

CMP: ₹245

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

May 19, 2025

**BUY****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**

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

**Research Analyst**

Chirag J Shah  
shah.chirag@icicisecurities.com

Samarth Khandelwal  
samarth.khandelwal@icicisecurities.com

**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					
(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
<b>EBITDA</b>	<b>952.8</b>	<b>612.6</b>	<b>1,242.4</b>	<b>3,067.3</b>	<b>4,016.8</b>
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
<b>PAT</b>	<b>624.3</b>	<b>259.9</b>	<b>513.8</b>	<b>2,372.7</b>	<b>3,223.7</b>
Growth (%)	52.2	-58.4	97.7	361.8	35.9
<b>EPS (Rs.)</b>	<b>1.8</b>	<b>0.7</b>	<b>1.5</b>	<b>6.8</b>	<b>9.3</b>

Source: Company, ICICI Direct Research

Exhibit 2: Cash flow statement					
(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
<b>CF from operating activities</b>	<b>-279.3</b>	<b>-7,052.8</b>	<b>7,734.7</b>	<b>31.7</b>	<b>8,014.0</b>
(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
<b>CF from investing activities</b>	<b>-675.88</b>	<b>3238.85</b>	<b>-7921.79</b>	<b>8481.97</b>	<b>-13880.5</b>
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
<b>CF from financing activities</b>	<b>-2,127.2</b>	<b>3,273.5</b>	<b>-48.1</b>	<b>780.4</b>	<b>180.4</b>
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
<b>Closing Cash</b>	<b>6,697.4</b>	<b>6,157.0</b>	<b>5,921.8</b>	<b>15,215.9</b>	<b>9,529.7</b>

Source: Company, ICICI Direct Research

Exhibit 3: Balance Sheet					
(Year-end March)	FY23	FY24	FY25	FY26E	FY27E
<b>Liabilities</b>					
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
<b>Total Liabilities</b>	<b>39,259.2</b>	<b>42,892.2</b>	<b>49,036.8</b>	<b>52,439.9</b>	<b>56,243.9</b>
<b>Assets</b>					
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
<b>Application of Funds</b>	<b>39,259.1</b>	<b>42,892.2</b>	<b>49,036.8</b>	<b>52,439.9</b>	<b>56,243.9</b>

Source: Company, ICICI Direct Research

Exhibit 4: Key ratios					
(Year-end March)	FY23	FY24	FY25	FY26E	FY27E
<b>Per share data (Rs.)</b>					
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
<b>Operating Ratios (%)</b>					
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
<b>Return Ratios (%)</b>					
RoE	2.5	1.0	2.0	8.7	10.7
RoCE	4.0	2.8	4.3	9.2	11.0
RoIC	9.4	2.4	12.4	27.0	68.7
<b>Valuation Ratios (x)</b>					
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
<b>Solvency Ratios</b>					
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
<b>Quick Ratio</b>	<b>0.9</b>	<b>1.3</b>	<b>0.7</b>	<b>0.8</b>	<b>0.6</b>

Source: Company, ICICI Direct Research

## RATING RATIONALE

ICICI Direct endeavours to provide objective opinions and recommendations. ICICI Direct assigns ratings to its stocks according to their notional target price vs. current market price and then categorizes them as Buy, Hold, Reduce and Sell. The performance horizon is two years unless specified and the notional target price is defined as the analysts' valuation for a stock

Buy: >15%

Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%



Pankaj Pandey

Head – Research

[pankaj.pandey@icicisecurities.com](mailto:pankaj.pandey@icicisecurities.com)

ICICI Direct Research Desk,  
ICICI Securities Limited,  
Third Floor, Brillanto House,  
Road No 13, MIDC,  
Andheri (East)  
Mumbai – 400 093  
[research@icicidirect.com](mailto:research@icicidirect.com)

## ANALYST CERTIFICATION

I/We, Chirag Shah, MBA, Samarth Khandelwal, Chartered Accountant, Research Analysts, authors and the names subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect our views about the subject issuer(s) or securities. We also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report. It is also confirmed that above mentioned Analysts of this report have not received any compensation from the companies mentioned in the report in the preceding twelve months and do not serve as an officer, director or employee of the companies mentioned in the report.

### Terms & conditions and other disclosures:

ICICI Securities Limited (ICICI Securities) is a full-service, integrated investment banking and is, inter alia, engaged in the business of stock brokering and distribution of financial products. ICICI Securities is Sebi registered stock broker, merchant banker, investment adviser, portfolio manager and Research Analyst. ICICI Securities is registered with Insurance Regulatory Development Authority of India Limited (IRDAI) as a composite corporate agent and with PFRDA as a Point of Presence. ICICI Securities Limited Research Analyst SEBI Registration Number - INH000000990. ICICI Securities Limited SEBI Registration is INZ000183631 for stock broker. Registered Office Address: ICICI Venture House, Appasaheb Marathe Marg, Prabhadevi, Mumbai - 400 025. CIN: L67120MH1995PLC086241, Tel: (91 22) 6807 7100. ICICI Securities is a subsidiary of ICICI Bank which is India's largest private sector bank and has its various subsidiaries engaged in businesses of housing finance, asset management, life insurance, general insurance, venture capital fund management, etc. ("associates"), the details in respect of which are available on [www.icicibank.com](http://www.icicibank.com).

