

CMP: ₹245

Target: ₹300 (22%) Target Period: 6-12 months

BUY

May 19, 2025

A good tactical bet ...

About the stock: BHEL is one of the largest engineering and manufacturing company of its kind in India engaged in design, engineering, construction, testing, commissioning and servicing of a wide range of products and services with over 180 product offerings to meet the ever-growing needs of the core sectors of economy.

- It operates in Power (~74% revenue mix) and Industrial (~26%) sector largely in India.
- The stock is well placed to gain from the need for building base load thermal coupled with strong revenue visibility in the medium term.

Q4FY25 performance: BHEL reported decent Q4FY25 results with Revenue growth at 9% YoY to ₹8883 crore, EBITDA growth at 14% YoY to ₹831 crore and PAT growth of 4% YoY to ₹504 crore. EBITDA and PAT margins 9.8% and 5.5% which expanded +50 bps and -20 bps respectively on a YoY basis. On a segmental basis Power and Industry business revenues grew 5% and 41% YoY to ₹6192 and ₹2801 crore respectively. EBIT Margins for Power business at 5% down from 19.4% last year and Industry business at 31.3% up from 8.5% last year. The company received orders worth ₹44588 crore in Q4FY25 vs ₹41859 crore last year and a total of ₹92535 crore in FY25 vs ₹77907 crore in FY24. ~12% of annual order inflow in Industry business segment.

Investment Rationale:

- Strong order inflows ~₹1.60 trillion over FY24 & FY25:** BHEL received orders for 14.6 GW of thermal power orders in the Power segment and further has bid pipeline of ~50 GW. This translates to order bid pipeline of roughly ₹4 trillion, BHEL being industry leader stands to secure significant portion of these orders. Further in the industry segment, BHEL has order bid pipeline of more than ₹1 trillion in upgrading the transmission infrastructure of the country. Going ahead, we expect order inflow momentum to continue, pickup in execution pace, thus we have built in order inflows of ₹77K crore & ₹49K crore in FY26E and FY27E respectively. Revenues and PAT to grow at CAGR of 24.5% and 150% over FY25-FY27E.
- Execution to ramp up:** To meet growing energy demands and maintain base load capacity India looks to add further ~80GW of thermal power. With reasonable backlog and strong order pipeline, with ~7 times order book to bill ratio we expect execution ramp up in FY26E-FY27E with substantial capacity addition per year over the next decade. Hence, we expect the revenues and PAT to grow at a CAGR of ~25% and 150% over FY25-FY27E with PAT. This will also improve ROCE from low single digit to ~11% ROCE in FY27E.

Rating and Target Price

- Good accretion of power segment orders and strong L1 pipeline will keep order onflows strong coupled with strong pick in execution from FY26E onwards. This will also help margins and return ratios to improve meaningfully over the next 2-3 years. Hence, we rate the stock buy with fair value of ₹300 (32x FY27E EPS)



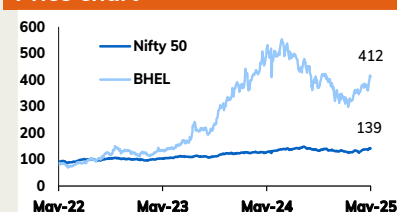
Market data

Particular	Rs. in crore
Market Cap	86,007.0
FY25 Gross Debt	9,015.0
F25 Cash	7,612.0
Enterprise Value	87,410.0
52 Week H/L (Rs./share)	335/176
Equity Capital	696.4
Face Value (Rs./share)	2.0

Shareholding pattern

	Jun-24	Sep-24	Dec-24	Mar-25
Promoter	63.2	63.2	63.2	63.2
FII	9.1	9.5	8.0	7.2
DII	15.0	14.7	15.5	16.3
Public	12.7	12.7	13.4	13.3

Price chart



Key risks

- delay in execution of the current backlog adversely affecting the margins
- slowdown or delay in fresh ordering will impact visibility

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Key Financial Summary

Rs in crore	FY23	FY24	FY25	3-Year CAGR (FY22-FY25)	FY26E	FY27E	2-Year CAGR (FY25-FY27E)
Net Sales	23,364.9	23,892.8	28,339.5	10.1%	34,741.8	43,908.4	24.5%
EBITDA	952.8	612.6	1,242.4	19.0%	3,067.3	4,016.8	79.8%
EBITDA Margin (%)	4.1	2.6	4.4				
Net Profit	624.3	259.9	513.8	7.8%	2,372.7	3,223.7	150.5%
EPS (Rs.)	1.8	0.7	1.5		6.8	9.3	
P/E (x)	167.3	401.9	203.3		44.0	32.4	
RoNW (%)	2.5	1.0	2.0		8.7	10.7	
RoCE (%)	4.0	2.8	4.3		9.2	11.0	

