

## Week Gone

- ⇒ In the week ended on Friday, 28 January 2022, the Sensex tumbled 1836.95 points or 3.11% to settle at 57,200.23. The Nifty 50 index slumped 515.2 points or 2.92% to settle at 17,101.95
- ⇒ The BSE Mid-Cap index lost 3.07% to settle at 24,186.73. The BSE Small-cap declined 3.43% to settle at 28,940.18.
- ⇒ Firm crude oil prices, negative global cues and relentless selling by FPIs impacted sentiment..

## Week Ahead

- ⇒ The Union Budget 2022-23, corporate earnings and macroeconomic data will be the focus in the upcoming week.
- ⇒ Earnings announcements from India Inc will continue to remain in focus in the near term
- ⇒ Investment by foreign portfolio investors (FPIs) and domestic institutional investors (DIIs) will also be watched
- ⇒ On the macro front, Market Manufacturing PMI for January will be declared 1 February , 2022

## Technical Overview

Index closed with a loss of 2.92% at 17102. Index opened the week on a subdued note and continued to witness volatility and selling pressure to close the week in a loss for second consecutive week. Going ahead index has an important support around 16800, till this level is held index is likely to scale higher towards 17300-17450-17650. While support past 16800 comes at 16600-16380.



Source: Falcon, BP Equities Research

## Weekly Wealth

### DOMESTIC INDICES

Index	28-Jan-22	21-Jan-22	Weekly % Chg
Nifty 50	17,102.0	17,617.2	-2.9
Nifty Next 50	40,633.2	42,182.2	-3.7
Nifty 100	17,314.7	17,856.2	-3.0
Nifty 500	14,723.3	15,180.8	-3.0
NIFTY MIDCAP 100	29,804.9	30,563.6	-2.5
S&P BSE SENSEX	57,200.2	59,037.2	-3.1
S&P BSE 100	17,382.7	17,902.6	-2.9
S&P BSE 200	7,410.3	7,633.8	-2.9
S&P BSE 500	23,393.9	24,115.3	-3.0
S&P BSE MidCap	24,186.7	24,951.7	-3.1
S&P BSE SmallCap	28,940.2	29,967.2	-3.4

### WORLD INDICES

Index	28-Jan-22	21-Jan-22	Weekly % Chg
Nikkei Index	26,717.3	27,522.3	-2.9
Hang Seng Index	23,550.1	24,965.6	-5.7
Kospi Index	2,663.3	2,834.3	-6.0
Shanghai SE Composite	3,361.4	3,522.6	-4.6
Strait Times Index	3,294.9	3,294.9	0.0
Dow Jones	34,280.5	34,564.5	-0.8
NASDAQ	13,568.6	13,970.1	-2.9
FTSE	7,466.1	7,494.1	-0.4

### FOREX

Currency	28-Jan-22	21-Jan-22	Weekly % Chg
US\$ (Rs.)	75.2	74.3	1.2
GBP (Rs.)	100.7	101.4	-0.7
Euro (Rs.)	83.8	84.3	-0.6
Yen (Rs.) 100 Units	65.1	65.2	-0.1

### NIFTY TOP GAINERS (WEEKLY)

Scrip	28-Jan-22	21-Jan-22	Weekly % Chg
Maruti Suzuki	8551.0	8036.4	6.4%
Bajaj Auto	3,497.2	3,308.8	5.7%
Cipla	932.3	882.4	5.7%
Axis Bank	764.7	728.9	4.9%
NTPC	140.2	134.9	3.9%

### FII - ACTIVITY

(INR. Cr.)

