

Equity Research Report
Bharat Heavy Electricals Limited (BHEL)
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20EMS17

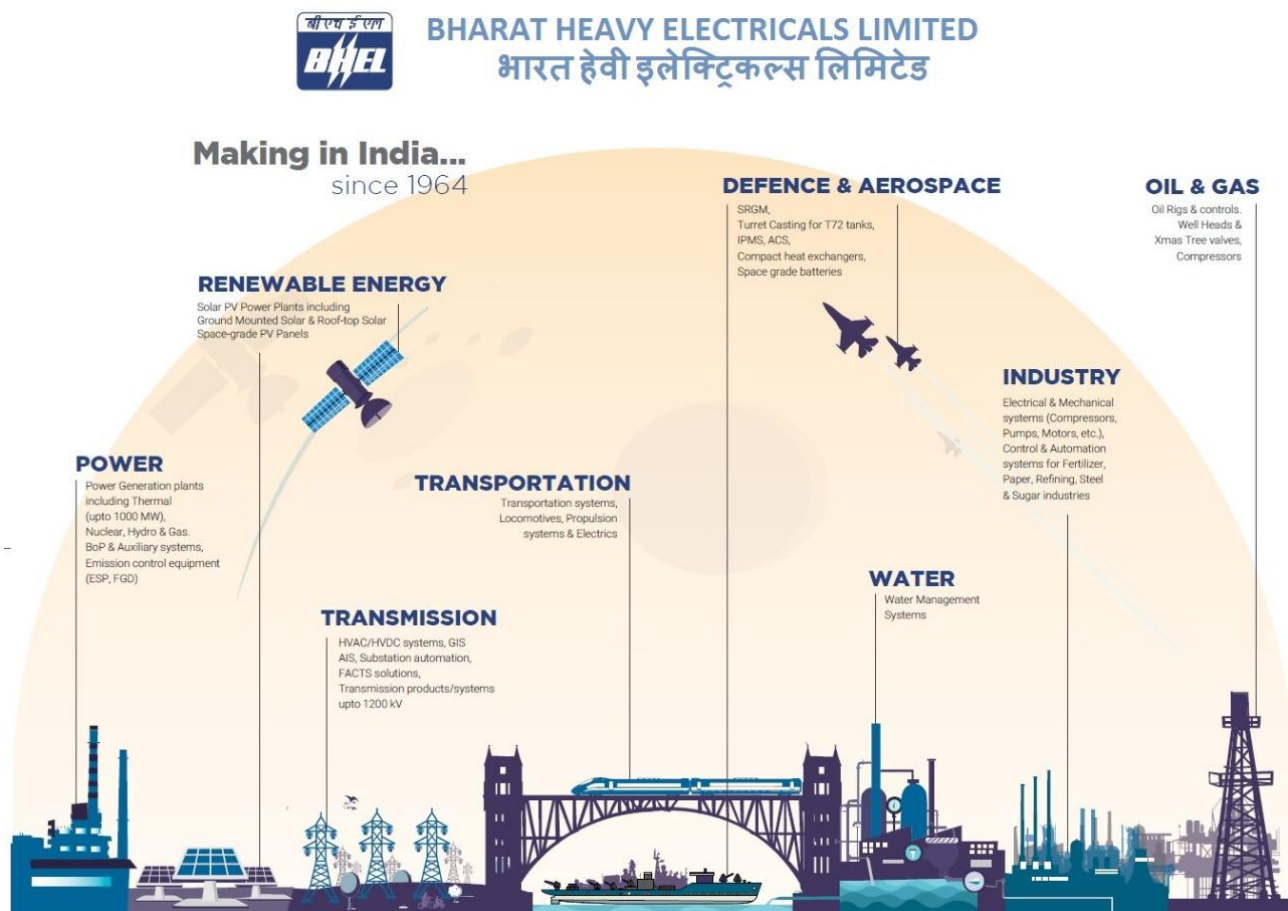


Company Profile

Established in 1964, BHEL, a Public Sector Undertaking has been one of the earliest and strongest contributors towards a strong and Aatmanirbhar India. BHEL is India's largest engineering and manufacturing enterprise in the energy and infrastructure sectors and a leading power equipment manufacturer globally.

Sectors

BHEL serves their customers with a comprehensive portfolio of products, systems and services in the areas of power-thermal, hydro, gas, nuclear & solar PV, transmission, transportation, defence & aerospace, oil & gas, and water.



