

Bharat Electronics

20 May 2026

Operator: Good day and welcome to the Q4 FY26 earnings conference call hosted by ICICI Securities Limited. This conference call may contain certain forward-looking statements about the company, which are based on beliefs, opinions, and expectations of the company as on the date of this call. These statements are not the guarantee of future performance and involve risks and uncertainties that are difficult to predict. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone. I now hand the conference over to Mr. Vikas Singh from ICICI Securities Limited. Thank you and over to you, sir.

Vikas Singh – ICICI Securities: Thank you, Ria. Good evening, everyone, and welcome to today's Q4 FY26 Bharat Electronics Concall. From the management side, we have with us Mr. Manoj Jain, Chairman and Managing Director; Mr. Damodar Bhattad, Director Finance and CFO; and Mr. S. Sreenivas, Company Secretary. Without taking any more time, I hand over to Chairman sir for his opening remarks. Over to you, sir.

Management: Thank you. This is Manoj Jain, CMD of BEL. Firstly, I will talk about the financial highlights of FY26. The revenue from operations has increased to 27,480 crores in FY26 as compared to 23,658 crores in the previous year, representing a growth of 16%. The profit before tax increased to 8,075 crores in FY26 as compared to 7,090 crores in the previous year, with a growth of 14%. The profit after tax increased to 6,048 crores in FY26 as compared to 5,288 crores in the previous year, showing a growth of 14%. The EBITDA has increased to 30% in FY26 as compared to 29% in FY25. The earnings per share also increased to 8.27 in FY26 as compared to 7.23 in FY25. The order book position as on April 1, 2026, is 73,882 crores, and orders acquired till March 31, 2026, in the previous year were 30,045 crores. This is a brief financial highlight of FY26. As we mentioned at the beginning of the year regarding our guidance, we have met all the guidance parameters in the last financial year. Thank you for my opening remarks.

Operator: Thank you very much. We will now begin the question and answer session. First question is from the line of Mr. Amit Dixit from GS. Please go ahead.

Amit Dixit – GS: Good evening, everyone, and thanks for the opportunity. Congratulations on a good set of numbers, sir. My first question is that in view of the recent orders and developments in the defense electronics space, particularly regarding orders in the field of drone electronics, new-age technologies, and quantum computing, I wanted to understand how BEL is developing capabilities for those. Are we doing in-house training, cultivating an ecosystem of startups and companies in these new technologies, or is it through the tried and tested mode of existing subcontractors and the kind of capex that would be entailed? I wanted to understand your broad thought process around this.

Management: I heard your question. These cutting-edge technologies have to be developed in collaboration with partners. The partners for us are DRDO, startups, academia, and our in-house strength. For drone technology or quantum technologies, whether it is QKD or quantum-safe communication, we are working on all these four pillars of development. We have done good hands-on work on these technologies, and a few proof-of-concepts have also been provided to our

Report is AI-generated and may contain inaccuracies.

Bharat Electronics

20 May 2026

defense users. We are totally geared up to tap into all these technologies through these four spectrums of work.

Amit Dixit – GS: Yes, sir, that partially answers it. I also wanted to understand whether this will entail more capex from us going ahead and whether, since we are working with many stakeholders, it will impact our margins.

Management: Firstly, let me tell you that margins should only be better when new technologies come in because new technology means more value addition. Whenever this technology goes to the field, there will definitely be more value addition from us. So margins will be on the higher side for that. Right now there are no big-ticket capex projects for that.

Regarding the capex infrastructure built by BEL, we have developed a good infrastructure because these technologies require a strong computing infrastructure. The underlying technology is AI, which requires a very good computing infrastructure, whether it is CPUs or GPUs. We have invested heavily in that, on the order of a minimum of 100+ crores in the last 2 years, and at least around 100–200 crores worth of investments are in different stages of approval. That is the main capex required.

The building and other testing or integration infrastructure is much less as compared to the compute infrastructure. We are creating this at four to five places, including CRL Ghaziabad, CRL Bangalore, our DSPC, our unmanned systems unit, our network and cyber security SBU, and our Palasamudram facilities. The CPU and GPU infrastructure is already created at CRL Ghaziabad, CRL Bangalore, our software SBU, and PDIC. Last year, we performed some infrastructure upgrades, and we are going to create a separate high-performance computing infrastructure very soon.