Date	Purchases	Sales	Net
28-Jan-22	8,222.9	13,268.3	-5,045.3
27-Jan-22	11,417.4	17,684.1	-6,266.8
25-Jan-22	7,357.3	14,451.8	-7,094.5
24-Jan-22	5,030.5	8,782.1	-3,751.6
<u>MTD</u>	32,028.2	54,186.3	-22,158.2

### NIFTY TOP LOSERS (WEEKLY)

Scrip	28-Jan-22	21-Jan-22	Weekly % Chg
Tech Mahindra	1410.7	1666.9	-15.4%
Bajaj Finserv	15198.8	17259.0	-11.9%
Wipro	552.2	615.2	-10.2%
Tata Steel	1084.7	1206.7	-10.1%
Titan Co	2315.6	2564.3	-9.7%

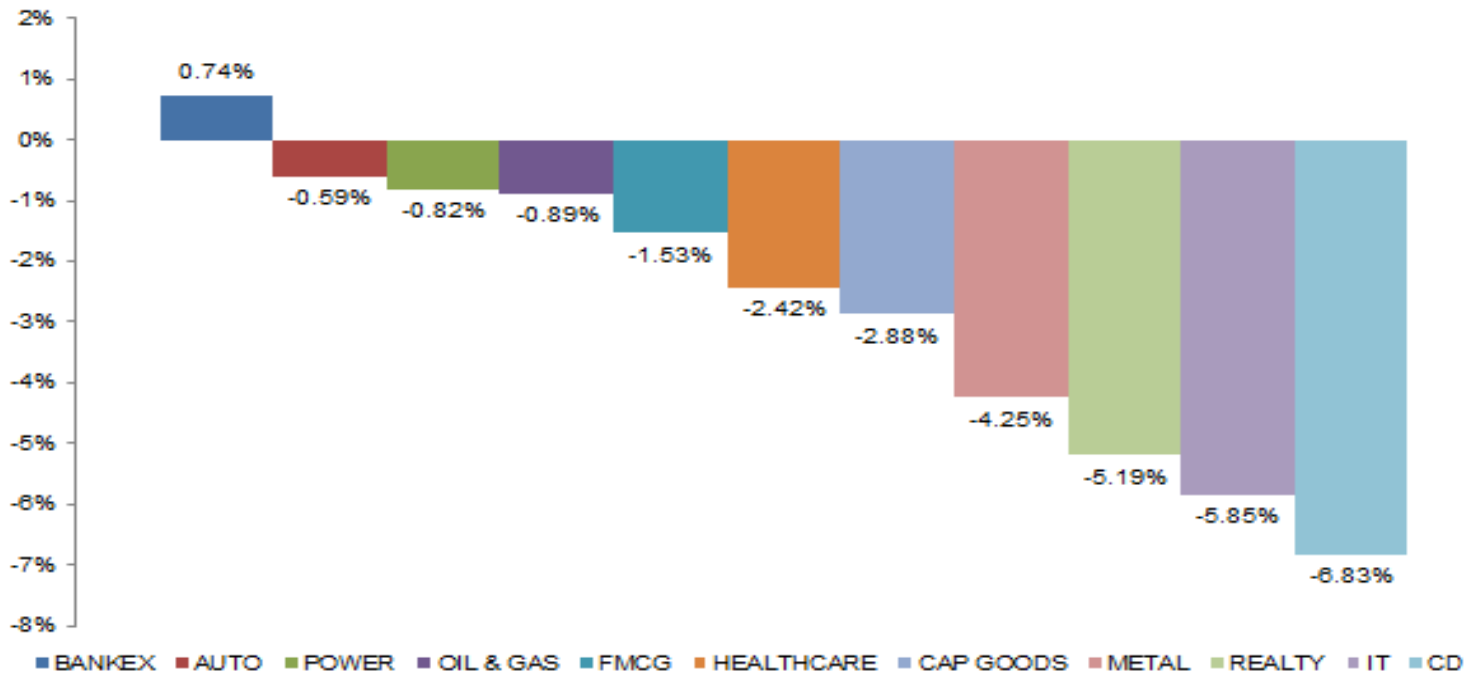
### DII - ACTIVITY

(INR. Cr.)

