



## Accumulate BHARAT ELECTRONICS Ltd. (BEL) Tgt – 2280 - 2350 INR

**Time Frame: 1 - Year**

**Rating: "ACCUMULATE(Buy @ Decline)"**

Details	Data
NSE Code	BEL
BSE Code	500049
CMP	1850
Enterprisevalue	12399
52WKHigh/Low	1945/662.55
FV	10
BV	475.80
DivYield(%)	0.99
EPS	90.04
PE	9.81
Mcap	15040
NP(Cr.)	798.66
Industry	Electronics

### Company Profile:

Navratna status Public Sector Unit (PSU) Bharat Electronics Limited (BEL) was started in the year 1954 to meet the defence electronics requirements of the Indian Armed Forces, starting with a single Unit at Bangalore. BEL is an electronics company with about nine factories in India. It is owned by the Indian Government & primarily manufactures advanced electronic products for the Indian Armed Forces, one of the eight PSUs under Ministry of Defence, Government of India.

The products manufactured by the BEL are mainly categorized as defence and non-defence products. The defence products include Military Communications, Land Based Radars, Naval Systems, Opto-Electronics, Tank Electronics, Electronic Warfare and Simulators.

The non-defence products are in the area of Telecommunications, Sound Vision Broadcasting, Solar Photovoltaic systems, Electronic Components and Niche Products like Alarm System for unmanned level crossing, Vessel Identification system, GPS based Vehicle Tracking system, Electronic Voting machine, Integrated Fish Finder and Navigation Guidance System and Digital Set Top Boxes etc

### Defense Sector Outlook:

Considering the changed security scenario in view of the Mumbai terror attacks, the Government allocated Rs 1,41,703 crore for defence sector, almost a 35 per cent increase from the previous year's Budget provisions. With the total revised expenditure for defence last year standing at Rs 1,14,600 crore, the increased Plan expenditure for Defence this year would be Rs 86,879 crore. Last year's Plan expenditure was only Rs 73,600 crore, thereby providing an increase of Rs 13,279 crore this year.

Despite the nearly 35 per cent increase this year, India's defence spending is still at about two per cent of the GDP, compared to China's seven per cent and Pakistan's five per cent. The increased allocation for defence assumes significance as the government has decided to go on fast track acquisition of defence equipment. This provides immense opportunities for BEL to supply the products and services catering to the Defence requirements.

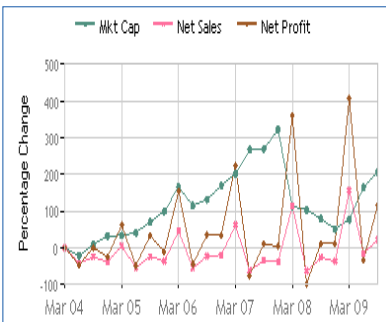
### Products and Customer List:

Products & Services	Customers
Defence Commuciation	Indian Defence Services , Para -military forces
Radars & Sonars	Indian Defence Services, Civil Aviation, Meteorological Department, Space
Telecommunication	Department of Telecommunication, Para- military forces, Power Sector, Oil Industry, Railways
Broadcasting Equipments	All India Radio, Doordarshan, (National Radio & TV Broadcasters)
Electronic Voting Machine	Election Commission Of India
Solar Products & Systems	Individuals, Private and Government Organizations
Components	All India Radio and Doordarshan the National Radio & TV Broadcasters, Instrumentation, Switching, Entertainment, Telephone Industry
Turnkey Systems	Police, State Governments, Public Sector Undertakings

Source: Company(BEL), Capital line, Jainam Research

Shareholding Pattern (%)	
Indian Promoter	75.86
Mutual Fund	6.15
Banks	8.20
FII	5.66
CorporateBodies	1.42
Public & Others	2.71

### Performance Chart:



### Index Comparison:





## BEL Exports

Exports play a key role in BEL's strategic perspective. The ranges of products and services exported have been increasing over the years. A number of international companies are using the facilities at BEL for contract manufacturing.

The broad list of products and services being exported is given below:

Products & Services	Countries
Defence Communication equipment and spare parts	Botswana, Indonesia, Suriname, Malaysia
Radars & Sub-systems	Indonesia, Egypt, Switzerland
Electronic Warfare products and services	Russia, Brazil
Opto-electronics products	Sri Lanka, Nepal, Israel, South Africa
Semiconductor devices, Microwave Tubes & Transmitting Tubes	Malaysia, Singapore, Turkey, Netherlands, UK, USA, France, Hong Kong
Solar Products & Systems	Suriname, Germany, Zimbabwe, Botswana, Kenya, Nigeria
Vacuum Interrupters	Malaysia, UAE, Uganda, Turkey, UK, Azerbaijan
Contract Manufacturing & Outsourcing Services	USA, Canada, Belgium, Italy, Germany, France, UAE
Electronic Voting Systems	Sri Lanka, Uganda, Malawi, South Africa