Amit Dixit – GS: Great, sir. The second question is on semiconductors. Could you highlight what part of our total COGS is semiconductors? With the recent increase in semiconductor prices, are we able to pass it on or do we have to absorb it?

Management: All semiconductors are imported right now because that infrastructure is just coming up in India. Although semiconductors are very important components for us, there are other subsystems and technology components, including compute resources. Semiconductors per se represent around 17–19% of our material cost or value of production. Therefore, a semiconductor cost increase—if it happens—only affects that portion. Overall, it may not affect our margins that much. We are also in the process of indigenizing some of the technology itself, which will help us compensate for any price offsets.

Amit Dixit – GS: Great sir, I will come back in the queue. All the best.

Operator: Thank you. Next question is from the line of Umesh Raut from Nomura. Please go ahead.

Umesh Raut – Nomura: Hi sir, good evening. My first question pertains to the submarine program being discussed between India and a European OEM, which is likely being finalized with Mazagon Dockyard with a value close to 90,000 crores. For this program, what kind of flow-through orders can BEL expect?

Report is AI-generated and may contain inaccuracies.

Bharat Electronics

20 May 2026

Management: In all submarine or ship-based programs, the major electronics come from BEL. In this P-751 program, there will be a foreign component because the foreign partner is working with MDL and, indirectly, with us. Some foreign components with good indigenous content will be included, and some homegrown components will be inducted as part of this.

I can tell you that more than 50–60% of the electronics in this program will be from BEL. We are in a very advanced stage of discussion with MDL and their foreign partner. There are around six subsystems in this submarine program, such as the communication suite, navigation complex system, combat weapon control system, combat information system, torpedo fire control system, and missile fire control system. These are primarily electronics-driven and will be part of the BEL portfolio.

Umesh Raut – Nomura: Understood. On a per-submarine level, what percentage of the total submarine value would the electronics cost typically be?

Management: I cannot give an exact figure, but typically around 25–30% comes from the electronics portion. In this particular case, because there is a foreign element and it is not totally homegrown, the ratio may vary by about 5% on either side.

Umesh Raut – Nomura: Understood sir. My second question is on the QRSAM program. Where are we in terms of finalization? In the last call, you mentioned that by the end of March or June this year, you would be signing this contract. Is there any update, and once the program is awarded, how soon can we expect execution to start? Will there be a similar margin profile or will margins be lower in the initial stages?

Management: As I mentioned last time, we were hopeful to receive it by the last quarter of last year or the first quarter of this year. We remain fully optimistic that we will get this order before the end of June. There is only a 5–10% chance it may slip to July, but we are confident as of today that we will sign by the end of June.

All formalities, evaluations, and technical terms are complete. We are now in the process of necessary approvals at various ministerial stages. We are confident it will be resolved in the next month to 1.5 months. Once we sign the program, we are supposed to provide the first production model within 18 months. We have already started the necessary preliminary work so that we do not slip on that 18-month target. Real bulk supplies will start after that.

Regarding margins, it is too early to say exactly, as we only get a clear view once we finalize back-to-back contracts with our tier 1 and tier 2 suppliers. However, it will be similar to our previous orders with no major changes in the margin structure.

Umesh Raut – Nomura: Understood. My last question is on the bookkeeping side. Other expenses for the quarter were up by about 36% year-on-year. Was there any one-off provisioning?

Management: These are basically regular provisions due to the increase in operations. For example, as turnover increases, we need to provide more for performance warranties and other expenditures that scale with the business. There is also some Liquidated Damages (LD) related expenditure. Overall, the expenditure has increased in line with the scale of operations.

Report is AI-generated and may contain inaccuracies.

Bharat Electronics

20 May 2026

Umesh Raut – Nomura: So total provisions as a percentage of sales in FY26 were similar to FY25?

Management: Yes, FY26 is almost similar and follows the same pattern as FY25.

Umesh Raut – Nomura: Understood. Thank you very much and all the best.

