

May 20, 2025

## Q4FY25 Result Update

Change in Estimates |  Target |  Reco

### Change in Estimates

	Current		Previous	
	FY26E	FY27E	FY26E	FY27E
<b>Rating</b>	<b>HOLD</b>		<b>ACCUMULATE</b>	
<b>Target Price</b>	<b>237</b>		<b>226</b>	
Sales (Rs. m)	389,361	474,632	421,396	488,671
% Chng.	(7.6)	(2.9)		
EBITDA (Rs. m)	32,678	56,779	44,894	63,625
% Chng.	(27.2)	(10.8)		
EPS (Rs.)	5.6	10.8	8.2	12.3
% Chng.	(31.6)	(12.7)		

### Key Financials - Standalone

Y/e Mar	FY24	FY25	FY26E	FY27E
Sales (Rs. bn)	239	283	389	475
EBITDA (Rs. bn)	6	12	33	57
Margin (%)	2.6	4.4	8.4	12.0
PAT (Rs. bn)	3	5	19	38
EPS (Rs.)	0.7	1.5	5.6	10.8
Gr. (%)	(58.4)	97.4	279.3	92.9
DPS (Rs.)	0.3	0.3	0.6	1.1
Yield (%)	0.1	0.1	0.2	0.4
RoE (%)	1.0	2.1	7.5	13.1
RoCE (%)	1.1	2.9	8.5	14.7
EV/Sales (x)	3.7	3.0	2.2	1.8
EV/EBITDA (x)	143.0	69.5	26.1	14.8
PE (x)	326.7	165.5	43.6	22.6
P/BV (x)	3.4	3.4	3.1	2.8

### Key Data

BHEL.BO | BHEL IN

52-W High / Low	Rs.335 / Rs.176
Sensex / Nifty	82,059 / 24,945
Market Cap	Rs.849bn/ \$ 9,939m
Shares Outstanding	3,482m
3M Avg. Daily Value	Rs.3242.08m

### Shareholding Pattern (%)

Promoter's	63.17
Foreign	7.19
Domestic Institution	16.34
Public & Others	13.30
Promoter Pledge (Rs bn)	-

### Stock Performance (%)

	1M	6M	12M
Absolute	7.2	7.9	(21.4)
Relative	2.6	2.0	(29.2)

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## Muted quarter; lagging execution pace

### Quick Pointers:

- Order book for FY25 stood at ~ Rs1.9trn (6.9x TTM revenue) comprising of Power (80%), Industry (18%) and Exports (2%)
- Total of 8.1GW Power projects were executed, with 94% from domestic and 6% from exports

**We revise our FY26/27E EPS estimate by -31.6%/-12.7% accounting for lagging execution pace. BHEL delivered a muted performance for the quarter, reporting an 8.9% YoY revenue growth despite strong order book, accompanied by a 44bps improvement in EBITDA margin to 9.2%. The company continues to benefit from the government's strong emphasis on thermal capacity addition, securing ~14.6 GW of thermal orders in FY25. In the Industry segment, BHEL's strategic shift towards non-thermal areas, particularly in HVDC, has begun to yield results, with two major orders during the year. Additionally, emerging opportunities in Green Hydrogen, Coal Gasification, and Defence Indigenization—driven by supportive government policies—are expected to open up new growth avenues. With a robust order book of Rs1.9trn, BHEL has strong multi-year revenue visibility; however, the pace of execution remains a critical factor to watch. We roll forward to Mar'27E and downgrade the stock from 'Accumulate' to 'Hold' given the slower pace of execution and recent rally in stock, with a TP of Rs237 (Rs226 earlier) valuing the stock at a PE of 22x Mar'27E (22x Sep'27E earlier). Downgrade to 'Hold'.**

**Long term view:** 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.

### Healthy execution in industry helped improved operating performance:

Standalone revenue grew 8.9% YoY to Rs89.9bn (PLe: Rs120.1bn) driven by strong growth in Industry segments (+33.9% YoY to Rs28.0bn), while the power segment remained flat to Rs61.9bn. EBITDA came in at Rs8.3bn vs Rs7.3bn in Q4FY24 (PLe: Rs11.7bn). EBITDA margin stood at 9.2% vs 8.8% in Q4FY24 (PLe: 9.7%) led by improvement in gross margins and lower employee cost (-86bps YoY % of sales) which were partially offset by high other expenditure (+26.9% YoY to Rs6.7bn). PAT grew by 4.1% to Rs5.0bn vs Rs4.8bn in Q4FY24 (PLe: Rs7.3bn) driven by improved operating performance.

