

January 29, 2025

Q3FY25 Result Update

☑ Change in Estimates | ☑ Target | ■ Reco

Change in Estimates

	Current		Previous	
	FY26E	FY27E	FY26E	FY27E
Rating	ACCUMULATE		ACCUMULATE	
Target Price	226		260	
Sales (Rs. m)	4,21,396	4,88,671	4,19,516	4,87,063
% Chng.	0.4	0.3		
EBITDA (Rs. m)	44,894	63,625	55,376	71,598
% Chng.	(18.9)	(11.1)		
EPS (Rs.)	8.2	12.3	10.4	14.1
% Chng.	(21.5)	(12.4)		

Key Financials - Standalone

Y/e Mar	FY24	FY25E	FY26E	FY27E
Sales (Rs. bn)	239	314	421	489
EBITDA (Rs. bn)	6	16	45	64
Margin (%)	2.6	5.0	10.7	13.0
PAT (Rs. bn)	3	7	28	43
EPS (Rs.)	0.7	2.1	8.2	12.3
Gr. (%)	(58.4)	182.6	287.3	51.1
DPS (Rs.)	0.3	0.2	0.8	1.2
Yield (%)	0.1	0.1	0.4	0.6
RoE (%)	1.0	2.9	10.6	14.2
RoCE (%)	1.1	3.9	11.7	16.0
EV/Sales (x)	3.0	2.3	1.7	1.4
EV/EBITDA (x)	118.0	45.8	15.8	11.0
PE (x)	267.8	94.8	24.5	16.2
P/BV (x)	2.8	2.7	2.5	2.2

Key Data

BHEL.BO | BHEL IN

52-W High / Low	Rs.335 / Rs.184
Sensex / Nifty	76,533 / 23,163
Market Cap	Rs.696bn/ \$ 8,040m
Shares Outstanding	3,482m
3M Avg. Daily Value	Rs.3111.22m

Shareholding Pattern (%)

Promoter's	63.17
Foreign	7.98
Domestic Institution	15.49
Public & Others	13.36
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	(15.1)	(38.1)	(9.7)
Relative	(12.7)	(34.2)	(15.1)

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Decent execution; margins in focus

Quick Pointers:

- Order intake for 9MFY25 stood at ~Rs479bn (+33% YoY), comprising Rs394bn in Power, Rs83bn in Industry, and Rs1.5bn in Exports
- Higher other expenses of Rs9.1bn (vs -Rs1.8bn in Q3FY24) impacted margins

We revise our FY26/27E EPS estimate by -21.5%/-12.4% accounting for higher provisions amid execution pickup going forward. BHEL reported a healthy 32.2% YoY revenue growth in Q3FY25, driven by an execution ramp-up across both the Power and Industry segments. Despite higher other expenses, EBITDA margin expanded by 25 bps YoY to 4.2%. However, the Q3 provision numbers are still awaited. The company continues to benefit from the government's ~80 GW thermal capacity expansion target by FY28, having already secured ~13 GW in orders this fiscal year. However, the entry of L&T into the thermal power segment could pose a challenge to BHEL's order inflow in the medium term. Beyond thermal power, BHEL's strategic diversification into high-growth, non-thermal sectors is gaining momentum, with a major HVDC order strengthening its Industry segment. We believe, execution pace to be key monitorable amid strong order wins in last 12-18 months along with focus on operational efficiency.

We believe 1) large thermal power order pipeline, 2) diversification into railways, defence, green hydrogen, coal gasification, etc., and 3) growing spares & services business augurs well for BHEL in the long-term. However, execution pace and operational efficiency will be key monitorable. The stock is trading at a P/E of 24.5x/16.2x on FY26/27E earnings. We maintain 'Accumulate' and roll forward to Sep'26E with a revised TP of Rs226 (Rs260 earlier) valuing the stock at a P/E of 22x Sep'26E (25x FY26E earlier).

