

Bharat Dynamics

Estimate change



TP change



Rating change



Bloomberg	BDL IN
Equity Shares (m)	367
M.Cap.(INRb)/(USDb)	563.8 / 6.1
52-Week Range (INR)	2097 / 907
1, 6, 12 Rel. Per (%)	8/-7/12
12M Avg Val (INR M)	3659

Financials Snapshot (INR b)(INR b)

Y/E March	2026E	2027E	2028E
Sales	44.0	61.4	81.7
EBITDA	8.0	12.1	17.6
Adj. PAT	8.2	11.5	16.4
Adj. EPS (INR)	22.3	31.4	44.9
EPS Gr. (%)	48.5	41.1	42.8
BV/Sh.(INR)	125.6	150.1	186.9

Ratios

RoE (%)	17.7	20.9	24.0
RoCE (%)	18.3	21.5	24.5
Payout (%)	27.1	22.1	17.8

Valuations

P/E (x)	69.1	48.9	34.3
P/BV (x)	12.2	10.2	8.2
EV/EBITDA (x)	63.3	40.5	26.7
Div. Yield (%)	0.4	0.5	0.5

Shareholding pattern (%)

As On	Dec-25	Sep-25	Dec-24
Promoter (%)	74.9	74.9	74.9
DII (%)	11.0	11.3	8.7
FII (%)	2.3	2.4	3.1
Others (%)	11.8	11.3	13.3

FII Includes depository receipts

CMP: INR1,538 TP: INR1,800 (+17%)

Buy

Weak performance

Bharat Dynamics (BDL)'s 3QFY26 performance was weaker than our expectations. Execution was impacted due to delays in component integration from other vendors, while margin was hit by lower revenue and a higher share of bought-out components for Akash and Astra Mk-1. However, order inflows remained healthy for BDL during 9MFY26 at ~INR54b and the company is expecting additional INR40b-50b worth of orders in 4QFY26. Further, the near-to-medium-term prospects also remains strong. We believe that the higher share of bought-out components will continue to weigh on its overall margins. Hence, we cut our estimates by 21%/17%/14% for FY26/FY27/FY28. We thus expect a revenue/EBITDA/PAT CAGR of 35%/55%/44% over FY25-28 and arrive at a revised TP of INR1,800 (vs. INR2,000 earlier), based on 42x two-year forward earnings. Maintain BUY.

Weak set of results

BDL's results were weaker than our expectations, as some portion of revenue was front-ended in 2QFY26. Defense PSUs' quarterly performance is generally lumpy during the first three quarters. Revenue declined 32% YoY to INR5.7b in 3QFY26. Gross margin continued to remain impacted during the quarter, contracting 1,410bp YoY to 41.5% in 3QFY26. Absolute EBITDA declined 80% YoY to INR260m. Lower gross margin led to a dip in EBITDA margin to 4.6%. Slower execution and margin contraction led to PAT declining 50% YoY to INR729m. For 9MFY26, revenue/PAT increased 25%/11% YoY to INR19.6b/ INR3.1b. However, EBITDA declined 3% YoY to INR1.7b, while margins contracted 250bp YoY to 8.6%. The company has assessed the financial impact of changes in labor law, which has resulted in an additional liability of ~INR45m.

Performance hit by higher bought-out components

BDL received orders worth INR54b during 3QFY26, primarily related to ATGMs and SAMs, taking the total order book to ~INR255b as of 31 Dec'25. During 3QFY26, revenues were impacted by delays in component integration from external vendors. Management indicated that approvals are being sought to enable booking of BDL's share of revenue, which could result in bunching of revenue in 4QFY26. Margins during the quarter were lower due to 1) subdued execution and 2) higher bought-out components for Astra Mk-1 and Akash ground support systems, which weighed on gross and EBITDA margins. Projects such as Konkur, ATGMs, and non-ground support elements of Astra and Akash carry relatively higher margins. Hence, the medium-term margin trajectory will remain dependent on the evolving project mix.

Defense sector tailwinds

Over the past one year, MoD has approved acquisition proposals worth INR3.8t, with INR1.8t worth of contracts already signed for the modernization of the Armed Forces. Of this, ~INR1.2t worth of contracts were signed in FY26, indicating ~80% of defense budget utilization as of Dec'25-end. Some notable AoNs where BDL is a potential beneficiary include QRSAM, IADWS, Ballistic Missile System, Long Range Air to Surface Supersonic Cruise Missile (LRASSCM), Astra Mk-II, ATGM NAG Mk-2, Advanced Lightweight Torpedo, and Processor-based Moored Mine – next generation (PBMM NG).