### Order book stands at ~Rs1.9trn (6.9x TTM revenue):

Order intake increased by +6.5% to Rs445.9bn in Q4FY25. Order book stands at ~Rs1.9trn (6.9x TTM revenue) comprising of Power (80%), Industry (18%) and Exports (2%). During the quarter, BHEL secured EPC and BTG orders for thermal power projects. The company also won contracts for STG supply and commissioning, high voltage substation works, and 33 traction electrics sets for DETCs. Additional orders include a naval Integrated Platform Management System and oil exploration equipment like Wellheads and X-Mas Trees.

**Exhibit 1: EBITDA margin expanded by 44bps YoY aided by better gross margin partially offset by higher other expenses.**

Y/e March (Rs mn)	Q4FY25	Q4FY24	YoY gr.	Q4FY25E	% Var.	Q3FY25	QoQ gr.	FY25	FY24	YoY gr.
<b>Revenue</b>	<b>89,934</b>	<b>82,603</b>	<b>8.9%</b>	<b>1,20,055</b>	<b>-25.1%</b>	<b>72,771</b>	<b>23.6%</b>	<b>2,83,395</b>	<b>2,38,928</b>	<b>18.6%</b>
Gross Profit	30,401	27,397	11.0%	45,188	-32.7%	26,929	12.9%	94,943	70,857	34.0%
Margin (%)	33.8	33.2	64	37.6	(384)	37.0	(320)	33.5	29.7	385
Employee Cost	15,394	14,847	3.7%	14,473	6.4%	14,820	3.9%	59,234	56,288	5.2%
as % of sales	17.1	18.0	(86)	12.1	506	20.4	(325)	20.9	23.6	(266)
Other expenditure	6,691	5,271	26.9%	19,026	-64.8%	9,066	-26.2%	23,293	8,443	175.9%
as % of sales	7.4	6.4	106	15.8	(841)	12.5	(502)	8.2	3.5	469
<b>EBITDA</b>	<b>8,317</b>	<b>7,279</b>	<b>14.3%</b>	<b>11,689</b>	<b>-28.8%</b>	<b>3,042</b>	<b>173.4%</b>	<b>12,416</b>	<b>6,126</b>	<b>-</b>
Margin (%)	9.2	8.8	44	9.7	(49)	4.2	507	4.4	2.6	182
Depreciation	850	684	24.3%	812	4.7%	679	25.3%	2,720	2,489	9.3%
<b>EBIT</b>	<b>7,467</b>	<b>6,595</b>	<b>-</b>	<b>10,877</b>	<b>-</b>	<b>2,364</b>	<b>215.9%</b>	<b>9,696</b>	<b>3,637</b>	<b>-</b>
Margin (%)	8.3	8.0	32	9.1	(76)	3.2	505	3.4	1.5	190
Other Income	1,588	1,649	-3.7%	1,884	-15.7%	1,162	36.6%	5,034	5,879	-14.4%
Interest	2,014	1,933	4.2%	2,768	-27.2%	1,838	9.6%	7,483	7,313	2.3%
<b>PBT (ex. Extra-ordinaries)</b>	<b>7,040</b>	<b>6,311</b>	<b>-</b>	<b>9,993</b>	<b>-</b>	<b>1,688</b>	<b>317.0%</b>	<b>7,247</b>	<b>2,203</b>	<b>-</b>
Margin (%)	7.8	7.6	19	8.3	(50)	2.3	551	2.6	0.9	164
Extraordinary Items	-	-	-	-	-	-	-	-	-	-
<b>PBT</b>	<b>7,040</b>	<b>6,311</b>	<b>11.6%</b>	<b>9,993</b>	<b>-29.5%</b>	<b>1,688</b>	<b>317.0%</b>	<b>7,247</b>	<b>2,203</b>	<b>228.9%</b>
Total Tax	2,000	1,467	-	2,739	-27.0%	441	354.0%	2,117	(396)	-635.1%
Effective Tax Rate (%)	28.4	23.2	-	27.4	-	26.1	-	-	-	-
<b>Reported PAT</b>	<b>5,040</b>	<b>4,844</b>	<b>4.1%</b>	<b>7,255</b>	<b>-30.5%</b>	<b>1,248</b>	<b>304.0%</b>	<b>5,130</b>	<b>2,599</b>	<b>97.4%</b>
<b>Adj. PAT</b>	<b>5,040</b>	<b>4,844</b>	<b>4.1%</b>	<b>7,255</b>	<b>-30.5%</b>	<b>1,248</b>	<b>304.0%</b>	<b>5,130</b>	<b>2,599</b>	<b>97.4%</b>
<b>Adj. EPS</b>	<b>1.4</b>	<b>1.4</b>	<b>4.1%</b>	<b>2.1</b>	<b>-30.5%</b>	<b>0.4</b>	<b>304.0%</b>	<b>1.5</b>	<b>0.7</b>	<b>97.4%</b>

