

## Bharat Electronics Limited

CMP Rs. 923.70  
BUY

Result Update  
Q4FY09

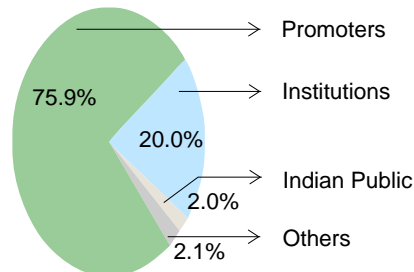
### Stock Data

Bloomberg : BHE.IN  
Reuters : BAJE.BO  
BSE Code : 500049  
NSE Code : BEL  
BSE Group : A

### Stock Codes

Benchmark : BSE200  
52 Week H/L : 1371.0/545.40  
Float : 19.36 Mn  
Mkt Cap : Rs. 73,896Mn  
Face Value : Rs. 10.0

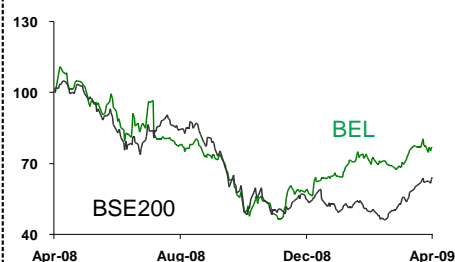
### Shareholding Pattern (as on Mar '09)



### Stock Returns

	1 Mth	3 Mths	6 Mths
BEL	11.79	18.75	55.41
BSE200	21.96	30.32	29.52

### Price Comparison



Jigar Valia - jigar@ppfas.com

Bharat Electronics Limited reported better than expected and slightly better than the provisional results released earlier. While the company has delivered a flat performance Y-Y for the full year, it has been a good recovery in the last quarter, especially after the relatively subdued performance in the first nine months.

While we understand that the much of the business is billed in the last quarter and this would cumulate to the total of the entire business done YTD. However, this time the performance for the first nine months was slightly more subdued thereby increasing the dependence on the last quarter and so also the risks.

The sales for the fourth quarter alone were 50% higher than the combined turnover in the preceding 3 quarters and constituted 60% of the overall sales. Even more on the profitability front, where the Q4 profits were 125% higher the combined nine monthly profits and overall constituted 69% of the annual profits.

The Y-Y quarterly performance was fine with 20% increase in revenues & 16% increase in profits restrained by slightly lower other income. The same trend is more evident in the annual numbers where the revenues have increased by 13% but the profits have remained flat, mainly as the other income has considerably shrunk by 30% for the year.

The company has not announced a final dividend yet after an interim dividend of Rs. 6 announced earlier. Amongst the recent news-flow, BEL has announced a JV with BHEL for a Solar Photo Voltic Business. We are not very sure if these investments will reap handsome returns in the longer run. However we remain confident that overall at the company level, BEL will continue to do well. Also this is one company which will benefit from some thrust & limelight upon the next government coming to power. Also, irrespective of any party coming at the centre, there would not be any impact on the defense budgets and the prospects of BEL. We expect the investments made in the last fiscal to start reaping benefits from the current year.

On the valuation front, the scrip is reasonably priced at ~9x its current earnings. Based on the company's business model, positioning and valuations, we maintain our bullish stance for this company. We maintain BUY.