Key result highlights

- Revenue for Q4FY25 was ₹8883 crore, up 8.9% YoY, contributed by strong execution in industrial segment in the quarter. The Power and Industrial division grew by 5% and 41% YoY respectively to ₹6192 and ₹2801 crore respectively.
- EBITDA grew 14% YoY to ₹832 crore. EBITDA Margins came in at 9.8% vs. 9.3% in Q4FY24 and 4.2% Q3FY24. Segmental EBIT (contracted) / expanded by (1440) / 2280 basis points in Power and Industrial business to 5% and 31.3% respectively. Consequently, PAT came in at ₹504 crore, up 4% YoY. PAT margins contracted 20 basis points to 5.5%.
- Order inflows for the quarter came in at ₹44,588 crore, a 6.5% growth YoY on a larger base in Q4FY24. Order inflows were ₹92,535 crore for FY25 as compared to ₹77,907 crore in FY24, a growth of 19% on YoY basis. This contributed to a 50% growth in order backlog to ₹1.96 trillion.
- Power Business (74% of revenue mix) secured orders worth ₹81,349 crore (88% of order inflows). BHEL secured 14.6 GW thermal power orders, a methanol firing in gas turbine at Kayamkulam and it also secured export orders for supply of 4 units of synchronous generators of 175 MW each.
- The power segment also added ~8.1 GW of thermal capacity during FY24-25. This is a significant rise from ~4.5 GW executed in FY24 and ~2.2GW in FY23
- Industry business (26%) secured orders worth ₹11,001 crore (12%), key orders received include 800kV, 6000 MVA Khavda-Nagpur HVDC project, supply of STG package for 8 units and order for 33642 MVA transmission products and 10 substation packages.
- India looks to add additional 80 GW of thermal capacity over the next decade to support growing energy demands thus requiring a stable base load capacity. Rise in generation to also require adequate transmission infrastructure to evacuate power generated. India looks to add significant HVDC transmission capacity resulting in ordering prospects worth more than ₹5 trillion for BHEL.

Financial summary

Exhibit 1: Profit and loss statement

₹ crore

(Year-end March)	FY23	FY24	FY25	FY26E	FY27E
Total operating Income	23,364.9	23,892.8	28,339.5	34,741.8	43,908.4
Growth (%)	10.2	2.3	18.6	22.6	26.4
Raw Material Expenses	16,300.7	16,807.1	18,844.4	21,366.2	27,017.0
Employee Expenses	5,700.6	5,628.8	5,923.4	7,086.8	9,061.7
Other Operating Expenses	410.9	844.2	2,329.3	3,221.6	3,812.9
Provision For Bad Debt	0.0	0.0	0.0	0.0	0.0
Other expenses	0.0	0.0	0.0	0.0	0.0
Total Operating Expenditure	22,412.2	23,280.2	27,097.1	31,674.5	39,891.6
EBITDA	952.8	612.6	1,242.4	3,067.3	4,016.8
Growth (%)	29.1	-35.7	102.8	146.9	31.0
Depreciation	260.3	248.9	272.0	325.4	315.1
Interest	521.4	731.3	748.3	624.0	639.8
Other Income	514.8	587.9	503.4	672.4	767.2
PBT	685.8	220.3	725.5	2,790.3	3,829.2
Others	0.0	0.0	0.0	0.0	0.0
Total Tax	61.5	-39.6	211.7	417.6	605.5
PAT	624.3	259.9	513.8	2,372.7	3,223.7
Growth (%)	52.2	-58.4	97.7	361.8	35.9
EPS (Rs.)	1.8	0.7	1.5	6.8	9.3

Source: Company, ICICI Direct Research

Exhibit 2: Cash flow statement

₹ crore

(Year-end March)	FY23	FY24	FY25	FY26E	FY27E
Profit after Tax	624.3	259.9	513.8	2,372.7	3,223.7
Add: Depreciation	260.3	248.9	272.0	325.4	315.1
(Inc)/dec in Current Assets	-2,505.0	-5,991.8	3,949.4	-6,632.4	-3,698.5
Inc/(dec) in CL and Provisions	1,341.0	-1,569.8	2,999.5	3,966.0	8,173.7
Others	0.0	0.0	0.0	0.0	0.0
CF from operating activities	-279.3	-7,052.8	7,734.7	31.7	8,014.0
(Inc)/dec in Investments	0.2	1.8	0.0	0.0	0.0
(Inc)/dec in Fixed Assets	-260.7	-301.5	58.7	0.0	0.0
Others	-1,390.0	3,393.6	-13,709.4	8,182.0	-14,330.5
CF from investing activities	-675.88	3238.85	-7921.79	8481.97	-13880.5
Issue/(Buy back) of Equity	0.0	0.0	0.0	0.0	0.0
Inc/(dec) in loan funds	638.6	3,412.8	126.0	990.0	390.0
Dividend paid & dividend tax	-139.3	-139.3	-174.1	-209.6	-209.6
Inc/(dec) in Sec. premium	0.0	0.0	0.0	0.0	0.0
Others	0.0	0.0	0.0	0.0	0.0
CF from financing activities	-2,127.2	3,273.5	-48.1	780.4	180.4
Net Cash flow	-3,082.4	-540.4	-235.2	9,294.1	-5,686.1
Opening Cash	9,779.7	6,697.4	6,157.0	5,921.8	15,215.9
Closing Cash	6,697.4	6,157.0	5,921.8	15,215.9	9,529.7

