

BHARAT ELECTRONICS LTD.

29-Dec-16

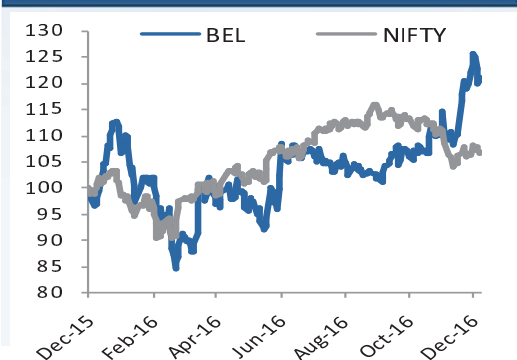
Result Update	
CMP	1374
Target Price	1670
Previous Target Price	
Upside	22%
Change from Previous	-

Market Data	
BSE Code	500049
NSE Symbol	BEL
52wk Range H/L	1540/1009
Mkt Capital (Rs Cr)	30,880
Av. Volume	41373
Nifty	8044

Stock Performance			
	1Month	1Year	YTD
Absolute	13.2	22.0	15.0
Rel.to Nifty	10.6	17.1	17.2

Share Holding Pattern-%			
	4-Nov-16	2QFY17	1QFY17
Promoter	74.41	75.02	75.02
Public	25.59	24.98	24.98
Others	--	--	--
Total	100	100	100

Company Vs NIFTY



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Strong order book visibility

Order inflow grew 108% YoY to Rs 41300cr, led by finalization of orders like electronic warfare suite, advanced composite communication system, ship data network, and annual maintenance contract for Rohini radar. For FY17 Key orders like Akash missile system, mobile cellular communication system, Commander TI Sights, Samyukta upgrade, Long range surface to air missile and L-band tropo upgrade are supposed to be finalized.

Key Highlights:

Company has entered into strategic alliance with defence laboratories, ordinance factory board and other global OEMs to develop products like Surface to air systems, air defence radars, 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) and maintenance of aerostat surveillance and communication systems.

Company plans to set up Rs 500cr Greenfield weapon systems facility in Andhra Pradesh which will focus on the design, development and production of weapon systems like fire control, missile systems and other weapon upgrade systems. Company expects the facility to be ready over the next two years.

Outlook and Valuation

The company is having robust order intake during H1FY17 which gives decent revenue growth visibility going forward and this is expected to remain in the range of Rs 10000cr-15000cr over the next two-three years. Currently, the defence sector is in the limelight due to the government's strong focus on making defence procurements central to the "Make in India" campaign. The company has ~35% market share in India's defence electronics segment and is likely to be one of the biggest beneficiaries of the offset clause. Based on above mentioned reasons we see strong medium-term earnings visibility for the company, hence we recommend "BUY" at a target price of Rs 1670 (Potential upside 22%).

Rs in Cr

Financials	FY12	FY13	FY14	FY15	FY16
Sales	5847	6173	6388	6915	7759
EBITDA	636	663	922	1175	1538
Net Profit	847	912	952	1197	1387
EBIDTA%	10.9%	10.7%	14.4%	17.0%	19.8%
P/E	0.1	0.1	0.1	0.2	0.2