**BEL : Quarterly Financials**

<b>Earnings Statement</b>								
YE March (Rs. Mn.)	Q409	Q309	Q-Q(%)	Q408	Y-Y(%)	FY09	FY08	Y-Y(%)
Net Revenues	27,534.9	6,810.1	304.33%	22,937.4	20.04%	47,789.7	42,067.4	13.60%
Total Expenditure	19,284.2	5,103.1	277.89%	15,951.8	20.89%	36,212.9	31,852.2	13.69%
Operating Profit	8,250.7	1,707.0	383.35%	6,985.6	18.11%	11,576.8	10,215.2	13.33%
Other Income	295.5	355.3	-16.84%	522.0	-43.39%	1,680.8	2,403.6	-30.07%
EBITDA	8,546.2	2,062.3	314.40%	7,507.6	13.83%	13,257.6	12,618.8	5.06%
Depreciation	277.0	269.5	2.77%	269.4	2.81%	1,117.2	1,007.2	10.92%
EBIT	8,269.2	1,792.8	361.25%	7,238.2	14.24%	12,140.4	11,611.6	4.55%
Interest	36.1	0.4	0.00%	0.7	0.00%	108.3	3.0	0.00%
PBT	8,233.2	1,792.4	359.34%	7,237.5	13.76%	12,032.1	11,608.6	3.65%
Tax	2,638.8	564.7	367.27%	2,401.5	9.88%	3,878.9	3,503.4	10.72%
PAT	5,594.4	1,227.7	355.68%	4,836.0	15.68%	8,153.2	8,105.2	0.59%
Equity Capital	800.0	800.0	0.00%	800.0	0.00%	800.0	800.0	0.00%
EPS	69.93	15.35	355.68%	60.45	15.68%	101.92	101.95	-0.04%
<b>Ratio Analysis</b>								
<b>Profitability</b>								
YE March (Rs. Mn.)	Q409	Q309	Q-Q(bps)	Q408	Y-Y(bps)	FY09	FY08	Y-Y(bps)
OPM (%)	29.96%	25.07%	489.9	30.46%	(49.0)	24.22%	24.28%	(5.8)
EBITDA (%)	31.04%	30.28%	75.5	32.73%	(169.3)	27.74%	30.00%	(225.5)
EBIT (%)	30.03%	26.33%	370.6	31.56%	(152.4)	25.40%	27.60%	(219.9)
PAT (%)	20.32%	18.03%	229.0	21.08%	(76.6)	17.06%	19.27%	(220.7)

## BEL : Financials

Earnings Statement				
Particulars (Rs. Mn.)	FY07	FY08	FY09	FY10E
Total Revenues	40,532.4	42,119.3	47,789.7	53,524.5
Total Expenditure	30,808.7	31,852.2	36,212.9	41,276.1
Operating Profit	9,723.7	10,267.2	11,576.8	12,248.3
Other Income	1,945.5	2,403.6	1,680.8	2,862.4
EBITDA	11,669.1	12,670.8	13,257.6	15,110.7
Depreciation	933.3	1,007.2	1,117.2	1,333.9
EBIT	10,735.9	11,663.6	12,140.4	13,776.8
Interest	8.4	3.0	108.3	2.5
PBT	10,727.5	11,660.6	12,032.1	13,774.3
Tax	3,397.5	3,503.4	3,878.9	4,681.9
PAT before MI	7,330.0	8,157.2	8,153.2	9,092.4
Minority Interest	5.9	0.8	0.0	5.0
PAT before EI	7,324.1	8,156.4	8,153.2	9,087.4
Extraordinary Items	(8.6)	216.3	0.0	0.0
Reported PAT	7,315.5	8,372.7	8,153.2	9,087.4

Ratio Analysis				
Particulars	FY07	FY08	FY09E	FY10E
OPM (%)	24.0%	24.4%	24.2%	22.9%
EBITDA (%)	28.8%	30.1%	27.7%	28.2%
PBIT (%)	26.5%	27.7%	25.4%	25.7%
PAT (%)	18.1%	19.4%	17.1%	17.0%
Interest Cover Ratio	1,281.0	3,871.1	112.1	5,510.0
EPS	91.6	102.0	101.9	113.6
Book Value per share	333.6	415.2	510.0	597.2
Market Cap	73,896.0	73,896.0	73,896.0	73,896.0
Enterprise Value	73,919.4	73,916.8	73,916.8	73,916.8
P/E	10.1	9.1	9.1	8.1
P/BV	2.8	2.2	1.8	1.5
M Cap/Sales	1.8	1.8	1.5	1.4
EV/EBITDA	6.3	5.8	5.6	4.9
EV/Sales	1.8	1.8	1.5	1.4
ROCE (%)	39.8%	34.9%	29.6%	28.7%
RONW (%)	27.4%	24.6%	20.0%	19.0%
Debt/Equity Ratio	0.0	0.0	0.0	0.0
Inventory T/o Days	114.8	118.8	120.0	120.0
Debtors T/o Days	153.5	180.6	180.0	180.0
Advances T/o Days	28.1	48.9	50.0	50.0
Creditors T/o Days	257.7	287.5	280.0	280.0
Net Wrkg Cap T/o Days	188.9	237.0	252.3	237.6
Fixed Assets T/o (Gross)	2.9	2.8	2.9	2.5
DPS	18.0	20.7	6.0	22.6
Dividend Payout (%)	19.7%	20.3%	5.9%	19.9%
Dividend Yield (%)	1.9%	2.2%	0.6%	2.4%