Operator: Thank you. Next question is from the line of Dipen Vakil from PhillipCapital. Please go ahead.

Dipen Vakil – PhillipCapital: Thank you for the opportunity, sir. Congratulations on the execution and margins. My first question is on the existing order book. Can you provide a project-wise breakup and the timeline for execution?

Management: The order book of around 74,000 crores mainly consists of several big-ticket items. These include electronic fuses, LRSAM, LCA Mark 1 and Mark 1A LRUs for the Tejas, BMP-2 upgrades, spare services and miscellaneous items, the Ashwini Radar, and the EW suite for Mi-17 V5.

We will be supplying these items over the next one to three years. Specifically, the electronic fuse program will continue for another 7 years, and the BMP-2 upgrade for another 2 years. Most of the remaining orders will be executed over the next 1 to 1.5 years.

Dipen Vakil – PhillipCapital: Is it possible to quantify some of those big-ticket items?

Management: Yes. For electronic fuses, around 4,300 crores remains for the next 7 years. LRSAM is around 3,500 crores. LCA is 3,200 crores. BMP-2 upgrade is around 2,800+ crores. Ashwini is around 2,460 crores. Mi-17 V5 is roughly 2,200 crores. Spare services and miscellaneous items total about 2,500 crores. These are the major items to be executed in FY26 and beyond.

Dipen Vakil – PhillipCapital: Got it. My second question is on the order inflow guidance for the upcoming year. Excluding QRSAM, what is the order inflow target for FY27?

Management: I will address that in my closing remarks regarding the guidance for this year.

Dipen Vakil – PhillipCapital: Got it sir. I will fall back in the queue.

Operator: Thank you. Next question is from the line of Mohit Pandey from Citi Research. Please go ahead.

Mohit Pandey – Citi Research: Good evening, sir. Congratulations on the strong execution. We saw DAC approvals last year of almost 6 lakh crores. This year we have seen almost 30,000 crores of base orders. Is there a possibility of base orders stepping up next year as these approvals translate into order intake?

Management: I will discuss our expectations for this year and beyond in the closing remarks.

Mohit Pandey – Citi Research: Understood. Second, on the other income, it seems to have come off this quarter. Is that exchange related?

Report is AI-generated and may contain inaccuracies.

Bharat Electronics

20 May 2026

Management: This is primarily because the average interest rates and yields from banks have been lower during the year. Additionally, foreign exchange variations impacted the reduction in other income.

Mohit Pandey – Citi Research: Understood. Regarding exports, the share of export orders in the backlog is increasing. What is driving that?

Management: The export order book is healthy. We have around \$196 million in US dollar orders for the current and subsequent years, with execution spanning 2–3 years. I will provide details on what we have planned to execute in this financial year at the end of the call.

Mohit Pandey – Citi Research: Understood sir. On advances, the operating cash flow improved this year; was that driven by an increase in customer advances?

Management: Operating cash flow has been generally good over the year. Advances from customers at the year-end stand at approximately 12,500 crores.

Mohit Pandey – Citi Research: Okay sir, that is all from my side. Thank you.

Operator: Thank you. Next question is from the line of Atul Tiwari from JPMorgan. Please go ahead.

Atul Tiwari – JPMorgan: My question is about the fact that your order book has been relatively flat, as annual order inflows are now very similar to your revenue. In this situation, how long can you maintain a 15% plus revenue growth? Is it feasible to maintain that, or will it come down to 12–13% over the medium term?

Management: We mentioned last year that we receive a fixed set of regular orders every year, and then every 3–4 years we receive big-ticket projects. Those big-ticket projects maintain our healthy order book and growth rate. This year we expect the QRSAM order. Beyond that, we have one or two big-ticket items in the pipeline, valued at 20,000–25,000 crores each, which will recoup the order book.

We are highly optimistic for at least the next 5 years based on our leads and are confident we will follow a higher trajectory. I will provide more specifics on this at the end of the program.

Atul Tiwari – JPMorgan: In addition to QRSAM, could you talk about other larger projects—say in excess of 5,000 crores or 3,000 crores—that might come to the company over the next 2 years?