Source: Company, ICICI Direct Research

Exhibit 3: Balance Sheet

₹ crore

(Year-end March)	FY23	FY24	FY25	FY26E	FY27E
Liabilities					
Equity Capital	696.4	696.4	696.4	696.4	696.4
Reserve and Surplus	24,115.6	24,153.8	24,412.3	26,425.4	29,439.5
Total Shareholders funds	24,812.0	24,850.2	25,108.7	27,121.9	30,135.9
Total Debt	5,418.8	8,831.6	8,957.6	9,947.6	10,337.6
Deferred Tax Liability	0.0	0.0	0.0	0.0	0.0
Minority Interest / Others	0.0	0.0	0.0	0.0	0.0
Total Liabilities	39,259.2	42,892.2	49,036.8	52,439.9	56,243.9
Assets					
Gross Block	6,620.9	6,897.0	6,897.0	6,897.0	6,897.0
Less: Acc Depreciation	4,212.3	4,386.3	4,678.2	4,986.5	5,284.6
Net Block	2,408.7	2,510.7	2,218.8	1,910.5	1,612.4
Capital WIP	344.6	282.3	275.0	275.0	275.0
Total Fixed Assets	2,753.3	2,793.0	2,493.8	2,185.5	1,887.4
Investments	669.5	667.7	667.7	667.7	667.7
Inventory	6,755.9	7,220.6	9,860.8	11,567.0	14,804.0
Debtors	3,128.4	4,785.4	5,823.2	6,867.9	8,751.4
Loans and Advances	0.0	0.0	0.0	0.0	0.0
Other Current Assets	12,512.2	16,382.3	8,754.8	12,636.3	11,214.3
Cash	6,697.4	6,157.0	5,921.8	15,215.9	9,529.7
Total Current Assets	29,093.8	34,545.2	30,360.6	46,287.1	44,299.4
Creditors	9,895.8	8,696.2	9,550.0	11,263.3	14,585.7
Provisions	2,796.6	2,318.3	1,910.0	3,379.0	4,375.7
Total Current Liabilities	18,094.6	16,524.8	19,524.3	23,490.4	31,664.1
Net Current Assets	10,999.2	18,020.4	10,836.2	22,796.7	12,635.3
Others Assets	0.0	0.0	0.0	0.0	0.0
Application of Funds	39,259.1	42,892.2	49,036.8	52,439.9	56,243.9

Source: Company, ICICI Direct Research

Exhibit 4: Key ratios

(Year-end March)	FY23	FY24	FY25	FY26E	FY27E
Per share data (Rs.)					
EPS	1.8	0.7	1.5	6.8	9.3
Cash EPS	2.5	1.5	2.3	7.7	10.2
BV	71.3	71.4	72.1	77.9	86.5
DPS	0.4	0.4	0.5	0.5	0.5
Cash Per Share	19.2	17.7	17.0	43.7	27.4
Operating Ratios (%)					
EBITDA Margin	4.1	2.6	4.4	8.8	9.1
PBT / Total Operating income	3.1	1.0	2.6	8.3	9.0
PAT Margin	2.7	1.1	1.8	6.8	7.3
Inventory days	111.4	115.0	127.0	126.3	126.9
Debtor days	51.6	76.2	75.0	75.0	75.0
Creditor days	163.2	138.5	123.0	123.0	125.0
Return Ratios (%)					
RoE	2.5	1.0	2.0	8.7	10.7
RoCE	4.0	2.8	4.3	9.2	11.0
RoC	9.4	2.4	12.4	27.0	68.7
Valuation Ratios (x)					
P/E	167.3	401.9	203.3	44.0	32.4
EV / EBITDA	88.2	143.6	71.1	26.1	21.4
EV / Net Sales	3.8	3.8	3.1	2.4	2.0
Market Cap / Sales	3.9	3.7	3.0	2.6	2.0
Price to Book Value	4.2	4.2	4.2	3.9	3.5
Solvency Ratios					
Debt/EBITDA	5.7	14.4	7.2	3.2	2.6
Debt / Equity	0.2	0.4	0.4	0.4	0.3
Current Ratio	1.2	1.7	1.3	1.3	1.1
Quick Ratio	0.9	1.3	0.7	0.8	0.6

Source: Company, ICICI Direct Research

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Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%



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