Healthy execution drives improved operating performance: Standalone revenue grew 32.2% YoY to Rs72.8bn (PL: Rs75.8bn) driven by strong growth in both Power (+31.9% YoY to Rs55.6bn) and Industry segments (+33.4% YoY to Rs16.9bn). Gross margin increased by 1,021bps YoY to 37.0% (PL: 34.5%). EBITDA came in at Rs3.0bn vs Rs2.2bn in Q3FY24 (PL: Rs5.3bn). EBITDA margin stood at 4.2% vs 3.9% in Q3FY24 (PL: 6.0%) as improved gross margins were offset by higher other expenditure against a negative base in Q4FY24 due to reversal of provisions. Power segment EBIT margin stood at 11.2% (vs 9.4% in Q3FY24), while Industry EBIT margin came in at 6.2% (vs 1.6% in Q3FY24). PAT came in at Rs1.2bn vs Rs463mn in Q3FY24 (PL: Rs3.0bn) driven by the improved operating performance, and higher other income (Rs1.2bn vs Rs1.0bn in Q3FY24).

Order book stands at ~Rs1.6trn (5.9x TTM revenue): Order intake for Q3FY25 stood at Rs68.6bn (vs Rs25.7bn in Q3FY24), with contribution from Power (16.6%), Industry (83.1%) and Exports (0.3%). Order book stands at ~Rs1.6trn (5.9x TTM revenue) comprising of Power (76%), Industry (22%) and Exports (2%). During the quarter, BHEL won the order for main plant package of 3*800 MW Telangana Stage-II supercritical thermal power plant in its power segment while in Industry segment, it received an order for +/- 800 kV 6GW Khavda-Nagpur LCC HVDC Terminal Stations and AC transmission systems among other orders.

Exhibit 1: Higher other expenses of Rs9.1bn against a lower base (-Rs1.8bn in Q3FY24 due to reversal of provisions) impacted margins

Rs mn	Q3FY25	Q3FY24	YoY gr.	Q3FY25E	Var. (%)	Q2FY25	QoQ gr.	9MFY25	9MFY24	YoY gr.
Revenue	72,771	55,038	32.2%	75,813	-4.0%	65,841	10.5%	193,461	156,325	23.8%
Gross Profit	26,929	14,745	82.6%	26,156	3.0%	21,540	25.0%	64,542	43,460	48.5%
Margin (%)	37.0	26.8	1021bps	34.5	251bps	32.7	429bps	33.4	27.8	556bps
Employee Cost	14,820	14,420	2.8%	14,784	0.2%	14,672	1.0%	43,841	41,442	5.8%
as % of sales	20.4	26.2	(583)bps	19.5	87bps	22.3	(192)bps	22.7	26.5	(385)bps
Other expenditure	9,066	(1,840)	-592.6%	6,065	49.5%	4,118	120.2%	16,603	3,171	423.6%
as % of sales	12.5	(3.3)	1580bps	8.0	446bps	6.3	620bps	8.6	2.0	655bps
EBITDA	3,042	2,165	-	5,307	-42.7%	2,750	10.6%	4,099	(1,153)	-
Margin (%)	4.2	3.9	25bps	7.0	(282)bps	4.2	0bps	2.1	(0.7)	286bps
Depreciation	679	606	12.0%	750	-9.5%	601	13.0%	1,869	1,805	3.6%
EBIT	2,364	1,559	-	4,557	-	2,149	10.0%	2,230	(2,958)	-
Margin (%)	3.2	2.8	41bps	6.0	(276)bps	3.3	(2)bps	1.2	(1.9)	304bps
Other Income	1,162	1,042	11.6%	1,400	-17.0%	1,184	-1.8%	3,446	4,230	-18.5%
Interest	1,838	1,896	-3.1%	1,850	-0.7%	2,014	-8.7%	5,469	5,380	1.7%
PBT (ex. Extra-ordinaries)	1,688	705	-	4,107	-	1,319	28.0%	207	(4,107)	-
Margin (%)	2.3	1.3	104bps	5.4	(310)bps	2.0	32bps	0.1	(2.6)	273bps
Extraordinary Items	-	-	-	-	-	-	-	-	-	-
PBT	1,688	705	139.5%	4,107	-58.9%	1,319	28.0%	207	(4,107)	-105.0%
Total Tax	441	242	-	1,129	-61.0%	353	24.9%	117	(1,863)	-106.3%
Effective Tax Rate (%)	26.1	34.3	-	27.5	-	26.7	-	-	-	-
Reported PAT	1,248	463	169.4%	2,978	-58.1%	967	29.1%	89	(2,245)	-104.0%
Adj. PAT	1,248	463	169.4%	2,978	-58.1%	967	29.1%	89	(2,245)	-104.0%
Adj. EPS	0.4	0.1	169.4%	0.9	-58.1%	0.3	29.1%	0.0	(0.6)	-104.0%

Source: Company, PL

Exhibit 2: Healthy execution and margin improvement across both segments.