Management: Yes. Subsystems for the Next Generation Corvette (NGC) program should come through this year, with half of the subsystems expected this year and the rest possibly spilling into next year. We are also expecting order for Shatrughat and Samaghat EW solutions, the P-751 submarine program, the Hammer program, Shakti Phase 4, and MF-STAR radar for naval ships. Most of these should materialize this year, with a few potentially moving to FY27 and FY28.

Atul Tiwari – JPMorgan: Thank you, sir.

Operator: Thank you. Next question is from the line of Jatin Sangwan from Optiver. Please go ahead.

Report is AI-generated and may contain inaccuracies.

Bharat Electronics

20 May 2026

Jatin Sangwan – Optiver: Thanks for taking my question. On Project Kusha, I read that India is preparing for maiden firing trials of the air defense interceptor by late July. Could you give some color on our role and the order potential for this prototype?

Management: This program is spearheaded by DRDO, and we are one of the largest development-cum-production partners (DCPP). The timelines for trials and configurations are decided by DRDO. As their DCPP partner, our portions—including various radars, control centers, and communication systems—are in an advanced stage of delivery or prototype realization. I can only speak to the subsystems I am directly driving.

Jatin Sangwan – Optiver: Understood. Regarding data centers, we aim to target the government data center business. What is the pipeline, and are we seeing success there?

Management: There are many players in the data center business, so we want to provide a unique, cyber-safe solution. We have taken leads in adding our own cybersecurity components while using commercial off-the-shelf (COTS) server components. We have a few orders totaling identifying 100 crores currently.

The larger opportunity lies in providing a totally indigenous, end-to-end data center solution with our own hardware and software stacks, and cybersecurity components developed in-house and through our partner, C-DAC. We are in advanced discussions for these projects, which could be valued between 2,000 crores and 10,000 crores. We expect the first segments to bring in 1,000–5,000 crores of business.

Operator: Thank you. Next question is from the line of Amit Anwani from PL Capital. Please go ahead.

Amit Anwani – PL Capital: Thank you for the opportunity. Since FY24, gross profit margins have improved substantially to almost 49%. What is your sense of the gross profit margins for FY27?

Management: These profit margins depend on the product mix, which varies year-on-year. We predict the margins at the start of the year and generally meet our targets. I will reveal that predicted value in my closing remarks.

Amit Anwani – PL Capital: Understood. Regarding the 4–5 years of good growth expected, what is the status of capacity utilization and capex requirements? What was the capex this year and the guidance for FY27?

Management: To sustain double-digit growth on our large base, we must augment capacity. Last year, we booked approximately 900 crores in capital expenditure. This year, it will be significantly more. We have large investment plans for the next 3 years, including big projects at Palasamudram, Chitrakoot, and the Vellore facility, in addition to Ghaziabad and Bangalore. We are upgrading facilities for diversified products and new product dimensions. These plans will ensure we do not face capacity limitations in the coming years.

Amit Anwani – PL Capital: Currently, where do we stand on capacity? Is there enough for another 1 or 2 years?

Report is AI-generated and may contain inaccuracies.

Management: We don't view capacity as a single fixed number because we have a mix of products. Some are produced in-house from components up to system levels, while other projects involve only system integration. System integration requires more skills than infrastructure, whereas component manufacturing requires specialized, high-capital infrastructure like SMT machines and clean rooms. We are not seeing any choking for next 3–5 years, and we are continuously adding so that we don't face capacity issues for the next 10–15 years.

Amit Anwani – PL Capital: Finally, what is the status of the AMCA project? We hear land has been finalized for that 15,000 crore project. Have there been any RFP developments?

Management: We are one of the three selected bidders for the RFP. Pre-RFP meetings have happened. We expect the formal RFP to be received by the consortium—with L&T as the lead bidder and BEL as a partner—within the next 15 days to 1.5 months.

Regarding development, the project is run by ADA (Aeronautical Development Agency) under DRDO. We will be the DCPD partner for the five prototypes. ADA has acquired the land and test facilities, which we will use jointly during development. Real capital investment from our side will begin once we are selected as the successful bidder.

Operator: Thank you. Next question is from the line of Harshit Patel from Equirus Securities. Please go ahead.

