

10th Nov '24 - BEL Q2FY25 results review, intrinsic value and target price.

Q2FY25 results review: (the results were out on 25th Oct 2024)

1. Revenue up by 15% YoY and 8.5% QoQ to ₹4,605 crore.
2. Expenses were up 7% YoY but declined 2% QoQ.
3. Operating Profit increased by 38% YoY and 47.6% QoQ to ₹1,400 crore. Margins were at 30%, up from 25% YoY.
4. PAT up by 38% YoY to ₹1,093 crore.
5. Company added ₹300 crore assets to its book to reach ₹39,420 crore worth of assets.
6. Order book of the company stood at ₹74,595 crore. The company anticipates robust order inflows in H2FY25, driven by significant projects. It also aims to increase its exports.
7. The company is focused on indigenization and expansion of its product portfolio, leading to improved profit margins.
8. BEL is confident of achieving a minimum of 15% revenue growth over the next five years, supported by a strong pipeline of projects. The company is expanding its capex to enhance production capabilities and support future growth.

Intrinsic Value:

With all the above mentioned points, it is very clear that there's a very clear growth visibility for the company. The rising demand of Indian military equipment in the international market also presents a huge opportunity for companies like Bharat Electronics. The only possible dampener for the company can be execution.

Current Valuation Status: (as on 10th November 2024)

The current valuation of the BEL stock stands at ₹273.24 per share at 44x Current TTM EPS. This valuation includes a 10% justifiable premium. The current price of the stock is ₹298 per share. I believe the current price still provides a good risk - reward ratio.

The multiple assigned to the stock will not align with its historical multiple because the business of the company has seen a significant run-up in recent years fueled by favorable government policies and actions. I believe the same will continue ahead.

Target Price:

The BEL stock is a BUY at current level (CMP: ₹298) with a Target Price of ₹339.68 per share based on 44x FY25E EPS, including a 10% premium.

Technical overview:



The defence stocks have been hammered down recently. This is why it becomes important to assess potential entry points in the BEL stock even after the business has performed well.

On the daily chart, the BEL Stock has made a strong base at ₹270 to ₹280 levels. Right now it trades at ₹297.75 per share, higher than 20, 50, 100 and 200 day EMAs. This is after a strong intraday breakout movement of more than 5.5% on 6th Nov 2024. The RSI is trending higher as well.