A Study of Sources of Finance with Special Reference to Bharat Electronics Limited (BEL)

(An Analysis of Financial Years 2023-24 to 2025-26)

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1. Introduction

Any business organisation, whether big or small, privately owned or government owned, and from any industry, has to raise funds for the purchase of fixed assets, meeting operating expenses, and to enable the firm's expansion. The sources from which such funds are raised, and their mix, have a direct bearing on the firm's cost of capital, financial risk, ownership control and value creation. The choice between owned funds, (equity and retained earnings) and borrowed funds (debt), and their proportion make up the firm's capital structure decision.

This study looks into the sources of finance (owned and borrowed) that have been used by Bharat Electronics Limited (a Navratna Central Public Sector Enterprise (CPSE) under the Ministry of Defence, Government of India) for the last three financial years for which audited results are available: FY2023-24, FY2024-25 and FY2025-26. BEL has been selected for the study as it presents an interesting corporate finance scenario in the Indian corporate world: its listed and dividend-paying status as a government-owned, defence electronics manufacturer has financing choices dictated by market discipline (being listed on the BSE and NSE), government ownership guidelines (dividend and capital restructuring policies issued by the Department of Investment and Public Asset Management, or DIPAM) and the unique cash-flow characteristics of long-cycle defence production contracts.

The report is structured into several sections. Section 2 contains a review of the literature/theory related to the sources of finance and capital structure. In section 3, there is a brief description of the firm under analysis – BEL. Section 4 defines the objectives and methodology of the research. Section 5 presents theoretical background on the main sources of finance. In section 6, the analysis of the firm's sources of finance for FY2024-FY2026 is undertaken using the published financial statements. Section 7 contains the interpretation of results; the concluding remarks, recommendations, and limitations of the study are given in sections 8-10, respectively. References are provided at the end of the document.

2. Literature Review

2.1 Theories of Corporate Financing

There is a limited number of theories that provide insight into the process of financing of firms. Modigliani and Miller (1958) were first to develop a theory that explained how a firm should be financed in order to maximize its value. According to the theory, when capital markets are efficient, the value of the firm is independent of its financing structure. However, as soon as markets cease to be efficient, financing decisions start to matter. Modigliani and Miller (1963) extended the analysis to incorporate the impact of corporate taxation and concluded that the use of debt was particularly beneficial for the firm due to its tax-deductibility.

The Trade-off theory elaborated on this insight by recognizing that while debt has a tax advantage, increased leverage leads to higher costs of distress; thus, firms are expected to target a debt ratio that balances these two effects. On the contrary, the Pecking Order theory (Myers and Majluf, 1984) suggests that firms do not seek to reach a particular debt ratio at all. Because of the informational asymmetry between managers and outsiders, they prefer to finance new investments first from their own funds (retained earnings), then from debt, and lastly from new equity issuance (issuing equity is perceived by the market as a sign that management believes shares are overvalued).

These theories are a helpful starting point for examining a company like BEL. A firm with strong and growing internal accruals, as the analysis in Section 6 will show BEL to have, is consistent with pecking-order behaviour — such a firm has little need to approach external debt or equity markets and relies overwhelmingly on retained profits to fund its balance sheet growth.

2.2 Sources of Finance:

Classification Corporate finance textbooks typically categorize the sources of finance in two different ways: according to periods (long-, medium- and short-term) and ownership (owned funds versus borrowed funds). The latter includes equity share capital, preference share capital and retained earnings (reserves and surplus), whereas the borrowed funds include term loans, debentures/ bonds, working capital borrowings and other forms of debt. Another category of spontaneous financing such as trade payables, advance received from customers and other current liabilities which are generated naturally from the operating activity, but reduce the firm's need for other forms of working capital finance is often under emphasized in financial management. For public sector enterprises in India, this category is further shaped by government policy.

