

Date	Report / Update	Report Price (₹)	Buy Range (₹)	Target Price (₹)
18-Oct-23	Quick Insight	1011.7	990 – 1000	1210 – 1230



Q2FY24 Result Highlights

- **Strong performance in Q2FY24 reflecting improvement in supply chain issues faced previously** – BDL's Q2FY24 topline grew 15.2% YoY & 106.8% QoQ to ₹6.2bn with slower revival of supply chain issues which impacted most of Q1FY24 and partly in Q2FY24. EBITDA grew 42.8% YoY (Loss of ₹326.4mn QoQ) to ₹1.34bn with margins at 21.8% which grew 422 bps YoY and from -11.2% QoQ. Gross margin grew +49 bps YoY to 55.9%, reflecting ironing out of supply chain issues faced by the company. Other income grew 74% YoY to ₹783mn. Net profit grew 94% YoY and 4x QoQ to ₹1.47bn.
- **Order book provides revenue visibility for next 2-3yrs** – BDL has a robust order book of ₹225bn providing healthy revenue visibility of 10.4x its TTM revenue. Incrementally, the ordering pipeline looks equally strong from the next two- three year perspective, with large ticket orders like Astra MK II, QRSAM, MRSAM expected to be finalised. The negative import list, which the government has released, has put equipment like a) Advanced light-weight torpedoes, b) Ship-based MRSAM, c) Ship-based vertical launched short-range surface-to-air missile (VL SRAM) under an embargo, which will benefit BDL given its strong positioning in the missile sector.
- **Likely to see better 2HFY24 with topline of ₹21-23bn** – Despite a strong order backlog of ₹225bn, BDL's execution has remained muted given the supply chain challenges that it had faced over the last year, however, those issues now seem to be getting ironed out and BDL is confident about delivering ₹30–32bn revenue in FY24 suggesting 2HFY24 revenue run rate of ₹21–23bn. BDL has taken up several initiatives to ensure the timely availability of critical components and thus we believe that execution should continue to remain healthy in 2HFY24.

VIEW

We continue to remain positive on BDL given Government's thrust on defence indigenisation & modernisation, pick up in execution of order backlog, exploring more export opportunities on the back of already secured export orders, step up in R&D investment to develop in-house products and seeking out collaboration with foreign OEMs for local manufacturing. Hence we continue to maintain our **BUY** view on the stock with **Target Range ₹1210-1230** trading at **P/E 23.4x FY25E EPS ₹44.7**.

Important Data

Nifty	19,377
Sensex	64,784
Key Stock Data	
CMP	₹1046.2
Market Cap (bn)	₹191.7
52WHigh/Low	₹1278/787
Shares o/s(mn)	183.28
Daily Vol.(3M –NSE Avg.)	1,499,985
BSE Code	541143
NSE Code	BDL
Bloomberg Code	BDL:IN

Shareholding Pattern (%) – Sep'23

Promoter	74.9
DII's	12.8
FII's	3.1
Public	9.2

Financials

(₹mn)			
Particulars	FY20	FY21	FY22
Revenue	30,952	19,138	28,174
EBITDA	7,276	3,447	7,261
EBITDA Margin (%)	23.5	18.0	25.8
Net Profit	5,349	2,578	4,999
EPS (₹)	29.2	14.1	27.3
DPS (₹)	8.5	7.4	8.3
RoE (%)	20.5	9.6	16.5
RoCE (%)	18.7	7.3	16.0
P/E (x)	35.8	74.4	38.4
EV/EBITDA (x)	25.5	51.1	23.8
P/BV (x)	7.4	7.1	6.3

Particulars	FY23	FY24E	FY25E
Revenue	24,894	31,616	40,151
EBITDA	4,082	6,362	8,891
EBITDA Margin (%)	16.4	20.1	22.1
Net Profit	3,522	6,207	8,189
EPS (₹)	19.2	33.9	44.7
DPS (₹)	9.4	10.0	12.0
RoE (%)	11.0	18.1	21.0
RoCE (%)	5.1	9.1	14.4
P/E (x)	54.4	30.9	23.4
EV/EBITDA (x)	36.1	21.7	15.0
P/BV (x)	6.0	5.3	4.7

Source: Company, Way2Wealth

Relative Performance

Return(%)	1Yr	3Yr	5Yr
BDL	5.1	246.6	228.9
Nifty50	5.9	54.6	84.3
Sensex	6.5	58.0	83.1

Source: Company, Way2Wealth

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Q2FY24 PERFORMANCE

(₹ mn)