Segment Performance	Q3FY25	Q3FY24	YoY gr.	Q3FY25E	Var.	Q2FY25	QoQ gr.	9MFY25	9MFY24	YoY gr.
Revenue (Rs mn)										
Power	55,885	42,379	31.9%	60,472	-7.6%	50,283	11.1%	147,448	122,714	20.2%
Industry	16,886	12,659	33.4%	15,341	10.1%	15,558	8.5%	46,013	33,611	36.9%
Total	72,771	55,038	32.2%	75,813	-4.0%	65,841	10.5%	193,461	156,325	23.8%
EBIT (Rs mn)										
Power	6,246	3,978	57.0%	7,015	-11.0%	3,373	85.2%	9,079	5,111	77.6%
Industry	1,054	202	421.6%	844	24.9%	2,164	-51.3%	3,851	(321)	-
Total	7,300	4,180	74.6%	7,859	-7.1%	5,537	31.8%	12,930	4,791	169.9%
EBIT Margin (%)										
			bps chg.		bps chg.		bps chg.			bps chg.
Power	11.2	9.4	179	11.6	-42	6.7	447	6.2	4.2	199
Industry	6.2	1.6	464	5.5	74	13.9	-767	8.4	-1.0	932
Total	10.0	7.6	244	10.4	-33	8.4	162	6.7	3.1	362

Source: Company, PL

Financials

Income Statement (Rs m)

Y/e Mar	FY24	FY25E	FY26E	FY27E
Net Revenues	2,38,928	3,13,516	4,21,396	4,88,671
YoY gr. (%)	2.3	31.2	34.4	16.0
Cost of Goods Sold	1,68,071	2,03,785	2,67,165	3,07,374
Gross Profit	70,857	1,09,731	1,54,231	1,81,297
Margin (%)	29.7	35.0	36.6	37.1
Employee Cost	56,288	58,314	61,102	63,527
Other Expenses	18,814	23,984	31,183	34,842
EBITDA	6,126	15,788	44,894	63,625
YoY gr. (%)	(35.7)	157.7	184.4	41.7
Margin (%)	2.6	5.0	10.7	13.0
Depreciation and Amortization	2,489	2,681	3,749	3,531
EBIT	3,637	13,106	41,146	60,094
Margin (%)	1.5	4.2	9.8	12.3
Net Interest	7,313	8,237	7,464	6,514
Other Income	5,879	5,330	6,953	7,819
Profit Before Tax	2,203	10,200	40,635	61,399
Margin (%)	0.9	3.3	9.6	12.6
Total Tax	(396)	2,856	12,191	18,420
Effective tax rate (%)	(18.0)	28.0	30.0	30.0
Profit after tax	2,599	7,344	28,445	42,980
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
Adjusted PAT	2,599	7,344	28,445	42,980
YoY gr. (%)	(58.4)	182.6	287.3	51.1
Margin (%)	1.1	2.3	6.8	8.8
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	2,599	7,344	28,445	42,980
YoY gr. (%)	(58.4)	182.6	287.3	51.1
Margin (%)	1.1	2.3	6.8	8.8
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	2,599	7,344	28,445	42,980
Equity Shares O/s (m)	3,482	3,482	3,482	3,482
EPS (Rs)	0.7	2.1	8.2	12.3