**Export Order Book Outlook:** BEL achieved 15% rise in its exports as compare to last year. The range of products exported includes HF Transceivers, VHF Transceivers, V/UHF Radios, VHF Base Stations, UHF Base Stations and many more. The countries to which company exports include USA, UK, Germany, Switzerland, South Africa. Company has an export order book of US \$ 30million. This includes an order from M/s Fincantieri, Italy, for supply of Composite Communication System, Versatile Communication System, ESM System, Electro Optic Fire Control System and their integration on board a Fleet tanker being supplied by them to the Indian navy. The order is worth US\$ 19.16 million.

Source: Company(BEL), Capital line, Jainam Research

## New Business Initiatives:

New business initiatives during the year include:

Appointment of M/s. KPMG, a global consulting firm, to help identify future market opportunities for growth.

- ✓ Infrastructure – Railways, Ports, Airports
  - ✓ Homeland Security
  - ✓ Nuclear Power Instrumentation
  - ✓ Energy Efficiency Solutions
  - ✓ E-Governance Solutions
- The Company is discussing with reputed foreign / Indian players for forming Indian Joint Ventures in the areas of defence electronics, viz., Missile Electronics & Guidance Systems, Microwave Super Components, Electro Optics, Airborne Electronic Warfare etc. Some of these proposals are in the advanced stages of finalisation.
- In a boost to the country's missile development effort, the Indian Air Force has placed an order with company for two squadrons of medium range, surface- to-air missile Akash.
- BEL has tied up with Larsen & Toubro, Tata Power, Walchand Industries and ECIL. It is contracted to deliver the two squadrons in 36 months.

## Order Book Position:-

The order book position of your Company as on 1st April 2009 was Rs. 103,860 million, out of which orders worth Rs. 48,900 million are executable during 2009-10. The balance will get executed in 2010-11 and beyond.

**Financial Performance:**

<b>Financial Performance in Cr.</b>				
<b>Year End</b>	<b>200703</b>	<b>200803</b>	<b>200903</b>	<b>2010 (E)</b>
Sales	3952.69	4102.54	4624.09	5317
Other Income	197.9	278.25	230.64	276
PBDT	1137.06	1263.94	1202.44	1442
Net Profit	718.16	826.74	745.76	930
Reserves Total	2512.15	3153.13	3727.12	4509
CP	802.75	919.38	851.36	978
Book Value (Rs)	324.02	404.14	475.89	570
EPS (Rs.)	86.83	99.83	90.04	116
<b>Ratio Analysis in %</b>				
Debt-Equity	0	0	0	0
ROCE (%)	45.53	40.33	31.59	39
EV/EBIDTA	8.7	4.74	3.63	3.00
ROG-Net Sales (%)	11.09	4.38	12.9	15
ROE(%)	30.99	28.38	21.19	25

Source: Company(BEL), Capital line, Jainam Research

**For Q2-September09 Bharat Electron:**

- ✓ Sales showed a robust rise to Rs. 1299.09 crore
- ✓ A positive topline was escorted by upbeat margins. A rise of 362 bps from 21.72% to 25.34%.
- ✓ P has touched Rs. 329.21 crore (+94.11 %)
- ✓ After providing for interest, the company generated cash before depreciation Rs. 373.89 Crore. This works out to around 28.78 paise per sales rupee.

**Valuation & Recommendations:**

- ✓ The company is presently trading at 9.80 times to its earnings of Rs 91 and 4 times to its book value of Rs 475. The company has registered the decent growth of 12% in its topline.
- ✓ The Company has Developed healthy Researves with a Robust sales growth and Focusing on other Business the Forward Earning FY10 is Expected at Rs. 116 that Values around Rs. 2280
- ✓ The company is continuously focusing in protecting and further consolidating its leadership position in the Indian defence market on one hand and on the other hand taking steps to venture into new business.

**Looking at the brighter future prospects of Defense Sector BEL looks attractive with the Rating of "Accumulation" at the price of Rs 1850 with a 1 Year Time Frame with the Tgt price of 2280.**

**RECENT Pick Performance:**

<b>Company</b>	<b>Rating</b>	<b>Return(%)</b>	<b>Status</b>
Zen Tech	Multibagger	5	Hold
Info Edge	Multibagger	21	Hold
Tulip	Outperformer	109	Booked
REC	Accumulate	73	Booked
IDBI	Accumulate	26	Hold

**Happy Investing!!!****Rohan Mehta - Research Head**[rohan.mehta@jainam.in](mailto:rohan.mehta@jainam.in)**Disclaimer**

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