Competitors



CYIENT



Products

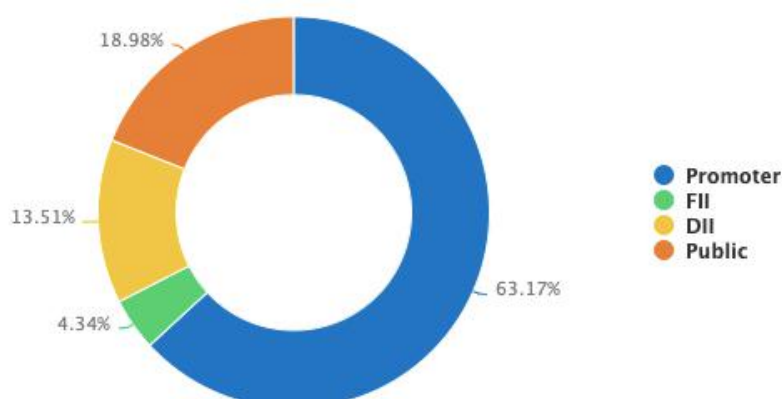
- Steam turbines, generators, boilers and matching auxiliaries
- Gas turbines and Hydro turbines
- Nuclear turbine generator sets
- Traction Transformers, Electric Locomotives, Rail track electrification
- Grid connected and standalone solar PV applications
- Electric vehicle chargers, electric power train, lithium battery packs, electric vehicles, energy storage systems
- Strategic equipment for Indian defence forces including super rapid gun mount and integrated platform management systems for naval ships, space grade solar panels and batteries
- EHV & UHV substations, Power transformers, shunt reactors, switch gears, Ceramic insulators

Upcoming Projects

Bharat Heavy Electricals Limited (BHEL) has achieved another milestone in international business by securing its maiden overseas turnkey contract for a grid-connected 8 MWac Solar Photovoltaic (PV) power plant. The solar farm will be set up by BHEL at Mauritius.

Shareholder Summary

Summary



SWOC Analysis

Strengths

- Strong base in engineering and a stable industrial relationship.
- BHEL has been generating continuous profits and paying dividends since 1974.
- BHEL has great support from collaborators that have helped them obtain many modern technologies to adapt to Indian conditions.
- BHEL a huge customer base in the domestic business that leads to being popular and a great influence in the market.
- BHEL produces almost 190 products with 30 major product groups
- Quality foundation of BHEL is quite strong.

Weakness

- Strong base in engineering and a stable industrial relationship.
- There have been few situations have BHEL had the inability to provide supplier's credit, financing of power projects, and soft loans.
- BHEL delivers products by taking more time than international competitors.
- BHEL lacks effective marketing infrastructure
- The procurement process in BHEL is cumbersome, and they are subject to auditing.
- PSU status is yet another weakness for BHEL as it is subject to the rules and regulations.

Opportunities

- There exists a huge demand in the power domain to produce more equipment. This provides a huge opportunity for BHEL.
- As BHEL is into the industry for a long time, there are many plants that are quite old and require services and spare parts. On doing this, BHEL can carry out production faster and attach more visibility in the market.
- BHEL sees a healthier work environment and increased private sector participation in the operation of distribution circles as well.
- An increase in defense budget sees a lot of opportunity for BHEL as it will increase the top line for them.
- Power Plant Performance Improvement Ltd, which is a joint venture with Siemens, is a tie-up that will be beneficial and provides a lot of scope for the business.

Challenges

- BHEL faces a lot of competition from both the international and national companies.
- Associations in the industry have drastically reduced the company's turn over.
- Increased in the number of small contractors is a big threat to BHEL that leads to price wars

Stock Analysis

Symbol :

BHEL

ISIN Number :

INE257A01026

Current Market Price (CMP) :

48.95
▲ 0.25 (0.51%)

As on 30 Mar, 2021 | 15:59

EPS :

₹3.32

Market Capitalisation :

17,044 Crs

Free Float Market Capitalisation :

6,306.54 Crs

52 Week High and 52 Week Low :

52 Week Range

19.65

56.50



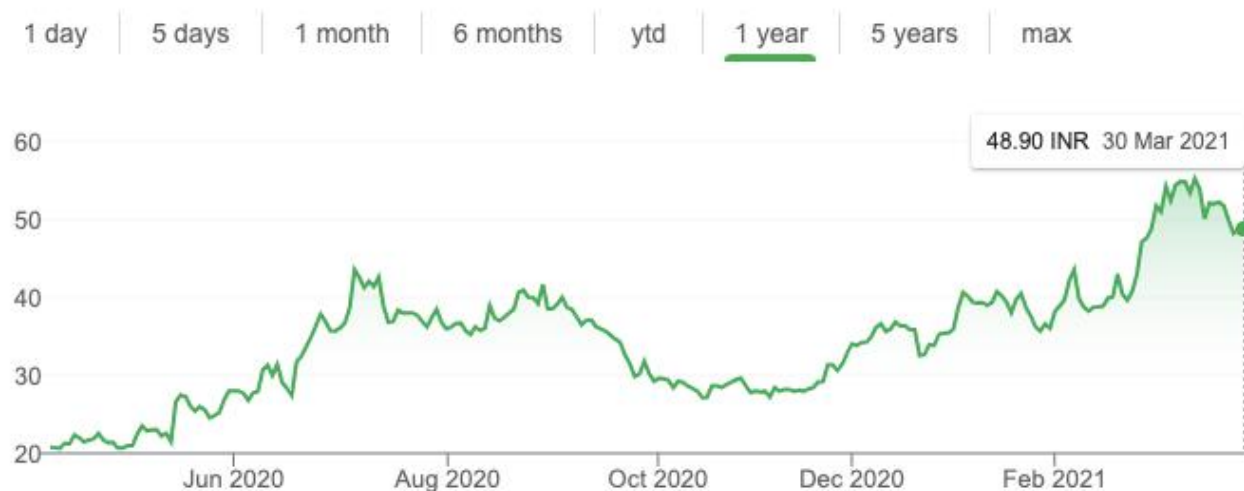
Face Value :