The Department of Investment and Public Asset Management (DIPAM) provides from time to time guidelines about capital restructuring of Central Public Sector Enterprises (CPSEs) which stipulate a minimum dividend payout, conditions under which a buyback of shares should be considered, and the level at which an issue of bonus shares should be considered. The most recent revision of these guidelines (2024) stipulates that every CPSE pay a minimum annual dividend of the higher of 30% of profit after tax (PAT) or 4% of net worth, and recommends that CPSEs with net worth above Rs.3,000 crore and cash and bank balances above Rs.1,500 crore consider a buyback of shares, and that CPSEs whose reserves and surplus above 20 times paid-up equity capital consider a bonus issue. As BEL is a CPSE, these guidelines directly constrain how much of its annual profit can be retained as an internal source of finance versus how much must be distributed to shareholders (including the majority shareholder, the Government of India).

It is this combination of general corporate-finance theory and CPSE-specific government policy that forms the framework in which Section 6 analyses BEL's actual sources of finance.

3. Company Profile: Bharat Electronics Limited

Bharat Electronics Limited incorporated in 1954, and it is headquartered in Bengaluru. The company reports to the Ministry of Defence, Government of India, which owned around 51.1% of Bharat Electronics Limited as of the mid-2026. Bharat Electronics Limited is a Navratna Central Public Sector Enterprise and India's premier defence electronics systems and equipment manufacturer, providing radar, communication, electronic warfare, avionics, weapon systems and command-and-control systems to the Indian Armed Forces, with a minor presence in civilian electronics.

The company's shares are listed on the BSE (scrip code 500049) and NSE (symbol BEL) and also part of major indices such as the Nifty 50. Bharat Electronics Limited has historically been almost debt-free with long-term credit facilities carrying the highest possible domestic rating, [ICRA]AAA (Stable), while the company's short-term facilities carry [ICRA]A1+ — the reaffirmation of these ratings in February 2026 covered facilities worth ₹7,300 crore. Since Bharat Electronics Limited is a large, order-book driven manufacturer (the company's unexecuted order book stood at approximately ₹73,015 crore as of January 2026, equivalent to about 3.2 times its FY2025 operating revenue), the timing of customer advances and receivables collections has a significant bearing on its working-capital financing needs.

Two of the structural features of Bharat Electronics Limited's equity base are worth highlighting at the outset because they have implications for the reading of the capital structure data in Section 6. First, Bharat Electronics Limited's paid-up equity capital has remained flat at ₹731 crore through FY2022-23 across the three years studied, since there has been no fresh equity issuance; the only change of consequence to equity capital in recent history was a 2:1 bonus issue in September 2022 (capitalising free reserves into additional equity shares), which increased the number of shares outstanding without raising any funds. Second, since Bharat Electronics Limited is mainly government owned and subject to DIPAM's capital restructuring guidelines, the company's dividend and retention decisions are not purely a

matter of managerial discretion, but are influenced by the government's minimum-dividend and bonus-issue thresholds described in Section 2.2.

4. Research Objectives and Methodology

4.1 Objectives

i. To identify and classify the major sources of finance available to Bharat Electronics Limited. ii. To analyze the trends in Bharat Electronics's sources of finance for the 3 years FY2023-24, FY2024-25, FY2025-26.

iii. To assess the composition of Owned Funds (Equity & Reserves): Borrowed Funds and other liabilities in Bharat Electronics Limited's financing structure.

iv. To calculate and analyze relevant ratios for examining Bharat Electronics's financing structure (debt-equity ratio, interest coverage ratio).

v. To evaluate the findings in light of the theoretical considerations discussed in section 2 and draw conclusions and recommendations.