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY24	FY25E	FY26E	FY27E
Non-Current Assets				
Gross Block	68,970	72,470	74,970	78,470
Tangibles	68,970	72,470	74,970	78,470
Intangibles	-	-	-	-
Acc: Dep / Amortization	43,863	46,544	50,293	53,824
Tangibles	43,863	46,544	50,293	53,824
Intangibles	-	-	-	-
Net fixed assets	25,107	25,926	24,677	24,646
Tangibles	25,107	25,926	24,677	24,646
Intangibles	-	-	-	-
Capital Work In Progress	3,717	3,999	3,999	3,999
Goodwill	-	-	-	-
Non-Current Investments	8,737	9,719	10,535	11,728
Net Deferred tax assets	42,013	42,013	42,013	42,013
Other Non-Current Assets	1,36,897	1,72,434	1,98,056	2,05,242
Current Assets				
Investments	-	-	-	-
Inventories	72,206	89,331	1,14,296	1,31,205
Trade receivables	80,101	94,484	1,17,760	1,33,882
Cash & Bank Balance	61,575	61,815	64,491	67,479
Other Current Assets	1,61,425	1,72,434	1,85,414	2,10,128
Total Assets	5,52,162	6,32,963	7,22,600	7,92,219
Equity				
Equity Share Capital	6,964	6,964	6,964	6,964
Other Equity	2,41,542	2,48,015	2,75,725	3,15,860
Total Networth	2,48,506	2,54,979	2,82,689	3,22,825
Non-Current Liabilities				
Long Term borrowings	88,329	88,329	78,329	68,329
Provisions	-	-	-	-
Other non current liabilities	-	-	-	-
Current Liabilities				
ST Debt / Current of LT Debt	236	236	236	236
Trade payables	1,09,890	1,41,726	1,89,339	2,16,889
Other current liabilities	1,47,214	1,89,706	2,14,019	2,25,953
Total Equity & Liabilities	5,52,162	6,32,963	7,22,600	7,92,219

Source: Company Data, PL Research


Cash Flow (Rs m)

Y/e Mar	FY24	FY25E	FY26E	FY27E
PBT	2,203	10,200	40,635	61,399
Add. Depreciation	2,489	2,681	3,749	3,531
Add. Interest	7,313	8,237	7,464	6,514
Less Financial Other Income	5,879	5,330	6,953	7,819
Add. Other	(16,910)	-	-	-
Op. profit before WC changes	(4,905)	21,118	51,847	71,444
Net Changes-WC	(34,446)	(4,597)	(15,909)	(26,456)
Direct tax	2,222	(2,856)	(12,191)	(18,420)
Net cash from Op. activities	(37,129)	13,665	23,748	26,568
Capital expenditures	(2,236)	(3,782)	(2,500)	(3,500)
Interest / Dividend Income	3,993	-	-	-
Others	11,551	(535)	(374)	(722)
Net Cash from Inv. activities	13,309	(4,317)	(2,874)	(4,222)
Issue of share cap. / premium	(391)	-	(10,000)	(10,000)
Debt changes	34,230	-	-	-
Dividend paid	(1,395)	(871)	(734)	(2,844)
Interest paid	(5,888)	(8,237)	(7,464)	(6,514)
Others	(893)	-	-	-
Net cash from Fin. activities	25,664	(9,107)	(18,198)	(19,358)
Net change in cash	1,844	241	2,676	2,988
Free Cash Flow	(39,454)	9,883	21,248	23,068

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY24	FY25E	FY26E	FY27E
Per Share(Rs)				
EPS	0.7	2.1	8.2	12.3
CEPS	1.5	2.9	9.2	13.4
BVPS	71.4	73.2	81.2	92.7
FCF	(11.3)	2.8	6.1	6.6
DPS	0.3	0.2	0.8	1.2
Return Ratio(%)				
RoCE	1.1	3.9	11.7	16.0
ROIC	1.7	3.4	10.0	13.6
RoE	1.0	2.9	10.6	14.2
Balance Sheet				
Net Debt : Equity (x)	0.1	0.1	0.0	-
Net Working Capital (Days)	65	49	37	36
Valuation(x)				
PER	267.8	94.8	24.5	16.2
P/B	2.8	2.7	2.5	2.2
P/CEPS	136.8	69.4	21.6	15.0
EV/EBITDA	118.0	45.8	15.8	11.0
EV/Sales	3.0	2.3	1.7	1.4
Dividend Yield (%)	0.1	0.1	0.4	0.6