Source: Company, PL

**Exhibit 2: Industry margin improved to 31.3% (vs 8.1% YoY); Power margin declined to 5.0% (vs 18.6% YoY)**

Segment Performance	Q4FY25	Q4FY24	YoY gr.	Q4FY25E	% Var.	Q3FY25	QoQ gr.	FY25	FY24	YoY gr.
<b>Revenue (Rs mn)</b>										
Power	61,924	61,683	0.4%	96,886	-36.1%	55,885	10.8%	2,09,373	1,84,358	13.6%
Industry	28,010	20,920	33.9%	23,169	20.9%	16,886	65.9%	74,022	54,570	35.6%
<b>Total</b>	<b>89,934</b>	<b>82,603</b>	<b>8.9%</b>	<b>1,20,055</b>	<b>-25.1%</b>	<b>72,771</b>	<b>23.6%</b>	<b>2,83,395</b>	<b>2,38,928</b>	<b>18.6%</b>
<b>EBIT (Rs mn)</b>										
Power	3,081	11,459	-73.1%	17,216	-82.1%	6,246	-50.7%	12,160	16,570	-26.6%
Industry	8,773	1,692	418.7%	102	8504.6%	1,054	732.6%	12,625	1,371	-
<b>Total</b>	<b>11,854</b>	<b>13,151</b>	<b>-9.9%</b>	<b>17,318</b>	<b>-31.5%</b>	<b>7,300</b>	<b>62.4%</b>	<b>24,785</b>	<b>17,941</b>	<b>38.1%</b>
<b>EBIT Margin (%)</b>										
			<b>YoY bps</b>		<b>Var. bps</b>		<b>QoQ bps</b>			<b>YoY bps</b>
Power	5.0	18.6	-1,360	17.8	-1,279	11.2	-620	5.8	9.0	-318
Industry	31.3	8.1	2,324	0.4	3,088	6.2	2,508	17.1	2.5	1,454
<b>Total</b>	<b>13.2</b>	<b>15.9</b>	<b>-274</b>	<b>14.4</b>	<b>-124</b>	<b>10.0</b>	<b>315</b>	<b>8.7</b>	<b>7.5</b>	<b>124</b>