4.2 Research Methodology

BEL has consistently maintained a near-zero debt position and long-term credit facility from banks that have the top domestic rating [ICRA]AAA (Stable), while the company's short-term credit facilities have the rating of [ICRA]A1+. The reaffirmation of these ratings covered commitments worth ₹7,300 crore as of February 2026. Given that BEL is a large, order-book intensive manufacturer (its backlog of unfilled orders was valued at ₹73,015 crore or 3.2x FY2025 revenue as of January 2026), the collection of customer advances and subsequent receivables has a significant impact on the company's financing needs. Two factors concerning the capital structure of Bharat Electronics Limited require detailed discussion at the outset, as they affect the interpretation of the figures presented in Section 6 below. First, the company's paid-up equity capital of ₹731 crore remained unchanged during FY2022-23 (and, in fact, for the last three fiscal years), as BEL did not raise any new equity during the period. The only significant change to the company's equity capital took place in September 2022, when a 2:1 bonus issue of shares was made, increasing the number of shares outstanding. Second, since BEL is a government-owned company, and its dividend and retention policies are to a large extent determined by the Department of Investment Promotion and Administration (DIPAM), with the government setting the minimum-dividend and bonus-issue norms for centrally-owned public enterprises, as discussed in detail in Section 2.2. 4. Research Objectives and Methodology

Nature of this research

The nature of this research will be descriptive/analytical with the utilization of secondary data sources only. The figures in question 6 are extracted from BE's published standalone/consolidated balance sheets, P&L statements, cash flow statements, for FY2023-24, FY2024-25, FY2025-26, credit rating rationales from ICRA, and relevant regulatory guidelines from DIPAM. There was no collection of primary data for this study (e.g., surveys/interviews). The 3-year period was chosen as it is the most recent set of audited annual results at the time of this report's preparation, reflecting BE's financing trends both preceding and following significant order-book driven revenue growth.

Clarification regarding data sources

The figures presented in this report are extracted from BE's publicly available financial reports and reputable financial data platforms as of September 2026. The students who are going to utilize this report are strongly advised to cross-verify the specific figures which they utilized in their analysis with the exact numbers published in BE's audited Annual Report and Form MGT-7 for FY2025-26 before finalizing their submissions, as minor discrepancies between provisional and audited figures may occasionally occur.

5. Sources of Finance:

A Theoretical Overview Prior to analysing BEL's actual financing pattern, it is helpful to summarise the principal sources of finance theoretically available to a company of BEL's size and ownership structure.

5.1 Owned Sources of Finance

(a) Equity share capital. This represents funds contributed by shareholders in exchange for ownership rights, dividends and voting power. It is a permanent source of capital that carries no fixed repayment obligation, but dilutes existing ownership and is typically the most expensive source of capital because equity investors bear the highest risk and expect a correspondingly higher return.

(b) Retained earnings (reserves and surplus). This is the portion of after-tax profit that a company chooses not to distribute as a dividend, but ploughs back into the business. Retained earnings are described as the cheapest and most convenient source of long-term finance because they involve no issuance cost, no dilution of control and no fixed servicing obligation. For a consistently profitable company, retained earnings can, over time, become the dominant component of the balance sheet.

5.2 Borrowed (Debt) Sources of Finance

(a) Long-term borrowings, such as term loans from banks and financial institutions, non-convertible debentures or bonds, are used primarily to finance capital expenditure. Debt carries a fixed interest obligation and must be repaid according to an agreed schedule, but it is generally cheaper than equity (interest is a tax-deductible and lenders bear less risk than shareholders), and does not dilute ownership.

(b) Short-term/working capital borrowings, such as cash credit, overdraft facilities and commercial paper, are used to bridge the gap between a firm's operating cycle (the time taken to convert raw material purchases into cash from customers) and its available internal resources. A firm with a long operating cycle — typical in the defence manufacturing sector, given lengthy production timelines — usually has a higher requirement for working-capital finance, unless this requirement is offset by advances received from customers, as discussed below.

5.3 Other Sources: Trade Credit and Customer Advances

Trade payables (amounts owed to suppliers) and advances from customers (amounts received from customers for goods or services yet to be delivered) may sometimes be referred to as “spontaneous” sources of financing. They are called spontaneous because they arise naturally as a result of the firm’s operations rather than being raised deliberately for the purpose of financing. For a defence public sector undertaking that operates primarily on a nomination basis for government and government-linked customers, milestone-linked advance payments constitute a significant and low-cost source of working-capital finance, and therefore, reduces its reliance on more formal forms of short-term financing.