Harshit Patel – Equirus Securities: Sir, regarding pricing in nomination-based contracts, when the new PBT norms were announced by the Ministry of Defence in FY20, it was expected that margins would come under pressure. Instead, margins for you and the defense ecosystem have expanded. What has enabled this?

Management: As I shared last year, it is indigenization. Indigenizing critical technology, modules, and subsystems has helped us. We have created a separate indigenization cell in BEL to monitor our internal developments and those of our MSME and startup partners. The faster we indigenize, the more profitable we will be. Self-reliance through indigenization is what has really helped us.

Harshit Patel – Equirus Securities: But why is the Ministry of Defence not cutting prices once a subsystem is indigenized?

Management: The role of the Ministry of Defence is to support the industry and create an environment of self-reliance or Atmanirbharta. When they benchmark prices against imports and we subsequently perform cost optimization and indigenization, the savings can be plowed back into our profits, which we then reinvest into capex and R&D. The Ministry of Defence supports this cycle to encourage more indigenization.

Harshit Patel – Equirus Securities: Could you update us on the Uttam radar program?

Management: HAL is the system integrator and LRDE (DRDO) is the original designer. As far as I know, they are in the final stages of testing and clearing the radar for the LCA. As and when they finalize, they will issue RFPs for components to us. As of now, we have not received any inquiries from them for this program.

Report is AI-generated and may contain inaccuracies.

Bharat Electronics

20 May 2026

Operator: Thank you. Next question is from the line of Sumit Kishore from Axis Capital. Please go ahead.

Sumit Kishore – Axis Capital: Net working capital at the end of FY26 seems to have increased sharply. Receivables days have gone up by about 30 days. Could you comment on this?

Management: The current ratio is 1.97 as compared to 1.76. Receivables are higher because there were some constraints from the customer side at the end of the previous year. We have subsequently received that money in April and May. The level should return to the sustainable range of 140–150 days.

Sumit Kishore – Axis Capital: Regarding the operating cash flow to EBITDA ratio, EBITDA in FY26 was about 8,000 crores, but operating cash flow was around 1,490 crores, a conversion of 19%. Why is this relatively low?

Management: The detailed breakup of operating cash flow is available in our filings. Our present cash position is sufficient to sustain our future growth plans.

Operator: Thank you. Next question is from the line of Kavish Parekh from 361 Capital. Please go ahead.

Kavish Parekh – 361 Capital: Are you witnessing any supply chain disruptions for critical components? Are execution timelines or margins impacted by the Middle East situation?

Management: The supply chain was slightly affected, particularly for some subsystems for major programs like LRSAM that were coming from the Middle East. We saw a delay of about 1–1.5 months. However, this was only a minor setback for a few months and we don't see a major impact on our annual turnover. Very few semiconductors come from the Middle East; most come from Europe, the US, or Taiwan. We perform sufficient planning for monthly and quarterly targets and do not foresee a major challenge.

Kavish Parekh – 361 Capital: What is the current level of indigenization, and what are the bottlenecks for further localizing?

Management: Government policy now requires a minimum of 60% in all new projects. We are currently at roughly 80–85% indigenization for most programs. In some cases, it touches 90%. In older programs based on technology transfers from years ago, it is 55–65%. Our main limitation is semiconductors. It will take a few more years before we get ICs produced in India. For the next 2–3 years, we expect an average indigenous content of 80–85%.

Kavish Parekh – 361 Capital: Any non-defense or export opportunities to materialize over the next 12–18 months?

Management: Both areas are critical. Non-defense is currently 8–10% of revenue, and we want to increase it to 15–20%. Exports are 4–5% right now, and we aim to reach 10% over the next 4–5 years. In the next 1–1.5 years, the increase will likely be 1–2%.

Report is AI-generated and may contain inaccuracies.

Bharat Electronics

20 May 2026

Operator: Thank you. Next question is from the line of Tina Pirmani from Motilal Oswal Financial Services. Please go ahead.

Tina Pirmani – Motilal Oswal Financial Services: Customer advances as a percentage of sales have been coming off. What kind of advances do you expect from new orders like QRSAM?