Source: Company, PL

## Financials

### Income Statement (Rs m)

Y/e Mar	FY24	FY25	FY26E	FY27E
<b>Net Revenues</b>	<b>238,928</b>	<b>283,395</b>	<b>389,361</b>	<b>474,632</b>
YoY gr. (%)	2.3	18.6	37.4	21.9
Cost of Goods Sold	168,071	188,452	252,695	303,764
Gross Profit	70,857	94,943	136,666	170,868
Margin (%)	29.7	33.5	35.1	36.0
Employee Cost	56,288	59,234	60,935	62,889
Other Expenses	18,814	21,713	28,423	33,367
<b>EBITDA</b>	<b>6,126</b>	<b>12,416</b>	<b>32,678</b>	<b>56,779</b>
YoY gr. (%)	(35.7)	102.7	163.2	73.8
Margin (%)	2.6	4.4	8.4	12.0
Depreciation and Amortization	2,489	2,720	3,306	3,617
<b>EBIT</b>	<b>3,637</b>	<b>9,696</b>	<b>29,373</b>	<b>53,162</b>
Margin (%)	1.5	3.4	7.5	11.2
Net Interest	7,313	7,483	7,614	6,664
Other Income	5,879	5,034	6,035	7,119
<b>Profit Before Tax</b>	<b>2,203</b>	<b>7,247</b>	<b>27,794</b>	<b>53,618</b>
Margin (%)	0.9	2.6	7.1	11.3
Total Tax	(396)	2,117	8,338	16,085
Effective tax rate (%)	(18.0)	29.2	30.0	30.0
<b>Profit after tax</b>	<b>2,599</b>	<b>5,130</b>	<b>19,456</b>	<b>37,532</b>
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
<b>Adjusted PAT</b>	<b>2,599</b>	<b>5,130</b>	<b>19,456</b>	<b>37,532</b>
YoY gr. (%)	(58.4)	97.4	279.3	92.9
Margin (%)	1.1	1.8	5.0	7.9
Extra Ord. Income / (Exp)	-	-	-	-
<b>Reported PAT</b>	<b>2,599</b>	<b>5,130</b>	<b>19,456</b>	<b>37,532</b>
YoY gr. (%)	(58.4)	97.4	279.3	92.9
Margin (%)	1.1	1.8	5.0	7.9
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	2,599	5,130	19,456	37,532
<b>Equity Shares O/s (m)</b>	<b>3,482</b>	<b>3,482</b>	<b>3,482</b>	<b>3,482</b>
<b>EPS (Rs)</b>	<b>0.7</b>	<b>1.5</b>	<b>5.6</b>	<b>10.8</b>

Source: Company Data, PL Research

### Balance Sheet Abstract (Rs m)

Y/e Mar	FY24	FY25	FY26E	FY27E
<b>Non-Current Assets</b>				
<b>Gross Block</b>	<b>68,970</b>	<b>75,207</b>	<b>78,707</b>	<b>82,207</b>
Tangibles	68,970	75,207	78,707	82,207
Intangibles	-	-	-	-
<b>Acc: Dep / Amortization</b>	<b>43,863</b>	<b>46,583</b>	<b>49,888</b>	<b>53,506</b>
Tangibles	43,863	46,583	49,888	53,506
Intangibles	-	-	-	-
<b>Net fixed assets</b>	<b>25,107</b>	<b>28,625</b>	<b>28,819</b>	<b>28,702</b>
Tangibles	25,107	28,625	28,819	28,702
Intangibles	-	-	-	-
Capital Work In Progress	3,717	2,797	2,797	2,797
Goodwill	-	-	-	-
Non-Current Investments	8,737	13,881	16,743	18,985
Net Deferred tax assets	42,013	40,677	40,677	40,677
Other Non-Current Assets	136,897	140,750	183,000	199,345
<b>Current Assets</b>				
Investments	-	-	-	-
Inventories	72,206	98,695	105,608	127,435
Trade receivables	80,101	89,309	108,808	130,036
Cash & Bank Balance	61,575	76,124	76,430	77,464
Other Current Assets	161,425	190,928	183,000	204,092
<b>Total Assets</b>	<b>552,162</b>	<b>644,116</b>	<b>708,318</b>	<b>792,654</b>
<b>Equity</b>				
Equity Share Capital	6,964	6,964	6,964	6,964
Other Equity	241,542	244,166	262,751	298,338
<b>Total Networkth</b>	<b>248,506</b>	<b>251,130</b>	<b>269,715</b>	<b>305,302</b>
<b>Non-Current Liabilities</b>				
Long Term borrowings	88,329	88,522	78,522	68,522
Provisions	-	-	-	-
Other non current liabilities	-	-	-	-
<b>Current Liabilities</b>				
ST Debt / Current of LT Debt	236	1,624	1,624	1,624
Trade payables	109,890	117,117	170,679	210,659
Other current liabilities	147,214	226,400	228,455	247,225
<b>Total Equity &amp; Liabilities</b>	<b>552,162</b>	<b>644,116</b>	<b>708,318</b>	<b>792,654</b>