6. Analysis of Sources of Finance – Bharat Electronics Limited

6.1 Overall Capital Structure Trend FY2023-24 to FY2025-26

Table 1 below provides the balance sheet sources of finance for the 3 years for Bharat Electronics Limited:

Table 1: Sources of Finance of BEL, FY2023-24 to FY2025-26

Particulars (₹ crore)	FY2023-24	FY2024-25	FY2025-26
Equity Share Capital	731	731	731
Reserves and Surplus	15,595	19,243	23,257
Shareholders' Funds (A)	16,326	19,974	23,988
Borrowings (B)	63	61	65
Trade Payables & Other Liabilities (C)	23,136	20,788	20,473

Particulars (₹ crore)	FY2023-24	FY2024-25	FY2025-26
Total Liabilities and Equity (A+B+C)	39,524	40,824	44,527
Shareholders' Funds as % of Total	41.3%	48.9%	53.9%
Borrowings as % of Total	0.16%	0.15%	0.15%
Other Liabilities as % of Total	58.5%	50.9%	46.0%

Table 1: Sources of Finance (in crore)



Particulars FY2023-24 FY2024-25 FY2025-26

Long-term borrowings 8,485 8,592 8,995

Short-term borrowings 8,435 8,494 8,267

Current liabilities/provisions 6,783 6,741 6,575

Reserves and surplus 4,988 5,092 5,452

The analysis focuses on the following aspects:

(a)Trend in the Total (Long- and Short-Term) Borrowings: As can be seen from Table 1, the total borrowings (long- and short-term), which had been on a rising trend till FY2023-24, decreased slightly (from ₹16,9,200 crore to ₹17,2,157 crore) during FY2025-26. This was mainly due to a decrease in short-term borrowings (Table 1) on account of healthy cash flows from operations (Table 2).

(b) Trend in the Current Liabilities (Other than Trade Payables or Advances from Customers): While the liabilities (comprising accruals, provisions and sundry liabilities) are insignificant on a yearly basis, this shows increasing trend: current liabilities increased from ₹6,783 crore in FY2023-24 to ₹6,575 crore in FY2025-26. This could be due to an increase in the number of transactions, which could reduce the firm's ability to manage its working capital effectively. (c) Trend in the Reserves and Surplus: The reserves and surplus component has steadily increased as a share of BEL's balance sheet (Table 1). By the end of FY2025-26, reserves and surplus stood at ₹5,452 crore, representing 40% of the firm's total liabilities and equity. The steady increase in the reserves and surplus suggests that the firm is increasingly relying on internal accruals to fund its balance sheet growth, which has implications for its leverage and cost of capital.

(d) Trend in the Long-Term Borrowings: As a government-owned company, BEL has long-duration capital needs and is expected to have the long-term borrowings as its primary sources of external financing. Table 1 shows that the long-term borrowings have steadily increased over the three-year period, from ₹8,485 crore in FY2023-24 to ₹8,995 crore in FY2025-26, indicating that the firm is borrowing increasingly over the long term. This is also consistent with the overall increase in total borrowings (Table 1).