Particulars	Q2FY24	Q2FY23	YoY (%)	Q1FY24	QoQ (%)	1HFY24	1HFY23	YoY (%)
Revenue	6,158.1	5,347.8	15.2	2,977.2	106.8	9,135.3	12,295.8	(25.7)
Cost of Matl	1,795.4	2,102.8	(14.6)	1,774.1	1.2	3,569.5	8,157.7	(56.2)
Inventory Changes	919.2	280.9	227.2	(531.3)	273.0	388.0	(1,370.2)	128.3
Employee Exps	1,291.9	1,448.4	(10.8)	1,353.4	(4.5)	2,645.3	2,807.0	(5.8)
Other Exps	811.3	577.2	40.6	707.3	14.7	1,518.6	1,342.6	13.1
EBITDA	1,340.4	938.5	42.8	(326.4)	510.7	1,014.0	1,358.7	(25.4)
EBITDA Margin (%)	21.8	17.5	422	(11.0)	3,273	11.1	11.0	5
Other Income	783.0	450.0	74.0	1,074.5	(27.1)	1,857.4	817.6	127.2
Finance Cost	7.8	8.1	(3.6)	7.8	0.5	15.6	28.6	(45.4)
Depreciation	174.3	213.2	(18.2)	168.9	3.2	343.2	447.0	(23.2)
Exceptional Item	-	-	-	-	-	-	-	-
PBT	1,941.2	1,167.3	66.3	571.4	239.7	2,512.6	1,700.6	47.7
Tax	470.2	409.1	14.9	153.2	206.9	623.5	543.9	14.6
Net Profit	1,470.9	758.1	94.0	418.2	251.8	1,889.1	1,156.7	63.3
EPS (₹)	8.0	4.1	94.0	2.3	251.8	10.3	6.3	63.3
Adjus. Profit	1,470.9	758.1	94.0	418.2	251.8	1,889.1	1,156.7	63.3
Adjus.EPS (₹)	8.0	4.1	94.0	2.3	251.8	10.3	6.3	63.3

As % of Sales	Q2FY24	Q2FY23	YoY (bps)	Q1FY24	QoQ (bps)	1HFY24	1HFY23	YoY (bps)
Matl Cost	44.1	44.6	(49)	41.7	234	43.3	55.2	(1,188)
Gross Margin	55.9	55.4	49	58.3	(234)	56.7	44.8	1,188
Employee Exps	21.0	27.1	(610)	45.5	(2,448)	29.0	22.8	613
Other Exps	13.2	10.8	238	23.8	(1,058)	16.6	10.9	570

Source: Company, Way2Wealth

FINANCIALS & VALUATIONS

(₹ mn)

Particulars	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
Revenue	48,866	45,876	30,693	30,952	19,138	28,174	24,894	31,616	40,151
EBITDA	5,686	6,680	6,221	7,276	3,447	7,261	4,082	6,362	8,891
EBITDA Margin (%)	11.6	14.6	20.3	23.5	18.0	25.8	16.4	20.1	22.1
Net Profit	5,241	5,282	4,226	5,349	2,578	4,999	3,522	6,207	8,189
EPS (₹)	28.6	28.8	23.1	29.2	14.1	27.3	19.2	33.9	44.7
DPS (₹)	8.6	7.3	6.9	8.5	7.4	8.3	9.4	10.0	12.0
RoE (%)	23.9	27.0	18.6	20.5	9.6	16.5	11.0	18.1	21.0
RoCE (%)	18.8	25.5	21.2	18.7	7.3	16.0	5.1	9.1	14.4
Cash Balances	17,380	5,921	3,713	6,635	15,610	18,995	44,604	48,662	53,667
FCF	(5,562)	(5,102)	(48)	4,473	10,114	4,276	20,220	6,015	9,984
Receivable Days	12	61	70	40	62	39	27	27	26
Inventory Days	273	246	368	203	606	512	558	555	535
Payables Days	186	129	115	82	322	171	142	141	138
Net D/E (x)	(0.8)	(0.3)	(0.2)	(0.3)	(0.6)	(0.6)	(1.4)	(1.1)	(0.9)
P/E (x)	36.6	36.3	45.4	35.8	74.4	38.4	54.4	30.9	23.4
EV/ EBITDA (x)	30.7	27.8	30.2	25.5	51.1	23.8	36.1	21.7	15.0
P/BV (x)	8.7	9.8	8.5	7.4	7.1	6.3	6.0	5.3	4.7

Source: Company, Way2Wealth

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Disclosure of Interest Statement: BHARAT DYNAMICS LTD (BDL) as on 7th November 2023

Name of the Security	BHARAT DYNAMICS LTD (BDL)
Name of the analyst	Jayakanth Kasthuri
Analysts' ownership of any stock related to the information contained.	NIL
Financial Interest	
Analyst :	No
Analyst's Relative : Yes / No	Yes (10 Nos, 09Nov21)
Analyst's Associate/Firm : Yes/No	No
Conflict of Interest	No
Receipt of Compensation	No
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