Source: Company Data, PL Research

**Cash Flow (Rs m)**

Y/e Mar	FY24	FY25	FY26E	FY27E
PBT	2,203	7,247	27,794	53,618
Add. Depreciation	2,489	2,720	3,306	3,617
Add. Interest	7,313	7,483	7,614	6,664
Less Financial Other Income	5,879	5,034	6,035	7,119
Add. Other	(16,910)	(13,638)	-	-
Op. profit before WC changes	(4,905)	3,811	38,713	63,899
Net Changes-WC	(34,446)	17,295	(7,798)	(23,609)
Direct tax	2,222	813	(8,338)	(16,085)
<b>Net cash from Op. activities</b>	<b>(37,129)</b>	<b>21,919</b>	<b>22,577</b>	<b>24,204</b>
Capital expenditures	(2,236)	(2,681)	(3,500)	(3,500)
Interest / Dividend Income	3,993	3,717	-	-
Others	11,551	(28,346)	(287)	(1,060)
<b>Net Cash from Invt. activities</b>	<b>13,309</b>	<b>(27,309)</b>	<b>(3,787)</b>	<b>(4,560)</b>
Issue of share cap. / premium	(391)	(554)	(10,000)	(10,000)
Debt changes	34,230	(130)	-	-
Dividend paid	(1,395)	(874)	(871)	(1,946)
Interest paid	(5,888)	(7,010)	(7,614)	(6,664)
Others	(893)	(300)	-	-
<b>Net cash from Fin. activities</b>	<b>25,664</b>	<b>(8,868)</b>	<b>(18,484)</b>	<b>(18,609)</b>
<b>Net change in cash</b>	<b>1,844</b>	<b>(14,258)</b>	<b>306</b>	<b>1,034</b>
Free Cash Flow	(39,454)	19,104	19,077	20,704

Source: Company Data, PL Research

**Key Financial Metrics**

Y/e Mar	FY24	FY25	FY26E	FY27E
<b>Per Share(Rs)</b>				
EPS	0.7	1.5	5.6	10.8
CEPS	1.5	2.3	6.5	11.8
BVPS	71.4	72.1	77.5	87.7
FCF	(11.3)	5.5	5.5	5.9
DPS	0.3	0.3	0.6	1.1
<b>Return Ratio(%)</b>				
RoCE	1.1	2.9	8.5	14.7
ROIC	1.7	2.6	7.6	13.0
RoE	1.0	2.1	7.5	13.1
<b>Balance Sheet</b>				
Net Debt : Equity (x)	0.1	0.1	0.0	0.0
Net Working Capital (Days)	65	91	41	36
<b>Valuation(x)</b>				
PER	326.7	165.5	43.6	22.6
P/B	3.4	3.4	3.1	2.8
P/CEPS	166.8	108.1	37.3	20.6
EV/EBITDA	143.0	69.5	26.1	14.8
EV/Sales	3.7	3.0	2.2	1.8
Dividend Yield (%)	0.1	0.1	0.2	0.4

