

# Bharat Heavy Electricals Limited

# HOLD

Sector: Capital Goods-Electrical Equipment Products

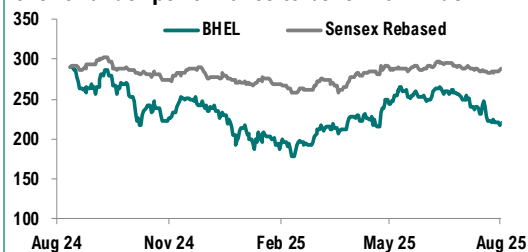
29<sup>th</sup> August, 2025

Key Changes		Target	Rating	Earnings		Target	Rs. 229
Stock Type	Bloomberg Code	Sensex	NSE Code	BSE Code	Time Frame	CMP	Rs. 208
Mid Cap	BHEL:IN	79,810	BHEL	500103	12 Months	Return	+10%

Data as of: 29-Aug-2025 16:00hrs

Company Data			
Market Cap (Rs.cr)	77,980		
52 Week High — Low (Rs.)	295 - 176		
Enterprise Value (Rs. cr)	73,832.6		
Outstanding Shares (cr)	348		
Free Float (%)	36.8		
Dividend Yield (%)	0.2		
6m average volume (cr)	1.1		
Beta	1.8		
Face value (Rs. )	2.0		
Shareholding (%)	Q3FY25	Q4FY25	Q1FY26
Promoters	63.2	63.2	63.2
FII's	8.0	7.2	6.4
MFs/Institutions	15.5	16.4	18.5
Public	12.6	12.6	11.5
Others	0.7	0.7	0.6
Total	100.0	100.0	100.0
Promoter Pledge	Nil	Nil	Nil
Price Performance	3 Month	6 Month	1 Year
Absolute Return	-19.8%	16.3%	-28.4%
Absolute Sensex	0.2%	11.5%	-0.6%
Relative Return	-20.0%	4.8%	-27.8%

\*over or under performance to benchmark index



Y.E March (cr)	FY25A	FY26E	FY27E
Sales	28,339	36,461	46,797
<i>Growth (%)</i>	<i>18.6</i>	<i>28.7</i>	<i>28.4</i>
EBITDA	1,242	2,552	4,516
<i>EBITDA Margin (%)</i>	<i>4.4</i>	<i>7.0</i>	<i>9.7</i>
PAT Adjusted	534	1,750	3,209
<i>Growth (%)</i>	<i>89.2</i>	<i>227.8</i>	<i>83.4</i>
Adjusted EPS	1.5	5.0	9.2
<i>Growth (%)</i>	<i>89.2</i>	<i>227.8</i>	<i>83.4</i>
P/E	140.9	43.0	23.4
P/B	3.0	2.8	2.4
EV/EBITDA	61.6	31.3	17.5
<i>ROE (%)</i>	<i>2.2</i>	<i>6.4</i>	<i>10.4</i>
D/E	0.4	0.3	0.3

## Strong Order Book To Drive Growth

**Bharat Heavy Electricals Ltd (BHEL), a public sector entity, is India's largest engineering company. It supplies power plant equipment such as gas turbines, generators, thermal sets, diesel shunters, turbo sets, hydro sets, power transformers, switch-gears, circuit breakers and boilers. The company also builds compressors, valves, rectifiers, pumps, capacitors, oil rigs, etc., and undertakes castings and forgings.**

