kotak Securities

Dated: 3 Nov 2025

Bharat Electronics (BHE) - SELL

Q2FY26 Result Update

Current Market Price (CMP)	Fair Value (FV)
Rs.426	**Rs.365**

Rationale:

- Q2FY26: All-round beat—strong execution aided by margin outperformance.
- FY26 guidance retained, implying steady performance in coming quarters.
- QRSAM and multiple base orders to drive order momentum over FY26-27E.
- We revise estimates for FY26-28 by 1-5% on the back of strong performance.
- We retain SELL with a revised FV of Rs365 on roll-forward to September 2027E.

Positives:

- BEL's Q2FY26 reported results were 8% ahead of expectations, as strong execution was aided by better-than-expected margin performance.
- BEL's topline at Rs5792cr (+26% yoy) for Q2FY26 came in 6% ahead of expectations.
- FY26 guidance of (1) 15%+ revenue growth, (2) 27%+ EBITDA margins and (3) Rs27000cr core order (ex-QRSAM) inflow implies earnings momentum should continue.
- BEL continues to enjoy the benefit of better gross margin due to higher localization as well as benefits of positive leverage.
- We expect BEL to see orders worth Rs1.4 lakh cr over next 3 year as compared to Rs75000cr over FY22-25.

Negatives:

- Gross margins for Q2FY26 saw some sequential decline.
- Non-defense contribution was at 10% in Q1FY26, below long-term normalized level.
- R&D spends at current levels for BEL are at decade-low levels as of FY25.

(R&D: Research & Development, EBITDA: Earnings before Interest, tax, Depreciation and Amortization, QRSAM: Quick range surface to air missiles)

Holding Period: 12 months

RATING SCALE (PRIVATE CLIENT GROUP)

Definitions of ratings

BUY	–	We expect the stock to deliver more than 15% returns over the next 12 months
ADD	–	We expect the stock to deliver 5% - 15% returns over the next 12 months
REDUCE	–	We expect the stock to deliver -5% - +5% returns over the next 12 months
SELL	–	We expect the stock to deliver < -5% returns over the next 12 months
NR	–	**Not Rated.** Kotak Securities is not assigning any rating or price target to the stock. The report has been prepared for information purposes only.
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NA	–	**Not Available or Not Applicable.** The information is not available for display or is not applicable
NM	–	**Not Meaningful.** The information is not meaningful and is therefore excluded.
NOTE	–	Our target prices are with a 12-month perspective. Returns stated in the rating scale are our internal benchmark.

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