Successful user trials strengthen BDL's prospects

BDL has a strong order pipeline of ~INR500b for the next five years. The company is targeting ~INR200b worth of orders to come in within the next 18 months of which ~INR40b-50b is expected in 4QFY26. User evaluation trials for several systems where BDL can be a key participant have either been completed or are in the final stages. These include the Surface-to-Surface Missile 'Pralay', the Surface-to-Air Missile Akash NG, the Advanced Lightweight Torpedo, the Extended Range Anti-Submarine Rocket (ER-ASR), the Man Portable Anti-tank Guided Missile (MPATGM), the Very Short-Range Air Defence System (VSHORADS), the Vertical Launch Short Range Surface-to-Air Missile, the Long Range Land Attack Cruise Missile, the UAV Launched Precision Guided Missile (ULPGM)-V3, etc. Successful user trials enhance order visibility and reduce execution risk, supporting a stronger revenue ramp-up once contracts are awarded.

Capacity readiness for execution of future inflows

BDL's order book spans a diversified portfolio of weapon systems, including anti-tank, surface-to-air, and air-to-air missiles, Akash systems, torpedoes, and other platforms, providing execution visibility across multiple programs. BDL's current capacity utilization is ~60%, which indicates sufficient headroom to absorb any incremental orders without constraints. To support the medium-term growth, the company is in the process of commissioning two new manufacturing facilities at Jhansi and near Hyderabad by mid-FY27, while also evaluating additional land acquisition for longer-term expansion. Management has guided for a cumulative capex of ~INR25b-30b over the next three to five years, primarily towards infrastructure and capacity augmentation.

Financial outlook

We believe the share of Akash and Astra Mk-1 in overall execution will remain elevated over the next few months, which implies continued higher reliance on bought-out components. This is likely to exert pressure on overall EBITDA margins in the near to medium term. Accordingly, we have reduced our margin estimates and thus expect a revenue/EBITDA/PAT CAGR of 35%/55%/44% over FY25-28.

Valuation and view

The stock currently trades at 69.1x/48.9x/34.3x P/E on FY26/FY27/FY28 estimates.

We maintain our BUY rating on the stock with a revised TP to INR1,800 (INR2,000 earlier), based on 42x two-year forward earnings.

Key risks and concerns

Key risks for the company include a decline or reprioritization of the Indian defense budget, termination of existing contracts or failure to succeed in tendering projects, changes in procurement rules and regulations of the MoD and the government, and supply-chain-related issues.

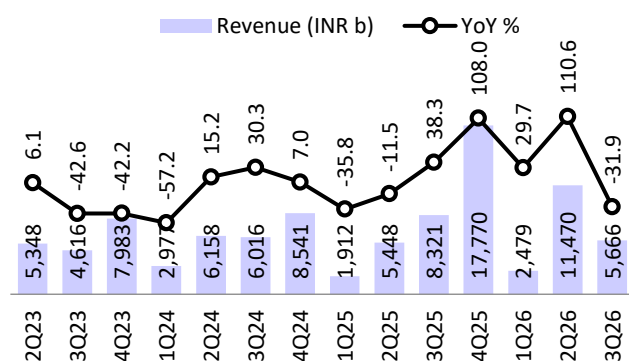
Standalone - Quarterly Snapshot

(INR m)