Date	Purchases	Sales	Net
28-Jan-22	9,617.4	6,258.8	3,358.7
27-Jan-22	10,727.5	7,846.2	2,881.3
25-Jan-22	10,764.4	6,229.9	4,534.5
24-Jan-22	8,243.1	8,168.2	74.9
<u>MTD</u>	39,352.4	28,503.0	10,849.4

# Weekly Wealth

## BSE WEEKLY SECTORAL PERFORMANCE



Source: BSE, BP Equities Research

### TOP OPEN INTEREST GAINERS (WEEKLY)

SCRIP NAME	28/01/22	21/01/22	Weekly % Chg	28/01/22	21/01/22	Weekly % Chg
	Share Price (Rs.)			Open Interest		
ADANI PORTS	713.35	722.95	-1.3	89236250	30191250	195.6
GRASIM	1702.8	1792.9	-5.0	10241475	5636350	81.7
TCS	3697.15	3832.05	-3.5	12461250	6883650	81.0
INDIAMART	4764.4	6019.4	-20.8	337350	192450	75.3
BAJAJFINSV	15238.7	16379.5	-7.0	759750	455300	66.9

### TOP OPEN INTEREST LOSERS (WEEKLY)

SCRIP NAME	28/01/22	21/01/22	Weekly % Chg	28/01/22	21/01/22	Weekly % Chg
	Share Price (Rs.)			Open Interest		
MOTHERSUMI	176.9	181.9	-2.7	14689500	22865500	-35.8
ONGC	168.75	163.25	3.4	41456800	56063700	-26.1
GSPL	298.9	312.55	-4.4	1234200	1620100	-23.8
PERSISTENT	4292.35	4287.5	0.1	402900	516750	-22.0
METROPOLIS	2514.15	2658.1	-5.4	435600	539200	-19.2

### Company Background

Bharat Electronics Limited (BEL), a defence public sector undertaking, was established in 1954 under the Ministry of Defence, Government of India (GoI) and was conferred with the Navratna PSU status in June 2007. BEL's core capabilities are in radar & weapons systems, defence communication & electronic warfare. They have a diverse product range, including missile systems, anti-submarine warfare, electro-optics, civilian products, etc. With a strong base of nearly 50% scientists & engineers, the company boasts of quality research in the defence space, with a huge CAPEX going into R&D. The company has nine manufacturing units located across India and two research units.

### Investment Rationale

#### Dominant supplier of electronic equipment to Indian defence forces

The GoI is BEL's majority stakeholder with a 51% holding currently. The company is of strategic importance to GoI as it manufactures state-of-the-art electronic products and systems for the Army, Navy and Air Force. It has also diversified into homeland security solutions, smart cities, e-governance solutions, space electronics etc. BEL has historically worked closely with India's defence laboratories, especially on radars, electronic warfare, and missile systems projects. This relationship is vital, as it helps BEL get an edge on its products. In FY19, products co-developed by BEL and DRDO accounted for half of its revenues. Government ownership leads to a sizable inflow of orders regularly providing a steady earnings stream to the company.

#### High barriers to entry coupled with a strong order book provide better growth visibility

BEL continues to enjoy an advantage over its competitors due to its dominant market position, successful track record and association with the armed forces, established infrastructure and manufacturing facilities, and strong R&D capabilities. BEL registered a growth of 54% in PAT (INR 6.12bn) in Q2FY22. It achieved a turnover of INR 36.22bn, which is a growth of 14.45% from the corresponding period of the previous year. The company's unexecuted order book stood at INR 546.3bn as of Q2FY22. The order book stands at 3.9 times of the FY21 operating income, which provides adequate revenue visibility in the medium term. Additionally, the Government's focus on rolling out enabling reforms to increase India's defence product manufacturing capability and gradually reduce imports will support the order inflow in the medium-to-long term.

### Valuation and Outlook

BEL's consistent investment towards R&D has helped create a strong competitive moat by giving it the ability to develop latest generation products & services and gradually increasing the indigenization of its product offering, which have been the key pillars behind the company's healthy profit margins. BEL is well-placed to leverage its expertise in growing defense CAPEX led by a strong execution track record, a large manufacturing base, a preferred vendor of the GoI (being a PSU), and its R&D focus. BEL is amongst few defense PSUs having a debt-free balance sheet, strong cash flow and prudent capital allocation. The company is also set to benefit from GoI's Make In India initiative and the FDI. On the valuation front, we valued the company based on 21x of its FY23e earnings and arrived at a target price of INR 257(22% upside from CMP) with a 12 months' investment horizon.