Investments in securities market are subject to market risks. Read all the related documents carefully before investing.

Registration granted by Sebi and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors. None of the research recommendations promise or guarantee any assured, minimum or risk-free return to the investors.

Name of the Compliance officer (Research Analyst): Mr. Atul Agrawal

Contact number: 022-40701000 E-mail Address: [complianceofficer@icicisecurities.com](mailto:complianceofficer@icicisecurities.com)

For any queries or grievances: Mr. Bhavesh Soni Email address: [headservicequality@icicidirect.com](mailto:headservicequality@icicidirect.com) Contact Number: 18601231122

ICICI Securities is one of the leading merchant bankers/underwriters of securities and participate in virtually all securities trading markets in India. We and our associates might have investment banking and other business relationship with a significant percentage of companies covered by our Investment Research Department. ICICI Securities and its analysts, persons reporting to analysts and their relatives are generally prohibited from maintaining a financial interest in the securities or derivatives of any companies that the analysts cover.

Recommendation in reports based on technical and derivative analysis centre on studying charts of a stock's price movement, outstanding positions, trading volume etc as opposed to focusing on a company's fundamentals and, as such, may not match with the recommendation in fundamental reports. Investors may visit [icicidirect.com](http://icicidirect.com) to view the Fundamental and Technical Research Reports.

Our proprietary trading and investment businesses may make investment decisions that are inconsistent with the recommendations expressed herein.

ICICI Securities Limited has two independent equity research groups: Institutional Research and Retail Research. This report has been prepared by the Retail Research. The views and opinions expressed in this document may or may not match or may be contrary with the views, estimates, rating, and target price of the Institutional Research.

The information and opinions in this report have been prepared by ICICI Securities and are subject to change without any notice. The report and information contained herein is strictly confidential and meant solely for the selected recipient and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of ICICI Securities. While we would endeavour to update the information herein on a reasonable basis, ICICI Securities is under no obligation to update or keep the information current. Also, there may be regulatory, compliance or other reasons that may prevent ICICI Securities from doing so. Non-rated securities indicate that rating on a particular security has been suspended temporarily and such suspension is in compliance with applicable regulations and/or ICICI Securities policies, in circumstances where ICICI Securities might be acting in an advisory capacity to this company, or in certain other circumstances.

This report is based on information obtained from public sources and sources believed to be reliable, but no independent verification has been made nor is its accuracy or completeness guaranteed. This report and information herein is solely for informational purpose and shall not be used or considered as an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. ICICI Securities will not treat recipients as customers by virtue of their receiving this report. Nothing in this report constitutes investment, legal, accounting and tax advice or a representation that any investment or strategy is suitable or appropriate to your specific circumstances. The securities discussed and opinions expressed in this report may not be suitable for all investors, who must make their own investment decisions, based on their own investment objectives, financial positions and needs of specific recipient. This may not be taken in substitution for the exercise of independent judgment by any recipient. The recipient should independently evaluate the investment risks. The value and return on investment may vary because of changes in interest rates, foreign exchange rates or any other reason. ICICI Securities accepts no liabilities whatsoever for any loss or damage of any kind arising out of the use of this report. Past performance is not necessarily a guide to future performance. Investors are advised to see Risk Disclosure Document to understand the risks associated before investing in the securities markets. Actual results may differ materially from those set forth in projections. Forward-looking statements are not predictions and may be subject to change without notice.

ICICI Securities or its associates might have managed or co-managed public offering of securities for the subject company or might have been mandated by the subject company for any other assignment in the past twelve months.

ICICI Securities or its associates might have received any compensation from the companies mentioned in the report during the period preceding twelve months from the date of this report for services in respect of managing or co-managing public offerings, corporate finance, investment banking or merchant banking, brokerage services or other advisory service in a merger or specific transaction.

ICICI Securities or its associates might have received any compensation for products or services other than investment banking or merchant banking or brokerage services from the companies mentioned in the report in the past twelve months.

ICICI Securities encourages independence in research report preparation and strives to minimize conflict in preparation of research report. ICICI Securities or its associates or its analysts did not receive any compensation or other benefits from the companies mentioned in the report or third party in connection with preparation of the research report. Accordingly, neither ICICI Securities nor Research Analysts and their relatives have any material conflict of interest at the time of publication of this report.

Compensation of our Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions.

ICICI Securities or its subsidiaries collectively or Research Analysts or their relatives do not own 1% or more of the equity securities of the Company mentioned in the report as of the last day of the month preceding the publication of the research report.

Since associates of ICICI Securities and ICICI Securities as a entity are engaged in various financial service businesses, they might have financial interests or actual/beneficial ownership of one percent or more or other material conflict of interest various companies including the subject company/companies mentioned in this report.

ICICI Securities may have issued other reports that are inconsistent with and reach different conclusion from the information presented in this report.

ICICI Securities Limited has not used any Artificial Intelligence tools for preparation of this Research Report