitesh Agarwal- MBA Finance Research Analysts, authors and the names subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect our views about the subject issuer(s) or securities. We also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report.

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