- BHEL's Q1FY26 revenue was flat at Rs. 5,487cr, mainly due to lower power segment execution being offset by strong industry segment growth. The industry segment's revenue grew 17.0% YoY to Rs. 1,588cr, while, the power segment's revenue declined 5.6% YoY to Rs. 3,899cr.
- Order inflows for Q1FY26 were Rs. 13,445cr, up 41.7% YoY. The power segment fell 10% to Rs. 7,620cr, while the industry segment increased 490% to Rs. 5,825cr.
- BHEL has received prominent orders during Q1FY26, including supply and erection & commissioning supervision of 6x800 MW Steam Turbine Generators, design and execution of 6,000 MW,  $\pm 800$  kV, Bhadla-Fatehpur HVDC terminals, and supply of transformers and traction motors to Indian Railways.
- BHEL has obtained orders for new products such as Li-ion cells (5,733 nos. of 5Ah) from New Space India Ltd, which can help in diversifying its revenue streams.
- BHEL reported negative EBITDA of Rs. 537cr in Q1FY26 vs Rs. 169cr in Q1FY25, while EBITDA margin stood at -9.8% (vs. -3.1% in Q1FY25), impacted by higher cost of materials (+10.8% YoY) and other expenses (+97.5%).

## Outlook & Valuation

BHEL faces a challenging earnings scenario with flat revenue, but exhibits promising future potential driven by increased order inflows and strategic orders in emerging areas like Li-ion cells and renewable energy integration. A notable concern is the decline in profitability due to escalating costs. The company's strong order book, diversification efforts, and growth prospects in the industry segment should support long-term growth potential. Therefore, **we reiterate our HOLD rating on the stock, with a revised target price of Rs 229, based on 1.7x FY27E P/S.**

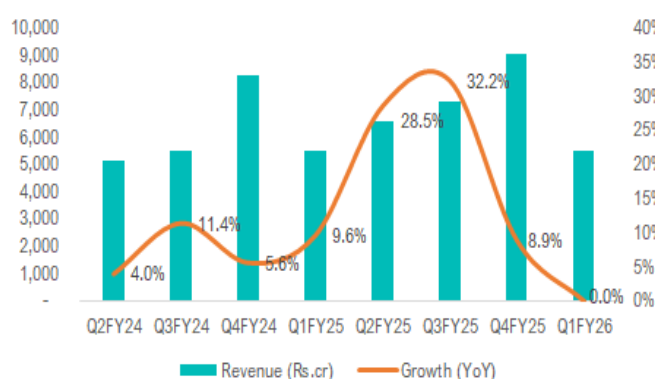
## Quarterly Finance Consol.

Rs.cr	Q1FY26	Q1FY25	YoY Growth (%)	Q4FY25	QoQ Growth (%)
Sales	5,487	5,485	0.0	8,993	-39.0
EBITDA	-537	-169	-217.2	832	n.m.
Margin (%)	-9.8	-3.1	-670bps	9.2	n.m.
EBIT	-612	-228	-167.9	747	n.m.
PBT	-608	-279	-117.9	704	n.m.
Rep. PAT	-456	-211	-115.5	504	n.m.
Adj PAT	-456	-211	-115.5	504	n.m.
Adj. EPS (Rs)	-1.3	-0.6	-115.5	1.4	n.m.