₹2

Financial Ratios

1. Price to Earnings (P/E) Ratio : 9.8
2. Return on Equity (RoE) Ratio : - 4.91
3. Price to Book (P/B) Ratio : 0.60
4. Dividend Yield or Dividend-Price ratio : 4.09%
5. Debt to Equity (D/E) Ratio : 0.13

Stock Price Graph and Corporate actions



Corporate Actions

Announcement Date	Actions
22 March 2021	BHEL Secures first ever overseas turnkey contract for Solar PV Power plant in Mauritius
11 February 2021	BHEL Committed to Aathmanirbhar Bharat-Awarded order for main guns of frontline ships
4 February 2021	BHEL Commissions 800 MW Supercritical Thermal Power plant in Madhya Pradesh
11 January 2021	BHEL secures order for Steam and Power plant from NALCO
31 December 2020	BHEL Bags orders valued at Rs.3200 Crore for Hydro Projects including India's highest rating Kaplan Hydro Turbines
28 Aug 2020	Annual General Meeting
21 August 2020	BHEL wins maiden order for battery energy storage systems
9 July 2020	BHEL Successfully commissions world's first Solar PV Plant for Rail Traction Application

Revenue Growth Forecast



Quarterly Financials - P/L Account

QUARTERLY ANNUAL	DEC 2020	SEP 2020	JUN 2020	MAR 2020
Total Income	4,536.67	3,799.95	2,086.43	5,197.53
Total Income Growth (%)	↑19.39	↑82.13	↓-59.86	↓-10.86
Total Expenses	4,743.76	4,442.84	3,168.29	5,765.33
Total Expenses Growth (%)	↑6.77	↑40.23	↓-45.05	↑5.49
EBIT	-207.09	-642.89	-1,081.86	-567.80
EBIT Growth (%)	-	-	-	↓-255.38
Profit after Tax (PAT)	-230.99	-556.12	-897.15	-1,534.12
PAT Growth (%)	-	-	-	↓-1,065.95
EBIT Margin (%)	-4.56	-16.92	-51.85	-10.92
Net Profit Margin (%)	-5.09	-14.63	-43.00	-29.52
Basic EPS (₹)	-0.66	-1.60	-2.58	-4.41

All figures in Rs Cr, unless mentioned otherwise

Investment Advisory

Investment Period : 12 Months (April 21 - March 22)

CMP : ₹ 48.95

Target : ₹ 62.00 - ₹ 65.00

Returns : 27% - 33%

Decision : Buy

Reasons for Buy Call :

- 2020 - 2021 is not a right reference for Infrastructure and Engineering companies as the whole industry globally affected by Covid Pandemic and a resurgence expected in 2021-22 with vaccines in place.
- Very strong fundamental and resurgence of manufacturing after Covid pandemic will help BHEL order books.
- Both Central and State Governments allocated high budget for infrastructure as part of Covid relief package and this is a good opportunity for BHEL .
- Disinvestment : DIPAM (Department of Investment and Public Asset Management) which is under Ministry of Finance is planning a stake sale of BHEL and currently advised by SBI Capital. This was mentioned by Finance Minister in her Budget Speech 2021.
- New Electric Vehicle Policy for consumers and Government of India's attractive incentives for setting up two/4 wheeler companies will get a big boost for EV Chargers, Lithium Batter Packs & Energy Management Appliances for BHEL .
- Overall looking at the fundamental strengths, market resurgence post Covid and Government's effort on a stake sale will be positive aspects that would help BHEL stock price to improve.

References

- DIPAM and Finance Ministry Announcements & BHEL Company Website
- Zee Business Head & Market Guru - Anil Singhvi says "BHEL will be stock of Year 2021"
- Economic Times & MoneyControl - CMP & Corporate Actions
- Wall Street Journal Online - 12 Months Stock Price Charts