Source: Company Data, PL Research

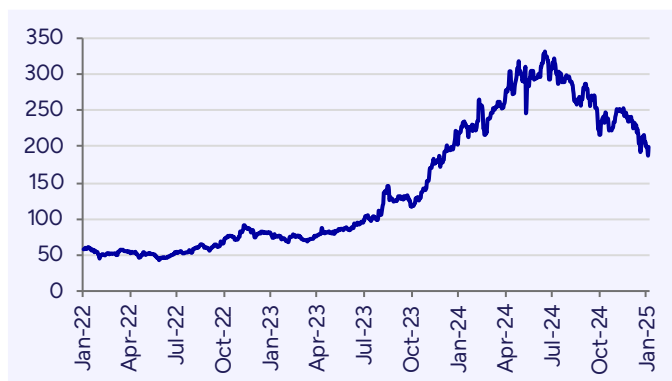
Quarterly Financials (Rs m)

Y/e Mar	Q4FY24	Q1FY25	Q2FY25	Q3FY25
Net Revenue	82,603	54,849	65,841	72,771
YoY gr. (%)	0.4	9.6	28.5	32.2
Raw Material Expenses	55,206	38,776	44,301	45,842
Gross Profit	27,397	16,074	21,540	26,929
Margin (%)	33.2	29.3	32.7	37.0
EBITDA	7,279	(1,694)	2,750	3,042
YoY gr. (%)	(30.6)	(4.9)	(278.9)	40.5
Margin (%)	8.8	(3.1)	4.2	4.2
Depreciation / Depletion	684	590	601	679
EBIT	6,595	(2,283)	2,149	2,364
Margin (%)	8.0	(4.2)	3.3	3.2
Net Interest	1,933	1,617	2,014	1,838
Other Income	1,649	1,100	1,184	1,162
Profit before Tax	6,311	(2,801)	1,319	1,688
Margin (%)	7.6	(5.1)	2.0	2.3
Total Tax	1,467	(676)	353	441
Effective tax rate (%)	23.2	24.1	26.7	26.1
Profit after Tax	4,844	(2,125)	967	1,248
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
Adjusted PAT	4,844	(2,125)	967	1,248
YoY gr. (%)	(24.9)	-	(265.8)	169.4
Margin (%)	5.9	(3.9)	1.5	1.7
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	4,844	(2,125)	967	1,248
YoY gr. (%)	(24.9)	-	(265.8)	169.4
Margin (%)	5.9	(3.9)	1.5	1.7
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	4,844	(2,125)	967	1,248
Avg. Shares O/s (m)	3,482	3,482	3,482	3,482
EPS (Rs)	1.4	(0.6)	0.3	0.4

Source: Company Data, PL Research

Price Chart

Recommendation History



No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	09-Jan-25	Accumulate	260	221
2	29-Oct-24	Accumulate	260	230
3	07-Oct-24	Reduce	264	268
4	01-Aug-24	Reduce	264	309
5	08-Jul-24	Reduce	264	316
6	22-May-24	Reduce	264	302
7	12-Apr-24	UR	-	263
8	14-Feb-24	Reduce	200	224

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	ABB India	Accumulate	8,133	6,657
2	Apar Industries	Accumulate	8,219	7,179
3	BEML	Accumulate	4,332	3,733
4	Bharat Electronics	BUY	341	282
5	BHEL	Accumulate	260	221
6	Carborundum Universal	Accumulate	1,583	1,245
7	Cummins India	Accumulate	4,139	3,164
8	Elgi Equipments	Accumulate	607	548
9	Engineers India	BUY	247	182
10	GE Vernova T&D India	Accumulate	1,962	1,991
11	Grindwell Norton	BUY	2,511	1,850
12	Harsha Engineers International	Accumulate	561	493
13	Hindustan Aeronautics	Accumulate	4,692	4,110
14	Ingersoll-Rand (India)	BUY	4,467	3,800
15	Kalpataru Projects International	Accumulate	1,306	1,245
16	KEC International	Hold	997	1,049
17	Kirloskar Pneumatic Company	BUY	1,564	1,013
18	Larsen & Toubro	BUY	4,088	3,596
19	Praj Industries	BUY	804	800
20	Siemens	Accumulate	7,716	6,297
21	Thermax	Reduce	4,275	3,982
22	Triveni Turbine	BUY	800	739
23	Voltamp Transformers	BUY	12,531	9,682

PL's Recommendation Nomenclature (Absolute Performance)

Buy	: > 15%
Accumulate	: 5% to 15%
Hold	: +5% to -5%
Reduce	: -5% to -15%
Sell	: < -15%
Not Rated (NR)	: No specific call on the stock
Under Review (UR)	: Rating likely to change shortly

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