Balance Sheet				
Particulars (Rs. Mn.)	FY07	FY08	FY09E	FY10E
Equity Capital	800.0	800.0	800.0	800.0
Reserves	25,898.5	32,412.2	40,003.9	46,973.7
Shareholders Funds	26,698.5	33,212.2	40,803.9	47,773.7
Minority Interest	22.3	23.2	23.2	28.2
Government Grants	206.6	208.5	208.5	208.5
Borrowed Funds	23.4	20.8	20.8	20.8
Total Liabilities	26,950.8	33,464.8	41,056.4	48,031.2
Fixed Assets	4,490.6	4,724.3	6,603.1	11,769.2
Investments	0.0	0.0	0.0	0.0
Inventory	12,736.8	13,688.2	15,711.7	17,597.1
Sundry Debtors	17,030.7	20,818.7	23,567.5	26,395.6
Loans & Advances	3,111.4	5,635.3	6,546.5	7,332.1
Cash & Bank Balance	20,930.6	24,615.5	28,623.9	29,904.1
Sundry Creditors	28,589.1	33,138.8	36,660.6	41,059.9
Provisions	4,271.3	4,303.3	4,760.7	5,332.0
Net Current Assets	20,949.1	27,315.5	33,028.4	34,837.1
Deferred Tax Assets	1,501.4	1,424.9	1,424.9	1,424.9
Miscellaneous Expenditure	9.6	0.0	0.0	0.0
Total Assets	26,950.8	33,464.8	41,056.4	48,031.2

Cash Flow				
Particulars (Rs. Mn.)	FY07	FY08	FY09E	FY10E
Opening Cash & Bank Bal	18,577.1	20,930.6	24,615.5	28,623.9
Profit After Tax	7,315.5	8,372.7	8,153.2	9,087.4
Less : Investment Income	(1,945.5)	(2,403.6)	(1,680.8)	(2,862.4)
Add. Interest Expense	8.4	3.0	108.3	2.5
Depreciation	933.3	1,007.2	1,117.2	1,333.9
Deferred Taxation	(216.5)	37.0	0.0	0.0
Others	(263.2)	(19.3)	0.0	0.0
Government Grant Adjustment	64.1	1.9	0.0	0.0
Net Change in Wrkg Capital(2,724.7)	(2,681.5)	(1,704.5)	(528.5)	
CF - Operating Activities	3,171.4	4,317.3	5,993.5	7,032.9
Change in Fixed Assets	(1,012.6)	(1,094.0)	(2,996.0)	(6,500.0)
Change in Investments	0.0	0.0	0.0	0.0
Investment Income	1,945.5	2,403.6	1,680.8	2,862.4
CF - Investing Activities	932.8	1,309.7	(1,315.2)	(3,637.6)
Increase in Equity	0.0	0.0	0.0	0.0
Changes in Borrowings	(69.2)	(2.6)	0.0	0.0
Changes in Minority Interest	5.8	0.9	0.0	5.0
Interest Paid	(8.4)	(3.0)	(108.3)	(2.5)
Dividend Paid	(1,678.9)	(1,937.4)	(561.6)	(2,117.6)
CF - Financing Activities	(1,750.7)	(1,942.1)	(669.9)	(2,115.1)
Net Change in Cash	2,353.6	3,684.9	4,008.4	1,280.2
Closing Cash & Bank Bal	20,930.6	24,615.5	28,623.9	29,904.1

# Disclaimer

## Disclosure of Interest Statement

1. Analyst Ownership of the scrip	BEL
2. PPFAS ownership of the scrip	YES
3. PMS ownership of the scrip	YES

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