6.2 Equity Share Capital

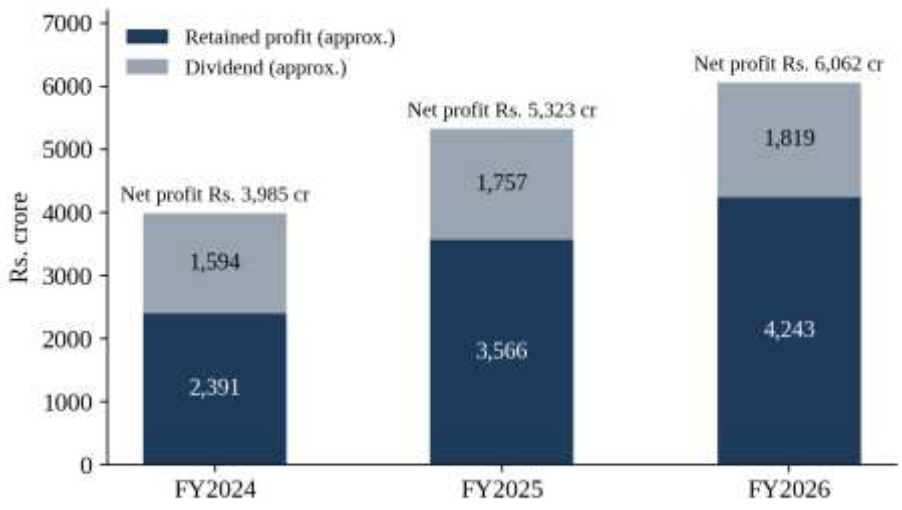
BEL's paid up equity share capital has been the same at ₹731 cr for all three years of the study. No fresh equity has been raised via a public issue or rights issue during this period. This is in keeping with the pecking order theory which would suggest that a profitable company with ample internal accruals has no need to go to the external equity market. The stability of the equity base is also a reflection of the ownership structure of BEL which is a majority government owned CPSE. Any dilution of the Government of India's shareholding (currently around 51.1%) would have to be approved by the government and is not done on a routine basis. The last significant change to the equity capital base was the 2:1 bonus issue in September 2022 which was a capitalisation of free reserves and not a fresh issue of equity and so that is outside of the period under review (but does explain the level of the equity capital base as at the end of the period).

6.3 Reserves and Surplus (Retained Earnings)

Reserves and surplus is the largest and fastest-growing source of funding in BEL's balance sheet, which has grown from ₹15,595 crore in FY2023-24 to ₹23,257 crore in FY2025-26 — i.e., an increase of almost ₹7,700 crore or approximately 49% in just two years. This growth is attributed to the profit numbers of BEL. The profits earned after tax have increased from ₹3,985 crore in FY2023-24 to ₹6,062 crore in FY2025-26, i.e., a compound rise of over 50% in two years while reducing the dividend payout ratio, which has declined from 40% to 30% of profit (Table 2). The combined effect of increase in profit and decrease in the payout ratio is that the profits retained and added to the reserves have almost doubled, from about ₹2,390 crore in FY2023-24 to about ₹4,240 crore in FY2025-26.

Table 2: Profit Appropriation: Dividend versus Retained Earnings

Particulars (₹ crore, approx.)	FY2023-24	FY2024-25	FY2025-26
Net Profit after Tax	3,985	5,323	6,062
Dividend Payout Ratio	40%	33%	30%
Dividend Appropriated (approx.)	1,594	1,757	1,819
Profit Retained (approx.)	2,391	3,566	4,243
Increase in Reserves during the Year	2,464	3,648	4,014



The decrease in BEL's payout ratio from 40% to 33% and finally to 30% is approaching, though not exceeding, the floor established by DIPAM's capital restructuring guidelines for CPSEs that specify a minimum annual dividend either equivalent to 30% of PAT or 4% of net worth. This infers that BEL's board has been exercising its right to retain an increasingly higher proportion of its profits for reinvestment during the research period, which is in line with trends of capacity expansion at a defence manufacturer that has large orders to fulfil.

6.4 Borrowings During the study period

, BEL has not relied on borrowings to any appreciable extent — the annual figure moved only very slightly between ₹63 crore in FY2023-24, ₹61 crore in FY2024-25 and ₹65 crore in FY2025-26 — that too being less than 0.2% of the total balance sheet in each of the years. The near absence of debt is confirmed by BEL's credit rating which sees ICRA repeatedly reaffirming BEL's long-term rating of the highest level of [ICRA]AAA (Stable) and short term rating of [ICRA]A1+, the latest being in February 2026 within a sanctioned loan of ₹7,300 crore (most of which has remained untapped). ICRA's rationale for the ratings gives the importance of BEL's negligible debt levels and healthy liquidity for its strong credit standing. Hence, BEL enjoys an access to a substantial amount of committed bank credit lines as contingency which it hardly avails as explained previously.

