



IDEA2ACT : Bharat Electronics

Reco Price	12-months Target Price
BUY @ ₹ 109-115	₹ 139

Bharat Electronics (BEL), 51% owned by the Government of India, is primarily a supplier of electronic equipment to Indian defence services. It supplies electronic products such as radars, sonar, communication equipment, electronic warfare equipment and navigation equipment to the Indian defence forces and the civilian sector.

Upbeat on FY21 growth prospects: Despite Covid headwinds, BEL has been able to swiftly recover from various disruptions and open-up new growth avenues in high-grade medical equipment during the pandemic. BEL is confident of double-digit (10-12%) revenue growth in FY21, led by the execution of a strong order book (Rs52.7bn, 4.1x TTM sales), while cost discipline and execution of one squad of the Akash missile (with ~90% indigenisation) will help sustain operating profitability. NWC, which increased due to higher receivables in 1HFY21, is expected to ease by Dec-2020, with higher budgetary allocation for defence procurement.

Thrust on domestic procurement improves visibility: BEL will cater to >35 products in 101 systems notified under negative list and expect continuous additions to this list (1000+ items under review). Inflows would see sustainable growth, beyond Rs150bn in FY21, via various system orders & avionics. Diversification by FY22-23 in fuses & seekers will also make BEL a continuous supply chain partner of the services. High growth likely in civilian, services & exports verticals: Diversification in the civilian segments – e.g. transportation, medical equipment, smart cities, homeland security systems, space and digitalisation (e-governance) – will de-risk the company portfolio and double its revenue share to 15% by FY24ii. It is also hopeful of a 2.5x OB in defence exports (radars & communication systems) and 10-15% Cagr in services, over three years

Attractive Valuations: BEL is currently trading at 12x FY22ii EPS (close to -1SD). We expect a EPS Cagr for FY21-23ii EPS of 18% (post 2-4% upgrade) and RoE of 19-20%. We recommend a BUY on BEL with a target price of Rs139.

Technically, BEL has given a strong recovery and is now on a verge of giving a bullish Inverse Head & Shoulder breakout on the weekly chart. The stock has already given a golden crossover considering the 200/89 DEMA on the daily chart. If the current rally accentuates the way it should, we expect BEL to trend higher and test our immediate target price of Rs139.



Scalping Opportunity: BEL is also providing a scalping opportunity for the high-frequency algo traders. Traders can initiate the scalping trade on Blitz Master Scalping Algo format which is an Alpha seeking Algo Format. It supports a designed trade wherein the Entry and Exit points are pre-defined. This format is designed to take advantage of the market swings. We recommend a "Buy on Dips & Sell on rise" Scalping Strategy only to high-frequency traders with Rs 5 Gap on the buying trade & Rs 10 Gap on the selling trade.

Previous Recommendations:

Date	Stock Name	Reco Price	Target Price	P & L %	Status
26-May-20	Emami Limited	205	241	18%	Target Achieved
2-Jul-20	ITC	201	235	3%	Open (Dividend Rs10.15 exdate 6th Jul 2020)
2-Jul-20	NHPC	19.5	24	23%	Target Achieved
15-Jul-20	HCL Tech	610	695	14%	Target Achieved
30-Jul-20	INDIGO	920	1074	17%	Target Achieved
11-Aug-20	JB Chemicals & Pharmaceuticals	750	867	16%	Target Achieved
13-Aug-20	UPL	480	555	-8%	Open
18-Aug-20	Crompton Consumer	256	299	17%	Target Achieved
28-Aug-20	Sudarshan Chemical	474	557	-1%	Open
14-Sep-20	Apollo Tyres	114.5	138	21%	Target Achieved
1-Oct-20	Manappuram Finance Ltd	155.5	186	12%	Open
16-Oct-20	Cyient Ltd	370	440	19%	Target Achieved
28-Oct-20	Amara Raja Batteries	770	898	17%	Target Achieved
2-Nov-20	SIS (I) Ltd	363	423	17%	Target Achieved



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