Income Statement Y/E March	FY25				FY26E				FY25	FY26E	Var.	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE			3QE	Vs Est
Net revenue	1,912	5,448	8,321	17,770	2,479	11,470	5,666	24,355	33,451	43,971	11,453	-51
Change (%)	-35.8	-11.5	38.3	108.0	29.7	110.6	-31.9	37.1	41.2	31.4	37.6	
Expenses	2,435	4,459	7,053	14,780	2,933	9,595	5,406	18,014	28,727	35,949	9,391	
EBITDA	-523	988	1,269	2,990	-454	1,875	260	6,341	4,724	8,022	2,062	-87
Change (%)	NA	-26.3	6.8	-5.5	NA	89.7	-79.5	112.1	-12.0	69.8	62.5	
As of % Sales	-27.4	18.1	15.2	16.8	-18.3	16.3	4.6	26.0	14.1	18.2	18.0	
Depreciation	157	177	177	197	177	191	193	216	707	776	195	-1
Interest	12	7	7	7	7	13	7	6	33	33	8	-17
Other Income	804	860	844	996	869	1,206	972	861	3,504	3,907	933	4
PBT	112	1,665	1,929	3,782	231	2,876	1,032	6,980	7,488	11,120	2,792	-63
Tax	40	439	458	1,054	48	717	303	1,889	1,991	2,957	726	
Effective Tax Rate (%)	35.8	26.4	23.7	27.9	20.7	24.9	29.3	27.1	26.6	26.6	26.0	
Extra-ordinary Items	0	0	0	0	0	0	0	0	0	0	0	
Reported PAT	72	1,225	1,471	2,728	183	2,159	729	5,091	5,496	8,163	2,066	-65
Adj PAT	72	1,225	1,471	2,728	183	2,159	729	5,091	5,496	8,163	2,066	-65
Change (%)	-82.7	-16.7	9.0	-5.5	154.3	76.2	-50.4	86.6	-10.3	48.5	40.4	
As of % Sales	3.8	22.5	17.7	15.4	7.4	18.8	12.9	20.9	16.4	18.6	18.0	

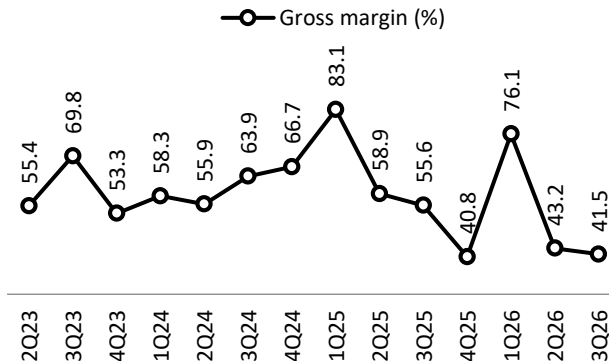
Key Exhibits

Exhibit 1: Revenue declined 32% YoY



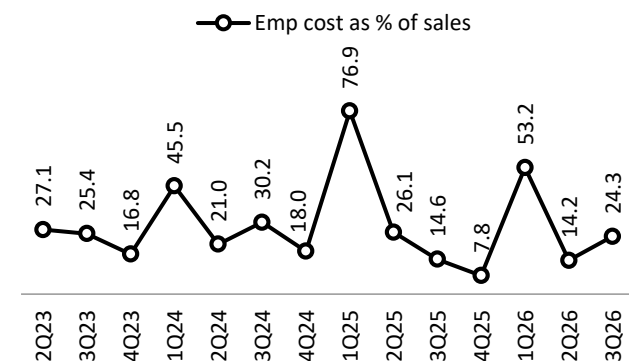
Source: MOFSL, Company

Exhibit 2: Gross margin contracted in 3QFY26



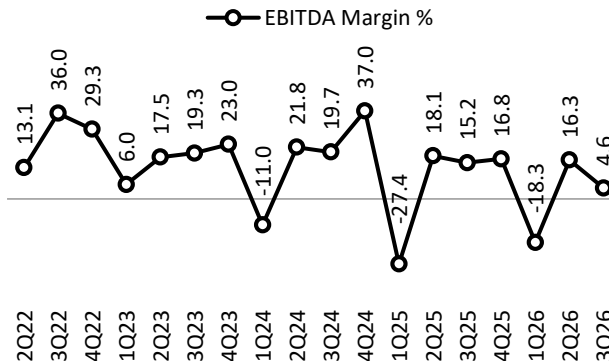
Source: MOFSL, Company

Exhibit 3: Employee costs as % of sales increased YoY

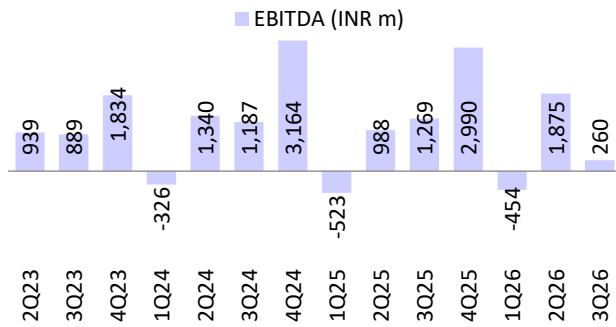


Source: MOFSL, Company

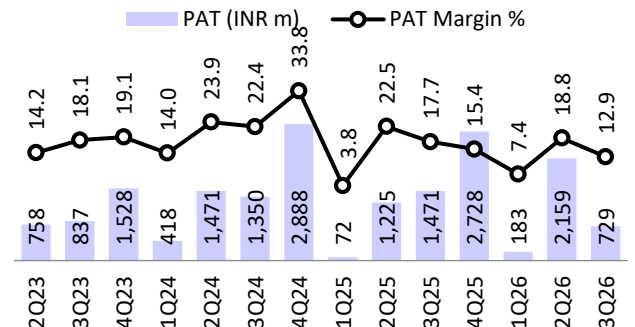
Exhibit 4: EBITDA margin contracted during the quarter