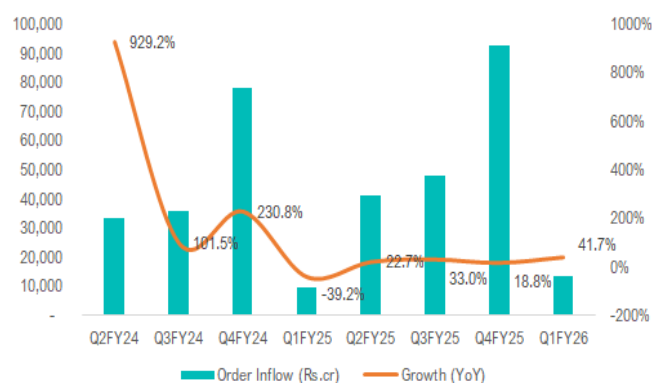
## Key highlights

- BHEL secured a contract for the design and execution of 6,000 MW,  $\pm 800$  kV Bhadla-Fatehpur HVDC terminals in consortium with a global original equipment manufacturer, enabling long-distance renewable energy evacuation and enhancing the national grid
- Received Indian Railways order for 6531 KVA traction transformers, high-speed traction motors and 107 teeth bull gears, strengthening BHEL's role in transportation electrification and heavy electrical equipment manufacturing.
- BHEL received its first major Li-ion cell order from New Space India Ltd (ISRO's commercial arm) for 5,733 units, marking its entry into strategic space-linked energy storage manufacturing.
- The company has received multiple utility orders for 315 MVA, 400 Kv transformers, 160 MVA auto transformers and a 500 MVA, 400 kV transformer, supporting grid expansion substation upgrades and renewable energy integration.
- It added capacity, including at the 700 MWe Rawatbhata Atomic Power Plant unit, 7,660 MW North Karanpura STPP unit-3, 200 MW Parbati-II HEP unit-4, and 170 MW Punatsangchhu-II HEP unit-4 in Bhutan.
- Synchronised major units such as the 660 MW Sagardighi unit-5, 60 MW NR Ispat and Power Ltd and 25.6 MW Assam Bio-Refinery.
- In Q1FY26, BHEL signed an MoU with Nuovo Pignone International for compressor revamps in India's fertiliser sector and a technology transfer agreement with BARC for mixed-matrix membrane diaphragm applications.

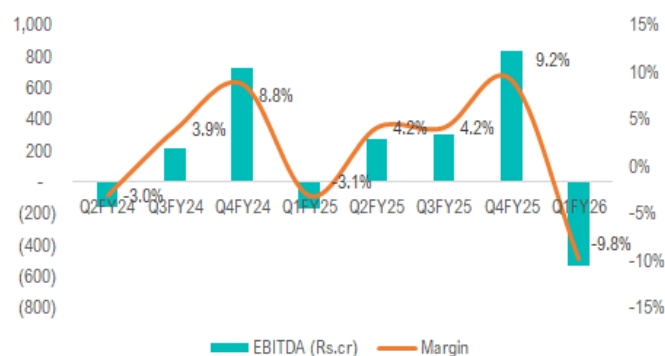
## Revenue



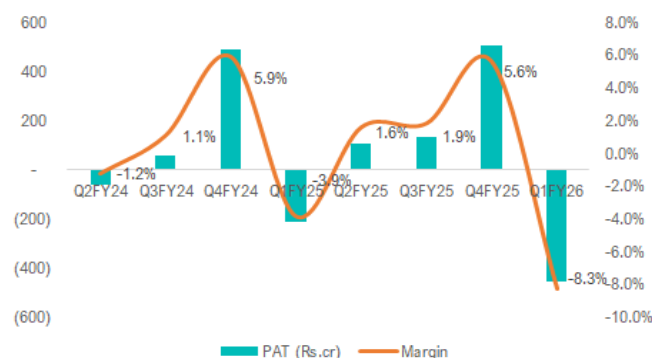
## Order Inflow



## EBITDA



## PAT



## Change in Estimates

Year / Rs cr	Old estimates		New estimates		Change -%	
	FY26E	FY27E	FY26E	FY27E	FY26E	FY27E
Revenue	41,332	50,309	36,461	46,797	-11.8	-7.0
EBITDA	3,679	5,081	2,552	4,516	-30.6	-11.1
Margins (%)	8.9	10.1	7.0	9.7	-190bps	-40bps
Adj. PAT	2,284	3,559	1,750	3,209	-23.4	-9.8
EPS	6.6	10.2	5.0	9.2	-23.4	-9.8