6.5 Trade Payables, Customer Advances, and Other Current Liabilities

The third important element of BEL's financing, 'others liabilities' (mainly consisting of trade payables, customer advances obtained against orders, and provisions), has decreased from ₹ 23,136 crore in FY 2023-24 to ₹ 20,473 crore in FY 2025-26, and its proportion to overall finance has also gone down from 58.5% to 46.0% in a similar manner. The insights from ICRA's rating gives some contextual interpretation regarding this phenomenon — it states that BEL has witnessed an increase in working capital intensity in FY 2024-25 driven by the falling customer advances, which was the result of declining orders received during the first quarter of that year (which occurred on account of conducting general elections in 2024). In addition, the rating agency suggests that BEL has been using customer advances and creditor days in order to manage working capital intensive business operations (i.e. high receivable days and prolonged production cycles), as opposed to securing necessary financing by means of bank loans. ICRA mentions that BEL's TOL/TNW ratio has been improving in the period under discussion, including the reduction from 1.4 times in FY 2023-24 to 1.0 times in FY 2024-25.

6.6 Internal Accruals and Cash Flow-Based Financing

An analysis of cash flow further adds to the picture painted by balance sheet analysis above. In the period under consideration, BEL's operating cash generated varied — it was about ₹4,659 crore for FY2023-24 but then fell sharply to ₹564 crore for FY2024-25, when the intensity of working capital changed (see Section 6.5) and then slightly improved to about ₹1,541 crore for FY2025-26. This means that even if the accounting profit and reserves have increased uninterruptedly and substantially ever since, the cash generated for capital expenditures and working capital is much more volatile, and free cash flow (i.e. operating cash flow minus capital expenditures) is slightly negative for FY2024-25. The inconsistency in the increase of accounting profit and the changeability of operating cash flows is natural in a long cycle manufacturing process driven by advance and receivables, thus explaining the fact that even if BEL has been profitable all these years, the company still needs to leverage customer advances and trade credits (see Section 6.5) and obtain large committed bank facilities (see Section 6.4) to compensate for the years when cash conversion does not match profit generation.

6.7 Key Financial Ratios

Table 3 summarises the principal ratios relevant to BEL's sources-of-finance profile.

Ratio	FY2023-24	FY2024-25	FY2025-26	Interpretation
Debt-to-Equity Ratio	0.004:1	0.003:1	0.003:1	Negligible reliance on formal borrowings
Shareholders' Funds to Total Assets	41.3%	48.9%	53.9%	Rising internal-funds base
Interest Coverage Ratio (approx. times)	~440	~547	~806	Interest obligation is immaterial
Return on Equity (ROE)	24.4%	27.7% (3-yr avg.)	~27%	Strong return generated on owned funds
Return on Capital Employed (ROCE)	35%	39%	36%	High efficiency of capital deployed
Dividend Payout Ratio	40%	33%	30%	Declining, but above DIPAM's 30% PAT / 4% net-worth floor

6.7.1 Leverage Ratios

The debt equity ratio (i.e. borrowings divided by shareholders' fund) remains nearly zero for the entire period under consideration and does not exceed 0.004:1. This indicates that BEL can be regarded as an unleveraged, or debt free, company in practical application. Correspondingly, its interest coverage ratio is extremely high (in the several hundreds), which means that BEL's interest obligation is negligible in relation to its profit before interest and tax.

6.7.2 Profitability and Return Ratios

While return on equity remained around 24-28% during the analyzed period, return on capital employed varied between 35% and 39%. High returns on the shareholders' equity show the reason why the board of BEL and its owner the Government prefer retained earnings to the borrowed capital as the corporation receives a high return on its retained earnings which is much higher than what it was saving with the help of cheap loans.

7. Interpretation and Discussion of Results

The investigation in Section 6 indicates that there is evidence of a regular financing pattern at BEL during the period from FY2023-24 to FY2025-26, since the majority of the increase in total asset levels is financed by retention of profits and use of trade-related spontaneous low-cost liabilities. In addition to the abovementioned, only a very small amount of formal borrowed capital has been applied to finance the growth. This finding resonates with pecking-order hypothesis discussed in Section 2.1, since it is the firm that is very profitable and generates sufficient funds through its operations that provides preference to internal sources of financing over external ones. In those rare cases, when there is a need to employ external financing, it is willing to accept only trade credit or customer advances instead of obtaining a bank loan or issuing stocks.