Source: MOFSL, Company

Exhibit 5: EBITDA decreased 80% YoY


Source: MOFSL, Company

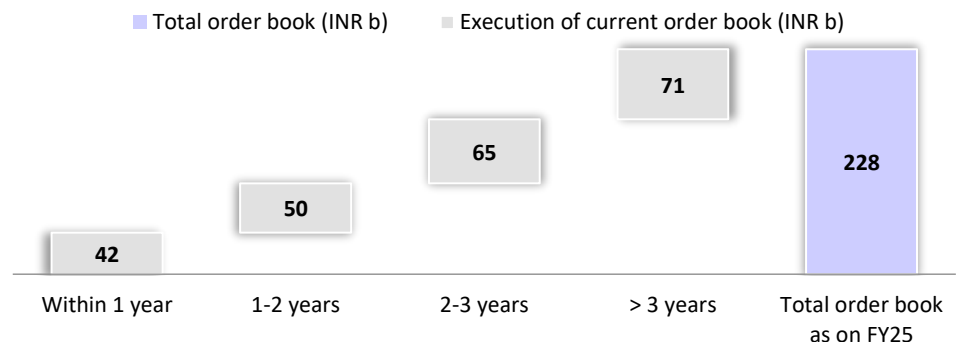
Exhibit 6: PAT declined 50% YoY


Source: MOFSL, Company

Exhibit 7: We expect an addressable market of ~INR500b for BDL over the next few years

Future programs expected	Category	Amount (INR b)	Expected year of order	Comments
In association with DRDO				
Base orders	Base orders	120	FY2026-29	❖ Run rate of INR30b every year for the next 3-4 years
MRSAM	surface-to-air	30	FY2024-25	❖ Order received in Jan'25
Astra Mk1	air-to-air	29		❖ Production clearance for 200 missiles to BDL has been given by the IAF
QRSAM	surface-to-air	113	FY2025-26	❖ Expected by 4QFY25 or 1QFY27
Akash NG SAM	surface-to-air		FY 2026-27	❖ User evaluation trials completed on 23 Dec'25
Long Range Land Attack Cruise Missile (LRLACM)	surface-to-surface	140	FY 2027-28	❖ Flight test done on 12th Nov'24. IAF/IA to procure missiles worth INR100b/40b once developed
VSHORAD	Very short-range air defense system	19	FY 2025-26	❖ In Jan'23, DAC gave the green light for the procurement of VSHORADS systems. Three consecutive flight trials done on 1 Feb'25
VLSRSAM	surface-to-air		FY 2026-27	❖ Testing done on 26th Mar'25
Dhruvastra/Helina ATGM	air-to-surface	43	FY 2025-26	
NAG ATGM	surface-to-air	18	FY 2025-26	
Torpedoes			FY2026-28	❖ In Mar'25, for the Navy, the DAC accorded AoN for the procurement of Varunastra Torpedoes (Combat), while the cost is not disclosed
Overall TAM		511		

Source: Company, Industry, MOFSL

Exhibit 8: Execution timeline of FY25 order book of INR228b (INR b)


Source: Company, MOFSL

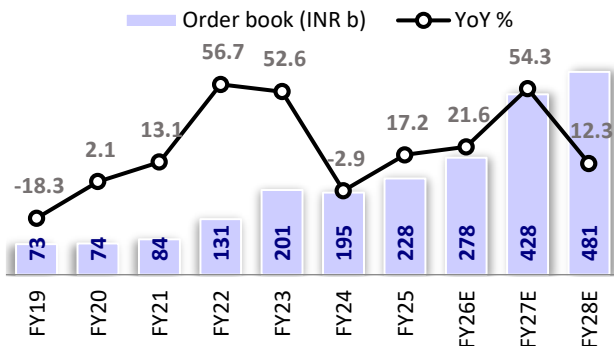
Exhibit 9: We cut our estimates to factor in lower margins