## Consolidated Financials

### Profit & Loss

Y.E March (Rs. Cr)	FY23A	FY24A	FY25A	FY26E	FY27E
<b>Sales</b>	<b>22,136</b>	<b>23,893</b>	<b>28,339</b>	<b>36,461</b>	<b>46,797</b>
% change	9.8	7.9	18.6	28.7	28.4
<b>EBITDA</b>	<b>953</b>	<b>613</b>	<b>1,242</b>	<b>2,552</b>	<b>4,516</b>
% change	6.5	-39.1	99.0	109.5	77.7
Depreciation	260	249	272	283	287
<b>EBIT</b>	<b>692</b>	<b>364</b>	<b>970</b>	<b>2,269</b>	<b>4,229</b>
Interest	521	731	748	786	825
Other Income	545	610	524	850	875
<b>PBT</b>	<b>716</b>	<b>243</b>	<b>746</b>	<b>2,334</b>	<b>4,279</b>
% change	52.1	-66.1	207.3	213.0	83.4
Tax	61	-40	212	583	1,070
Tax Rate (%)	8.6	-16.3	28.4	25.0	25.0
<b>Reported PAT</b>	<b>654</b>	<b>282</b>	<b>534</b>	<b>1,750</b>	<b>3,209</b>
Adj.*	-	-	-	-	-
<b>Adj. PAT</b>	<b>654</b>	<b>282</b>	<b>534</b>	<b>1,750</b>	<b>3,209</b>
% change	47.1	-56.9	89.2	227.8	83.4
No. of shares (cr)	348.2	348.2	348.2	348.2	348.2
<b>Adj EPS (Rs.)</b>	<b>1.9</b>	<b>0.8</b>	<b>1.5</b>	<b>5.0</b>	<b>9.2</b>
% change	47.1	-56.9	89.2	227.8	83.4
DPS (Rs.)	0.4	0.3	0.5	1.3	1.8

### Balance Sheet

Y.E March (Rs. Cr)	FY23A	FY24A	FY25A	FY26E	FY27E
Cash	6,698	6,157	7,612	4,306	5,221
Accts. Receivable	3,128	4,785	5,884	7,456	9,500
Inventories	6,756	7,221	9,869	12,499	15,571
Other Cur. Assets	12,512	16,379	19,394	21,025	22,299
Investments	235	256	276	317	364
Gross Fixed As-sets	6,516	6,739	7,007	7,335	7,742
Net Fixed Assets	2,309	2,326	2,535	2,555	2,650
CWIP	445	467	490	515	540
Intangible Assets	77	89	118	120	123
Def. Tax -Net	4,247	4,201	4,068	3,938	3,813
Other Assets	20,514	17,120	17,838	18,694	19,592
<b>Total Assets</b>	<b>56,920</b>	<b>59,002</b>	<b>68,083</b>	<b>71,425</b>	<b>79,675</b>
Current Liabilities	18,060	16,414	19,373	20,763	25,736
Provisions	4,101	2,489	2,586	2,534	2,483
Debt Funds	5,420	8,833	8,852	9,002	9,102
Other Liabilities	4,961	6,827	12,550	11,971	11,505
Equity Capital	696	696	696	696	696
Res. & Surplus	23,682	23,742	24,026	26,459	30,152
Shareholder Funds	24,378	24,439	24,722	27,155	30,849
Minority Interest	-	-	-	-	-
<b>Total Liabilities</b>	<b>56,920</b>	<b>59,002</b>	<b>68,083</b>	<b>71,425</b>	<b>79,675</b>
BVPS	70	70	71	78	89

### Cashflow

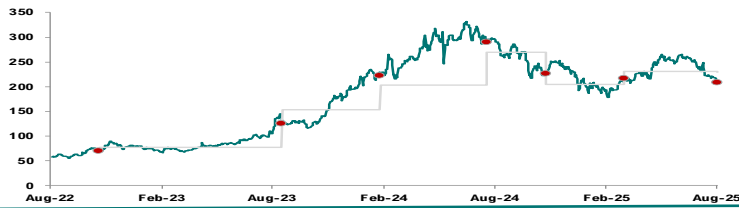
Y.E March	FY23A	FY24A	FY25A	FY26E	FY27E
Net inc. + Depn.	914	531	806	2,033	3,496
Non-cash adj.	-1,160	-139	6,135	-3,062	308
Other adjustments	-	-	-	-	-
Changes in W.C	-495	-4,105	-4,749	-1,377	-1,726
<b>C.F. Operation</b>	<b>-741</b>	<b>-3,713</b>	<b>2,192</b>	<b>-2,406</b>	<b>2,078</b>
Capital exp.	-181	-224	-268	-328	-407
Change in inv.	1,384	1,113	-2,873	-41	-48
Other invest.CF	277	441	410	373	341
<b>C.F - Investment</b>	<b>1,480</b>	<b>1,331</b>	<b>-2,731</b>	<b>4</b>	<b>-114</b>
Issue of equity	-	-	-	-	-
Issue/repay debt	640	3,423	-13	150	100
Dividends paid	-139	-139	-87	-438	-642
Other finance.CF	-412	-628	-756	-617	-506
<b>C.F - Finance</b>	<b>89</b>	<b>2,656</b>	<b>-857</b>	<b>-905</b>	<b>-1,048</b>
Chg. in cash	829	274	-1,396	-3,307	916
Closing Cash	6,698	6,157	7,612	4,306	5,221