Management: The QRSAM contract is under finalization, so we won't comment on the specific terms. Total advances were around 12,500 crores as of March 31, 2026. Payment terms, such as advances and stage payments, vary by contract. We take these into account during costing, and there is nothing alarming in the current trends.

Tina Pirmani – Motilal Oswal Financial Services: Regarding exports, do you expect big-ticket platform exports soon?

Management: Repeat business for smaller orders continues. We are also working on big-ticket items like communication equipment, Software Defined Radios (SDRs), and satellite communication systems. Following the Akash project, we have good leads for customized and truncated C4I solutions in various countries. While we have many leads, uncertainty is always higher in exports due to geopolitical factors. We provide a calculated score based on what we believe we will realize this year.

Operator: Thank you. Next question is from the line of Hardik Rawat from IIFL Capital. Please go ahead.

Hardik Rawat – IIFL Capital: Regarding the P-75I submarine order, if electronics are 25–30% of project cost and BEL's share of that is 50–60%, does that mean roughly 15–18% of the overall project size comes to us?

Management: At a macro level, your calculation is more or less right. It will be a very big order for us. However, there is a variable element regarding which modules of the foreign partner's components we will indigenize and which might go to other Indian partners.

Hardik Rawat – IIFL Capital: What is the execution cycle once the order is received?

Management: It is roughly on the order of 5 years for the six submarines. Our delivery will align with the submarine manufacturing timeline decided by MDL. We have no capacity limitations for the program.

Hardik Rawat – IIFL Capital: Finally, what is BEL doing in Directed Energy Weapon (DEW) systems?

Management: We are working with DRDO on this. Our CRL Bangalore is conducting internal work with IISc, but for the majority of DEW development, we depend on DRDO—specifically CHES for laser-based DEW and MTRDC for microwave-based DEW. We are their largest development-cum-production partner for most programs. We are also indigenizing critical subsystems to increase self-reliance in this critical technology. We are currently supplying developmental orders and user-driven programs, such as D4 projects.

Report is AI-generated and may contain inaccuracies.

Bharat Electronics

20 May 2026

Hardik Rawat – IIFL Capital: One final point on margins. Since wage revisions are due on January 1, 2027, will employee costs dilute the high margins we achieved in FY26?

Management: Our guidance accounts for all parameters, including the wage revision due in January 2027. We may expect higher wage expenses only in the last quarter of the year. We have taken this into consideration, along with our product mix and indigenization levels, to arrive at the guidance I will share shortly.

Operator: Thank you. One last question from the line of Jyoti Gupta from Ashika Institutional Equities. Please go ahead.

Jyoti Gupta – Ashika Institutional Equities: How is BEL thinking about capital allocation—dividends, acquisitions, or technology investments?

Management: We have a strategic planning group that works with our corporate finance group to plan allocations for double-digit growth over the next 5–10 years. It is a logical mix of the portfolios you mentioned. We ensure our investment is spread across technology and capital to keep our growth consistent.

Jyoti Gupta – Ashika Institutional Equities: Are there any specific technology platforms that will materially change BEL's revenue profile over the next 5 years?

Management: We have at least 8–10 different high-end technology programs where we invest at least 200+ crores in each. These cover almost all major areas where BEL is currently a leader. We will provide more details on these specialized projects at future technological forums.

Operator: Thank you. I now hand the conference over to management for closing remarks.

Management: Regarding the outlook for FY27, taking into account our current base, product mix, and order book, we provide the following guidance:

- * We are retaining our revenue growth target of more than 15%.
- * EBITDA margins will be more than 28%.
- * We expect an order inflow of more than 55,000 crores this year, which includes the QRSAM project.
- * We have targeted an R&D investment of approximately 2,200 crores.
- * Capital investment (capex) is targeted at more than 1,200 crores for this year.
- * The defense to non-defense revenue ratio is expected to be around 90:10.

This is the guidance for the year. Thank you.

Operator: Thank you. On behalf of Bharat Electronics Limited, that concludes this conference. Thank you for joining us. You may now disconnect your lines.

Management: Thank you. Thanks everyone.

Report is AI-generated and may contain inaccuracies.