(INR m)	FY26E			FY27E			FY28E		
	Rev	Old	Chg (%)	Rev	Old	Chg (%)	Rev	Old	Chg (%)
Net Sales	43,971	45,812	-4.0	61,365	61,071	0.5	81,740	81,484	0.3
EBITDA	8,022	10,897	-26.4	12,120	15,079	-19.6	17,599	20,773	-15.3
EBITDA (%)	18.2	23.8	-560 bp	19.8	24.7	-490 bp	21.5	25.5	-400 bp
Adj. PAT	8,163	10,366	-21.3	11,517	13,884	-17.0	16,441	19,066	-13.8
EPS (INR)	22.3	28.3	-21.3	31.4	37.9	-17.0	44.9	52.0	-13.8

Source: MOFSL

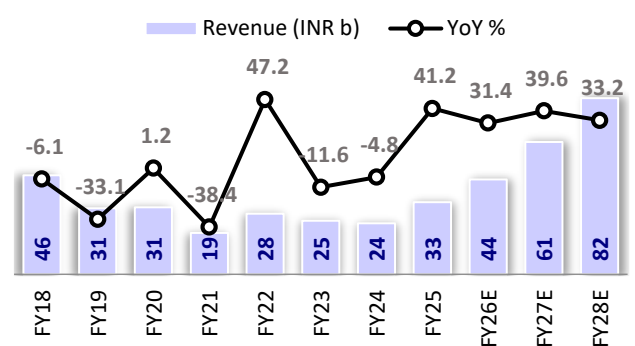
Financial outlook

Exhibit 10: We expect a CAGR of 28% in the order book over FY25-28



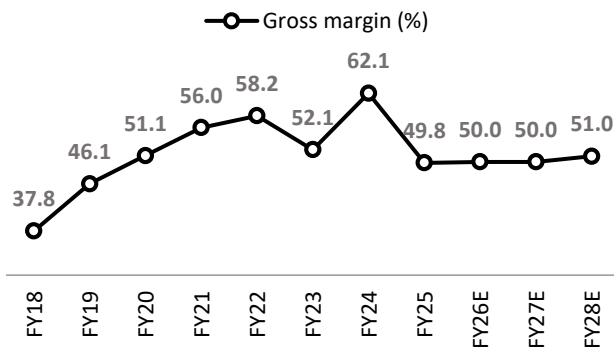
Source: Company, MOFSL

Exhibit 11: We expect revenue to clock a CAGR of 35% over FY25-28