### Stock Rating

BUY	HOLD	SELL
> 15%	-5% to 15%	< -5%

### Sector Outlook

Positive

### Stock

CMP (INR)	208
Target Price (INR)	257
NSE Symbol	BEL
BSE Code	500049
Bloomberg	BHE IN
Reuters	BAJE.BO

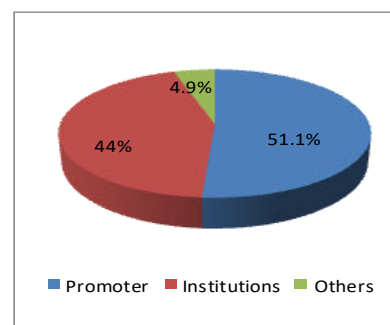
### Key Data

Nifty	17,101.95.
52WeekH/L(INR)	228/115
O/s Shares (Mn)	2,436.6
Market Cap (INR bn)	504.6
Face Value (INR)	1

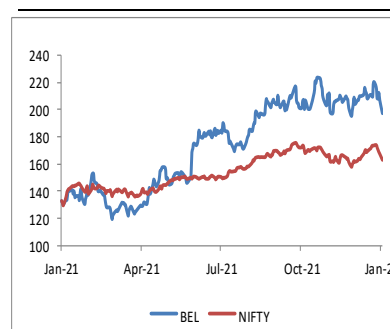
### Average volume

3 months	6,707,991
6 months	7,432,689
1 year	11,787,345

### Share Holding Pattern (%)



### Relative Price Chart



## Weekly Wealth

### Key Financials

YE March (Rs. millions)	FY19	FY20	FY21	FY22E	FY23E
<b>Revenue</b>	<b>121,642</b>	<b>129,677</b>	<b>141,087</b>	<b>157,453</b>	<b>188,629</b>
<i>Revenue Growth (Y-o-Y)</i>	17.0%	6.6%	8.8%	11.6%	19.8%
<b>EBIDTA</b>	<b>27,676</b>	<b>25,272</b>	<b>31,851</b>	<b>33,223</b>	<b>40,367</b>
<i>EBIDTA Growth (Y-o-Y)</i>	55.2%	(8.7%)	26.0%	4.3%	21.5%
<b>Net Profit</b>	<b>18,864</b>	<b>18,239</b>	<b>20,989</b>	<b>23,618</b>	<b>29,426</b>
<i>Net Profit Growth (Y-o-Y)</i>	31.8%	(3.3%)	15.1%	12.5%	24.6%
<b>Diluted EPS</b>	<b>7.7</b>	<b>7.5</b>	<b>8.6</b>	<b>9.7</b>	<b>12.1</b>
<i>Diluted EPS Growth (Y-o-Y)</i>	31.8%	(3.3%)	15.1%	12.5%	24.6%

### Key Ratios

<b>EBIDTA margin (%)</b>	<b>22.8%</b>	<b>19.5%</b>	<b>22.6%</b>	<b>21.1%</b>	<b>21.4%</b>
<b>NPM (%)</b>	15.5%	14.1%	14.9%	15.0%	15.6%
<b>RoE (%)</b>	<b>20.4%</b>	<b>18.1%</b>	<b>19.0%</b>	<b>19.0%</b>	<b>20.4%</b>
<b>RoCE (%)</b>	30.0%	25.1%	28.8%	26.7%	28.0%

### Valuation Ratios

<b>P/E (x)</b>	<b>26.8x</b>	<b>27.7x</b>	<b>24.0x</b>	<b>21.4x</b>	<b>17.1x</b>
<b>EV/EBITDA</b>	17.9x	19.3x	14.3x	13.3x	10.9x
<b>P/BV (x)</b>	<b>5.5x</b>	<b>5.0x</b>	<b>4.6x</b>	<b>4.0x</b>	<b>3.5x</b>
<b>Market Cap. / Sales (x)</b>	4.1x	3.9x	3.6x	3.2x	2.7x

Source: Company, BP Equities Research



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