### Ratio

Y.E March	FY23A	FY24A	FY25A	FY26E	FY27E
<b>Profitab. &amp; Return</b>					
EBITDA margin (%)	4.3	2.6	4.4	7.0	9.7
EBIT margin (%)	3.1	1.5	3.4	6.2	9.0
Net profit mgn.(%)	3.0	1.2	1.9	4.8	6.9
ROE (%)	2.7	1.2	2.2	6.4	10.4
ROCE (%)	2.3	1.1	2.9	6.3	10.6
<b>W.C &amp; Liquidity</b>					
Receivables (days)	51.6	73.1	75.8	74.6	74.1
Inventory (days)	151.3	156.8	191.2	188.2	185.4
Payables (days)	221.6	185.4	184.8	186.2	187.6
Current ratio (x)	1.2	1.4	1.5	1.5	1.5
Quick ratio (x)	0.6	0.6	0.7	0.6	0.6
<b>Turnover &amp; Leverage</b>					
Gross asset T.O (x)	3.4	3.6	4.1	5.1	6.2
Total asset T.O (x)	0.4	0.4	0.4	0.5	0.6
Int. covge. ratio (x)	1.3	0.5	1.3	2.9	5.1
Adj. debt/equity (x)	0.2	0.4	0.4	0.3	0.3
<b>Valuation</b>					
EV/Sales (x)	1.0	3.7	2.7	2.2	1.7
EV/EBITDA (x)	24.3	144.9	61.6	31.3	17.5
P/E (x)	37.3	305.0	140.9	43.0	23.4
P/BV (x)	1.0	3.5	3.0	2.8	2.4



## Recommendation Summary - last 3 years



Dates	Rating	Target
30-May-22	HOLD	56
16-Nov-22	HOLD	77
12-Sep-23	BUY	154
21-Feb-24	SELL	203
14-Aug-24	SELL	269
20-Nov-24	SELL	205
28-Mar-25	HOLD	231
29-Aug-25	HOLD	229




## Investment Rating Criteria

Ratings	Large caps	Midcaps	Small Caps
Buy	Upside is above 10%	Upside is above 15%	Upside is above 20%
Accumulate	-	Upside is between 10%-15%	Upside is between 10%-20%
Hold	Upside is between 0% - 10%	Upside is between 0%-10%	Upside is between 0%-10%
Reduce/sell	Downside is more than 0%	Downside is more than 0%	Downside is more than 0%

### Not rated/Neutral

#### Definition:

**Buy:** Acquire at Current Market Price (CMP), with the target mentioned in the research note; **Accumulate:** Partial buying or to accumulate as CMP dips in the future; **Hold:** Hold the stock with the expected target mentioned in the note.; **Reduce:** Reduce your exposure to the stock due to limited upside.; **Sell:** Exit from the stock; **Not rated/Neutral:** The analyst has no investment opinion on the stock.

**Symbols definition:**  Upgrade  No Change  Downgrade

To satisfy regulatory requirements, we attribute 'Accumulate' as Buy and 'Reduce' as Sell.

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Not rated/Neutral- The analyst has no investment opinion on the stock under review.

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