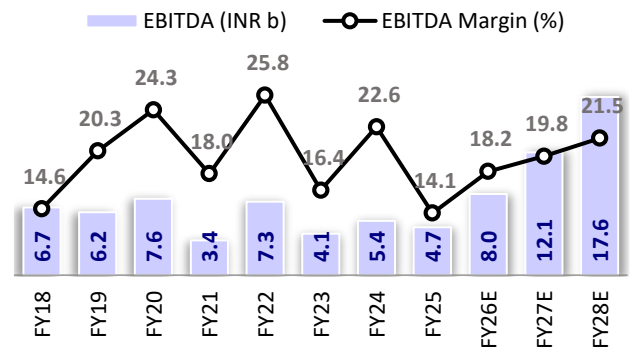
Source: Company, MOFSL

Exhibit 12: We expect a gross margin of around 50%



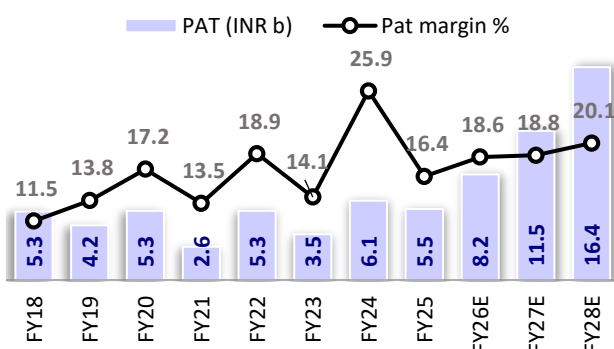
Source: Company, MOFSL

Exhibit 13: EBITDA margin is expected to be about 18-22%



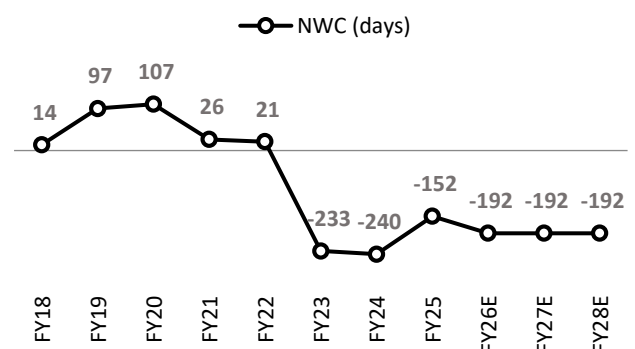
Source: Company, MOFSL

Exhibit 14: PAT to clock 44% CAGR over FY25-28E



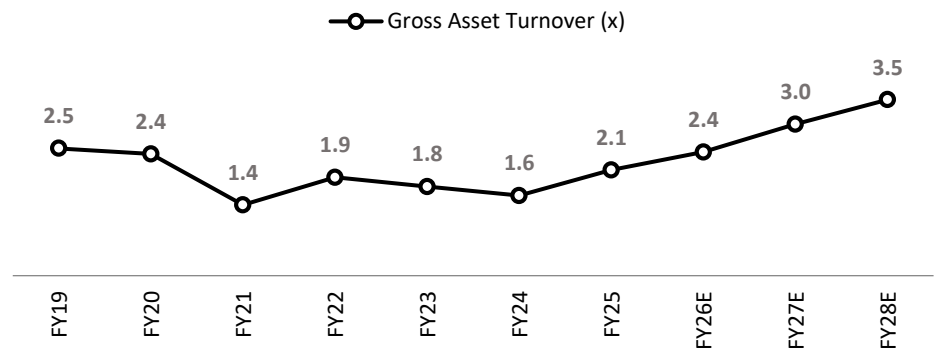
Source: MOFSL, Company

Exhibit 15: NWC at comfortable levels



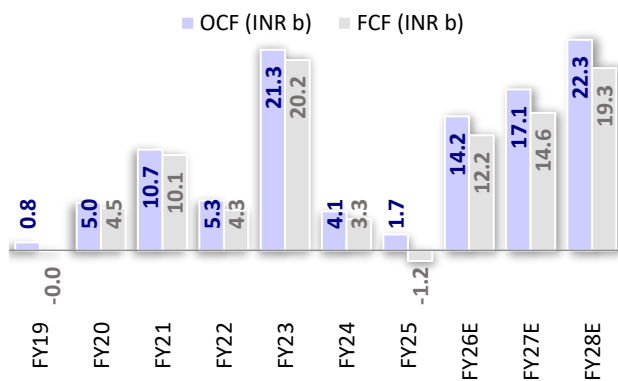
Source: MOFSL, Company

Exhibit 16: BDL's gross asset turnover is likely to improve due to improved execution



