

## Key Data

NSE / BSE Code	BEL / 500049
Sector	ELECTRICALS
Industry	DEFENCE
Face value / Book Value (₹ per share)	10 / 370.8
Dividend yield	1.2
52 H/L (₹)	1540 / 1009
Market Cap. (₹ mn)	336,000
Shares Outstanding (mn)	240.0
6M Avg Traded Volume (NSE+BSE)	165,850

## Shareholding Pattern

	Sept- 16	Jun- 16	Mar-16	Dec-15
Promoters	75.0%	75.0%	75.0%	75.0%
FII	0.0%	0.0%	0.0%	0.0%
DII	18.5%	18.9%	18.7%	18.8%
Bodies Corporate	2.3%	2.1%	0.0%	0.0%
Others	4.1%	4.0%	6.3%	6.2%
Total	100.0%	100.0%	100.0%	100.0%

## Key Ratios

	FY13	FY14	FY15	FY16
P/E (x)	36.5	34.9	27.8	24.0
P/B (x)	5.3	4.7	4.2	3.8
EV/Sales	5.4	5.2	4.8	4.5
EV/EBITDA	53.3	38.0	28.7	22.8
ROCE	18.7%	17.7%	19.7%	21.8%
ROE	14.9%	14.0%	15.6%	16.3%

## Earnings Summary

(In ₹ mn)	FY13	FY14	FY15	FY16
Net Sales	62,727	65,179	70,926	75,485
Sales Growth	6.1%	3.9%	8.8%	6.4%
EBITDA	6,334	8,892	11,752	14,813
EBITDA Margin	10.1%	13.6%	16.6%	19.6%
PAT	9,112	9,517	11,970	13,865
PAT Margin	14.5%	14.6%	16.9%	18.4%
EPS (₹)	37.9	39.6	49.9	57.8
Price Performance	CY13	CY14	CY15	YTD
Absolute	-21%	186%	40%	3%
Relative	-28%	155%	44%	-5%

### Analysts:

Sumeet Jain, CMT

Rohit Rai (Fundamental Analyst)

## BHARAT ELECTRONICS LTD. CMP:1400

### BUY with a target upside of 15%

► Bharat Electronics Limited (BEL) was set up in 1954 in association with CSF, France (now, Thales), to manufacture basic communication equipment, BEL now produces a wide range of state-of-the-art equipment in fields such as Defence Communication, Radars, Naval Systems, C4I Systems, Weapon Systems, Homeland Security, Telecom & Broadcast Systems, Electronic Warfare, Tank Electronics, Electro Optics, Professional Electronic Components and Solar Photovoltaic Systems, BEL also provides turnkey system solutions. Civilian products from BEL include Electronic Voting Machines, Tablet PC, solar-powered traffic signal systems and Access Control Systems.

► Starting from a single Unit in Jalahalli, Bangalore, BEL has established its presence across the country by setting up eight other Units – in Ghaziabad, Pune, Machilipatnam, Panchkula, Kotdwara, Navi Mumbai, Chennai and Hyderabad. Each Unit has a specific product mix and customer focus. BEL has also set up a wide network of offices and service centres countrywide as well as two overseas offices – at New York and Singapore.

► BEL's turnover for the year 2015-16 has increased to ₹75.2 billion from ₹66.9 billion in 2014-15, registering a growth of 12.35%. Profit after Tax for the year is ₹13.5 billion as against ₹11.6 billion in the previous year. Turnover from indigenously developed products is 86%. Supplies to the defence contributed to 82% of turnover as against 87% in 2014-15.

► BEL expects the order inflow run to remain healthy at Rs 100 -150 billion (Rs 10,000 to Rs 15,000 crore) for next few years given the healthy pipeline of orders. BEL expects sales to grow at eight to 10 per cent CAGR over the next five years. Order book as on 1st October 2016 was ₹346.75 billions. Major orders expected for 2016 -17 are for Akash Missile system, Mobile cellular Communication System, Commander TI Sights, Samyukta Upgrade, Long Range Surface to Air Missile, L- Band Tropo Upgrade.

► BEL is investing in capex to support execution of strong order book. It is also looking at steeping up R&D spend further (9.3 per cent in FY16) to 10 - 12 per cent of sales to maintain technological edge and retain leadership position in strategic electronics

► The Company has entered into many strategic alliances for addressing these emerging requirements of Indian Defence forces with Defence laboratories, Ordnance Factory Board, DPSUs and other reputed global / Indian companies. The various products / systems include Surface-to-Air Missile (SAM) systems, Air Defence Radars, Tactical Communication Systems, Battlefield Management System, Sonar Systems, Next Generation Night Vision Devices, Gun upgrades/new gun programmes, Inertial Navigation Systems, Medium-Altitude Long-Endurance Unmanned Aerial Vehicles (UAVs), Electronic Ammunition Fuses, Electronics Systems for Futuristic Infantry Combat Vehicle (FICV), Satcom Terminals, Missile Containers etc.

► A strong and healthy balance sheet with nearly zero debt and consistent returns year on year and increasing book order inflows. We are positive on the outlook of the company. We recommend **buy** on Bharat Electronics Ltd. with target of ₹ **1610 per share.**

Source: Company, Destimoney Research, ACE Equity

**Technical View**

BEL is in short term up trend from 1000 levels and recent price action has given bullish breakout from strong resistance zone of 1400. Price is again re-testing this zone and volume is also indicating consolidation. Other technical indicator RSI, is holding above 60 levels. Expect BEL to bounce back after this consolidation period and higher levels of 1650 levels to get test keeping 1290 as stop loss.



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