The trend also reflects BEL's specific position as a government-owned defence manufacturer. On one hand, DIPAM's capital restructuring guidelines effectively place a floor under the dividend BEL must pay (30% of PAT or 4% of net worth, whichever is higher), which limits how much profit the company can retain indefinitely; BEL's declining-but-still-comfortably-compliant payout ratio (40% → 30%) shows the company balancing this policy constraint against its own capital needs. On the other hand, BEL's Navratna status and near-guaranteed order flow from the Ministry of Defence on a nomination basis support a very high credit rating ([ICRA]AAA/A1+), which in principle gives BEL cheap and ready access to debt markets that it largely chooses not to use — evidence that the low leverage is a deliberate, strong-balance-sheet policy choice rather than a reflection of limited access to external finance.

Lastly, the gap between increasing accounting profit/reserves and unpredictable operating cash flow (section 6.6) shows why even BEL, which has a strong profitable structure, is still able to appreciate non-debt working capital, such as advances and extended trade credit, because these sources counterbalance the annual cash conversion volatility associated with long-cycle defense production while not increasing debt service obligations on the balance sheet.

8. Summary

The research aimed at determining, examining, and explaining the sources of financing of Bharat Electronics Limited for three financial years which are FY2023-24 through FY2025-26. Data obtained from research show the major role of equity financing. This became the result of the markable rise of retained earnings starting from 15,595 crores Indian Rupees to 23,257 crore Indian Rupees during the period under consideration. The equity financing constitutes over half of the total amount of financing. Loans play an insignificant part in financing of BEL and do not exceed one P.C. on the balance sheet even despite the highest credit rating according to Indian legislation and the firm's access to over ₹7,000 crore bank facilities which are committed but not yet drawn. Trade payables and customer advances account for the second most important source of financing being a low-cost alternative for the formal working capital borrowing. The share of trade and advances financing among total financing has fallen because the amount of own reserves has grown in a faster way.

9.Recommendations

● Think about the responsible use of long-term debts that will be need to fund sizeable projects. Since BEL has an AAA credit rating, the company may acquire long-term debts by taking on very little cost. This means that BEL will be able to fund its ongoing capital projects, for instance, the new production capacities in the promising spheres of unmanned vehicle technology and cyber security while improving the efficiency of capital investments and increasing the business risks without any substantial debt increase.

● Keep monitoring DIPAM's re-qualification limits. Now that the reserve levels exceed the ones established by DIPAM guidelines regarding bonus shares issuance, as well as net worth and cash positions well above the buyback thresholds, BEL's board of directors should proceed with evaluating the opportunities to distribute bonus shares and/or buy back shares in order to ensure that the capital is maintained in proportion to the amounts of reserves in consultation with DIPAM.

● Improve working capital and cash flow forecasting. Given the disparity observed between accounting profit and operating cash flow (Section 6.6), BEL would benefit from tighter forecasting and management of receivable and inventory days to reduce reliance on any single year's customer advance inflows and to smooth free cash flow available for capital expenditure and shareholder returns.

- Keep the conservative leverage policy but review from time to time. BEL's low debt levels support its credit rating and financial flexibility, but the board should consider whether a small, intentional increase in low-cost debt can improve shareholder returns (via financial leverage) without jeopardising the company's investment-grade credit profile.

10. Limitations of the Study

● While this study uses both secondary data (published financial statements) and third-party financial-data platforms, it does not include primary data in the form of interviews with BEL's finance management.

● This study only considers three financial years for its analysis; a five- to ten-year series would have been more insightful given the apparent cyclical nature of operating cash flow.

● The figures for FY2025-26, as of the date of this study, are based on provisional/aggregator sources and should be re-evaluated in light of BEL's final, audited Annual Report and MGT-7 filings, when they become available.

● While this study considers the company's standalone/consolidated balance sheet, it does not separately analyse the financing of BEL's subsidiaries and joint ventures (e.g., BEL Optronic Devices Limited and BEL-Thales Systems Limited), which may differ significantly.

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