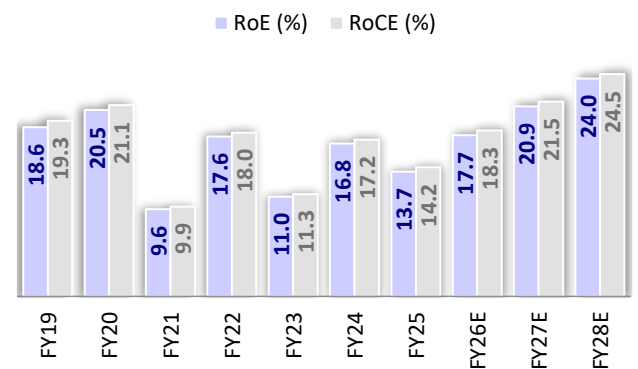
Source: Company, MOFSL

Exhibit 17: OCF and FCF to improve going forward



Source: MOFSL, Company

Exhibit 18: RoE and RoCE to remain comfortable at 17-24%



Source: MOFSL, Company

Financials and valuation

Income Statement (Standalone)							(INR m)		
Y/E March	2020	2021	2022	2023	2024	2025	2026E	2027E	2028E
Net Sales	31,049	19,138	28,174	24,894	23,693	33,451	43,971	61,365	81,740
Change (%)	1.2	-38.4	47.2	-11.6	-4.8	41.2	31.4	39.6	33.2
Raw Materials	15,178	8,412	11,790	11,913	8,973	16,779	21,985	30,683	40,052
Staff Cost	5,340	5,011	5,707	5,325	6,000	5,488	5,935	7,665	9,900
Other Expenses	2,976	2,268	3,417	3,574	3,354	6,460	8,028	10,897	14,188
EBITDA	7,555	3,447	7,261	4,082	5,366	4,724	8,022	12,120	17,599
Margin %	24.3	18.0	25.8	16.4	22.6	14.1	18.2	19.8	21.5
Depreciation	964	945	904	773	670	707	776	879	1,005
Interest	47	39	34	45	31	33	33	33	33
Other Income	881	946	1,112	1,554	3,618	3,504	3,907	4,481	5,836
PBT	7,425	3,409	7,435	4,818	8,282	7,488	11,120	15,689	22,397
Tax	2,076	831	2,100	1,296	2,155	1,991	2,957	4,172	5,956
Tax Rate (%)	28.0	24.4	28.2	26.9	26.0	26.6	26.6	26.6	26.6
Extra-ordinary Inc.(net)	0	0	-336	0	0	0	0	0	0
Reported PAT	5,349	2,578	4,999	3,522	6,127	5,496	8,163	11,517	16,441
Change (%)	26.6	-51.8	93.9	-29.6	74.0	-10.3	48.5	41.1	42.8
Adjusted PAT	5,349	2,578	5,335	3,522	6,127	5,496	8,163	11,517	16,441
Change (%)	26.6	-51.8	107.0	-34.0	74.0	-10.3	48.5	41.1	42.8
Margin %	17.2	13.5	18.9	14.1	25.9	16.4	18.6	18.8	20.1

Balance Sheet (Standalone)							(INR m)		
Y/E March	2020	2021	2022	2023	2024	2025	2026E	2027E	2028E
Share Capital	1,833	1,833	1,833	1,833	1,833	1,833	1,833	1,833	1,833
Reserves	24,235	25,015	28,473	30,282	34,535	38,257	44,203	53,172	66,683
Net Worth	26,068	26,847	30,306	32,115	36,368	40,090	46,036	55,005	68,515
Loans	22	0	0	0	0	0	0	0	0
Deferred Tax Liability	-542	-477	-571	-564	-707	-1,227	-1,227	-1,227	-1,227
Capital Employed	25,547	26,370	29,735	31,551	35,661	38,862	44,809	53,777	67,288
Gross Fixed Assets	12,914	13,685	14,511	14,157	14,965	16,007	18,007	20,507	23,507
Less: Depreciation	3,590	4,535	5,772	6,071	6,729	7,436	8,212	9,092	10,096
Net Fixed Assets	9,324	9,150	8,738	8,085	8,236	8,571	9,794	11,415	13,411
Capital WIP	421	215	407	743	729	2,303	2,303	2,303	2,303
Investments	39	45	0	0	0	39	39	39	39
Curr. Assets	46,527	49,730	55,922	77,331	93,728	1,05,284	1,34,433	1,82,037	2,40,705
Inventory	8,565	13,970	16,545	18,224	19,825	26,451	30,117	42,031	55,986
Debtors	3,384	3,227	3,042	1,846	3,104	8,264	10,862	15,160	20,193
Cash & Bank Balance	6,635	15,610	18,995	38,589	42,285	41,904	55,773	72,259	94,478
Loans & Advances	54	45	39	38	37	57	75	104	139
Other Current Assets	27,889	16,879	17,302	18,635	28,477	28,609	37,607	52,484	69,910
Current Liab. & Prov.	30,763	32,770	35,333	54,609	67,032	77,335	1,01,761	1,42,018	1,89,170
Creditors	3,455	7,426	5,525	4,644	7,984	15,056	19,791	27,620	36,790
Other Liabilities	24,042	22,754	26,269	46,445	55,045	57,199	75,292	1,05,077	1,39,965
Provisions	3,265	2,590	3,540	3,521	4,003	5,081	6,679	9,321	12,415
Net Current Assets	15,764	16,960	20,589	22,722	26,696	27,949	32,672	40,020	51,535
Application of Funds	25,547	26,370	29,735	31,551	35,661	38,862	44,809	53,777	67,288