Source: Company Data, PL Research

**Quarterly Financials (Rs m)**

Y/e Mar	Q1FY25	Q2FY25	Q3FY25	Q4FY25
<b>Net Revenue</b>	<b>54,849</b>	<b>65,841</b>	<b>72,771</b>	<b>89,934</b>
YoY gr. (%)	9.6	28.5	32.2	8.9
Raw Material Expenses	38,776	44,301	45,842	59,533
Gross Profit	16,074	21,540	26,929	30,401
Margin (%)	29.3	32.7	37.0	33.8
<b>EBITDA</b>	<b>(1,694)</b>	<b>2,750</b>	<b>3,042</b>	<b>8,317</b>
YoY gr. (%)	(4.9)	(278.9)	40.5	14.3
Margin (%)	(3.1)	4.2	4.2	9.2
Depreciation / Depletion	590	601	679	850
<b>EBIT</b>	<b>(2,283)</b>	<b>2,149</b>	<b>2,364</b>	<b>7,467</b>
Margin (%)	(4.2)	3.3	3.2	8.3
Net Interest	1,617	2,014	1,838	2,014
Other Income	1,100	1,184	1,162	1,588
<b>Profit before Tax</b>	<b>(2,801)</b>	<b>1,319</b>	<b>1,688</b>	<b>7,040</b>
Margin (%)	(5.1)	2.0	2.3	7.8
Total Tax	(676)	353	441	2,000
Effective tax rate (%)	24.1	26.7	26.1	28.4
<b>Profit after Tax</b>	<b>(2,125)</b>	<b>967</b>	<b>1,248</b>	<b>5,040</b>
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
<b>Adjusted PAT</b>	<b>(2,125)</b>	<b>967</b>	<b>1,248</b>	<b>5,040</b>
YoY gr. (%)	-	(265.8)	169.4	4.1
Margin (%)	(3.9)	1.5	1.7	5.6
Extra Ord. Income / (Exp)	-	-	-	-
<b>Reported PAT</b>	<b>(2,125)</b>	<b>967</b>	<b>1,248</b>	<b>5,040</b>
YoY gr. (%)	-	(265.8)	169.4	4.1
Margin (%)	(3.9)	1.5	1.7	5.6
Other Comprehensive Income	-	-	-	-
<b>Total Comprehensive Income</b>	<b>(2,125)</b>	<b>967</b>	<b>1,248</b>	<b>5,040</b>
Avg. Shares O/s (m)	3,482	3,482	3,482	3,482
<b>EPS (Rs)</b>	<b>(0.6)</b>	<b>0.3</b>	<b>0.4</b>	<b>1.4</b>

Source: Company Data, PL Research

**Price Chart**



**Recommendation History**

No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	09-Apr-25	Accumulate	226	211
2	29-Jan-25	Accumulate	226	200
3	09-Jan-25	Accumulate	260	221
4	29-Oct-24	Accumulate	260	230
5	07-Oct-24	Reduce	264	268
6	01-Aug-24	Reduce	264	309
7	08-Jul-24	Reduce	264	316
8	22-May-24	Reduce	264	302

**Analyst Coverage Universe**

Sr. No.	CompanyName	Rating	TP (Rs)	Share Price (Rs)
1	ABB India	BUY	6,851	5,587
2	Apar Industries	Accumulate	7,825	6,928
3	BEML	Accumulate	3,561	2,875
4	Bharat Electronics	BUY	340	281
5	BHEL	Accumulate	226	211
6	Carborundum Universal	Hold	1,028	985
7	Cummins India	BUY	3,309	2,746
8	Elgi Equipments	BUY	517	418
9	Engineers India	BUY	242	164
10	GE Vernova T&D India	Accumulate	1,950	1,304
11	Grindwell Norton	Accumulate	1,716	1,612
12	Harsha Engineers International	Accumulate	398	374
13	Hindustan Aeronautics	Accumulate	5,500	5,128
14	Ingersoll-Rand (India)	BUY	4,540	3,376
15	Kalpataru Projects International	BUY	1,105	876
16	KEC International	Accumulate	801	665
17	Kirloskar Pneumatic Company	BUY	1,636	1,230
18	Larsen & Toubro	BUY	4,004	3,324
19	Praj Industries	BUY	545	461
20	Siemens	Accumulate	3,233	2,917
21	Thermax	Accumulate	3,629	3,297
22	Triveni Turbine	BUY	772	560
23	Voltamp Transformers	BUY	10,285	8,195

**PL's Recommendation Nomenclature (Absolute Performance)**

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

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