Financials and valuation

Ratios

Y/E March	2020	2021	2022	2023	2024	2025	2026E	2027E	2028E
Basic (INR)	14.6	7.0	13.6	9.6	16.7	15.0	22.3	31.4	44.9
Adjusted EPS	14.6	7.0	14.6	9.6	16.7	15.0	22.3	31.4	44.9
Growth (%)	26.6	-51.8	107.0	-34.0	74.0	-10.3	48.5	41.1	42.8
Cash EPS	17.2	9.6	17.0	11.7	18.5	16.9	24.4	33.8	47.6
Book Value	71.1	73.2	82.7	87.6	99.2	109.4	125.6	150.1	186.9
DPS	4.2	4.6	4.0	4.6	4.0	5.9	6.0	7.0	8.0
Payout (incl. Div. Tax.)	34.9	65.6	27.2	47.4	23.7	39.4	27.1	22.1	17.8
Valuation (x)									
P/Sales	18.2	29.5	20.0	22.6	23.8	16.8	12.8	9.2	6.9
P/E (standalone)	105.4	218.7	105.6	160.0	92.0	102.5	69.1	48.9	34.3
Cash P/E	89.3	160.0	90.3	131.2	82.9	90.9	63.1	45.5	32.3
EV/EBITDA	73.7	159.0	75.0	128.6	97.2	110.4	63.3	40.5	26.7
EV/Sales	17.9	28.6	19.3	21.1	22.0	15.6	11.5	8.0	5.7
Price/Book Value	21.6	21.0	18.6	17.6	15.5	14.1	12.2	10.2	8.2
Dividend Yield (%)	0.3	0.3	0.3	0.3	0.3	0.4	0.4	0.5	0.5
Profitability Ratios (%)									
RoE	20.5	9.6	17.6	11.0	16.8	13.7	17.7	20.9	24.0
RoCE	21.1	9.9	18.0	11.3	17.2	14.2	18.3	21.5	24.5
RoIC	25.2	17.7	42.5	-34.4	-52.4	-95.7	-48.3	-44.6	-44.7
Turnover Ratios									
Debtors (Days)	40	62	39	27	48	90	90	90	90
Inventory (Days)	101	266	214	267	305	289	250	250	250
Creditors. (Days)	41	142	72	68	123	164	164	164	164
Asset Turnover (x)	1.2	0.7	0.9	0.8	0.7	0.9	1.0	1.1	1.2
Gross Asset Turnover (x)	2.4	1.4	1.9	1.8	1.6	2.1	2.4	3.0	3.5
Leverage Ratio									
Net Debt/Equity (x)	-0.3	-0.6	-0.6	-1.2	-1.2	-1.0	-1.2	-1.3	-1.4

Cash Flow Statement (Standalone)

(INR m)

Y/E March	2020	2021	2022	2023	2024	2025	2026E	2027E	2028E
PBT before EO Items	7,425	3,409	7,435	4,818	8,282	7,488	11,120	15,689	22,397
Add : Depreciation	964	945	904	773	670	707	776	879	1,005
Interest	47	39	34	45	31	33	33	33	33
Less : Direct Taxes Paid	1,736	778	2,034	2,181	1,560	2,031	2,957	4,172	5,956
(Inc)/Dec in WC	1,096	-7,756	983	-18,915	274	3,701	-9,146	-9,139	-10,704
Others	-560	-691	-59	-1,068	-3,033	-821	-3,907	-4,481	-5,836
CF from Operations	5,042	10,680	5,297	21,303	4,117	1,674	14,211	17,086	22,347
(Inc)/Dec in FA	-569	-565	-1,020	-1,081	-807	-2,827	-2,000	-2,500	-3,000
Free Cash Flow	4,473	10,115	4,276	20,222	3,310	-1,153	12,211	14,586	19,347
(Pur)/Sale of Investments	-117	-7,380	-5,305	-11,715	-8,287	-4,258	0	0	0
Others	354	608	595	1,085	1,870	3,014	3,907	4,481	5,836
CF from Investments	-332	-7,338	-5,730	-11,710	-7,224	-4,071	1,907	1,981	2,836
(Inc)/Dec in Net Worth	0	-11	-12	-13	-15	-16	0	0	0
(Inc)/Dec in Debt	0	0	0	0	0	0	0	0	0
Less : Interest Paid	33	25	20	31	17	19	33	33	33
Dividend Paid	1,867	1,691	1,453	1,669	1,452	2,167	2,216	2,548	2,930
Others	-9	0	0	0	0	0	0	0	0
CF from Fin. Activity	-1,909	-1,726	-1,485	-1,714	-1,484	-2,202	-2,249	-2,581	-2,964
Inc/Dec of Cash	2,802	1,616	-1,919	7,878	-4,590	-4,600	13,869	16,486	22,219
Add: Beginning Balance	3,833	13,994	20,914	30,710	46,875	46,504	41,904	55,773	72,259
Closing Balance	6,635	15,610	18,995	38,589	42,285	41,904	55,773	72,259	94,478

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SELL	< - 10%
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UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

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