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India | Equity Research | Results Update

Bharat Heavy Electricals

Capital Goods

The poster child getting its due

BHEL is the poster child of the Indian thermal power industry. India has recognised the need for building new base load plants despite energy transition. The industry has seen a flurry of new coal orders in FY24 and FY25. Therefore, it saw order inflow (OI) of INR 780bn/INR 925bn in FY24/FY25 (vs. average OI of INR 214bn between FY19–23). As a result, BHEL's order book (OB) stands at INR 2trn. Besides, it is L1 orders for ~6GW of coal-based power plants; we estimate the total order size from these projects at over INR 500bn. We estimate an OI of INR 800bn in FY26E. Thus, we expect a sharp ramp-up in revenues to follow from FY25–27E. During the quarter, BHEL reported revenue/EBITDA/PAT growth of 19%/103%/97% YoY. We reiterate **BUY** with a revised TP of **INR 324** (INR 259 earlier).

Gross margin up 300bps

BHEL reported a good set of result in Q4FY25 and FY25. Revenue in Q4FY25 grew 9% YoY to INR 90bn. EBITDA grew to INR 8.3bn (+14% YoY) with margin of 9.2% (+40bps YoY) and PAT grew to INR 5bn (+4% YoY). This marked a fairly good close to FY25; full-year revenue/EBITDA/PAT grew by 19%/103%/97% YoY. Notably, gross margin/ EBITDA margin in FY25 improved to 33.5% (+310bps YoY)/4.4% (+180bps YoY).

Order inflow at 4x; Order book up ~50%

BHEL's OB as of Mar'25 stood at INR 1.96trn (+49% YoY) driven by strong OI in the power segment during the year – INR 813bn (+46% YoY). Notably, average OI over the last two years is ~4x the average OI for the preceding five years. In Q4FY25, OI was strong at INR 446bn – INR 419bn came in the power segment, as it received orders for ~5.5GW thermal plants in the quarter.

Strong order inflow outlook

BHEL was also L1 in ~6GW coal-based power plants as of Mar'25; we estimate the order value for these projects >INR 500bn. There is a revived interest in coal-based power plants. India is targeting 80GW new coal-based capacity by 2032; against this target -9.4GW is commissioned, as of Mar'25, 32GW is under-construction, 15GW is awarded but yet to start construction. Besides, ~35GW additional coal-based capacity has been identified and is under planning. Given this, the order outlook remains strong for BHEL for the next 2–3 years.

Maintain BUY

We maintain **BUY** on the stock with a revised target price of **INR 324** (INR 259 earlier), valuing the stock at 35x FY27E EPS.

Financial Summary

Y/E Mar-31 (INR mn)	FY24A	FY25A	FY26E	FY27E
Net Revenue	2,38,928	2,83,395	3,45,963	3,70,133
EBITDA	6,126	12,416	34,499	43,620
EBITDA Margin (%)	2.6	4.4	10.0	11.8
Net Profit	2,599	5,130	28,667	32,196
EPS (INR)	0.7	1.5	8.2	9.2
EPS % Chg YoY	(53.7)	97.4	458.8	12.3
P/E (x)	335.4	169.9	30.4	27.1
EV/EBITDA (x)	145.6	70.8	25.7	19.9
RoCE (%)	3.4	3.1	10.1	10.4
RoE (%)	1.0	2.1	10.8	11.0

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Market Data

Market Cap (INR)	872bn
Market Cap (USD)	10,189mn
Bloomberg Code	BHEL IN
Reuters Code	BHEL.BO
52-week Range (INR)	335 /176
Free Float (%)	37.0
ADTV-3M (mn) (USD)	35.8

Price Performance (%)	3m	6m	12m
Absolute	29.5	11.9	(15.1)
Relative to Sensex	21.1	5.8	(26.8)

ESG Score	2023	2024	Change
ESG score	67.4	64.8	(2.6)
Environment	51.1	54.4	3.3
Social	73.8	73.9	0.1
Governance	76.8	68.7	(8.1)

Note - Score ranges from 0 - 100 with a higher score indicating higher ESG disclosures.

Source: SES ESG, I-sec research

Previous Reports

29-01-2025: [Q3FY25 results review](#)

29-10-2024: [Q2FY25 results review](#)

Outlook and valuation

We estimate 50GW of coal-based capacity to be more than 40 years old by FY32. India's peak demand is likely to be 375GW by FY32, at 6% CAGR or 330GW at 5% CAGR (as per National Electric Plan, 2022). Anticipating additional peak demand, the government too is looking to add 75GW of storage and 50GW of thermal. Storage is still at a nascent stage with ~20% operational capacity >40 years by 2032. In our opinion, India may, therefore, need to build a stronger arsenal of thermal power plants to ensure smooth energy transition.

Our conviction of the need to add more coal-based thermal capacity was validated when India's Minister of Power mentioned the need to have 80GW of thermal capacity under construction in order to meet India's power needs in the future. Thus, we believe India may need to add 5GW of coal-based thermal capacity every year for the next 10 years. Some of the major orders BHEL received this year were for thermal power plants – Raipur Phase-II, Mirzapur Phase-I, Khavda Nagpur HVDC, Adilabad, Ukai, Koradi, Koderma, Sipat, Kawai and Mahan. Its OB is robust at INR 1.96trn with OI of ~INR 1.7trn over the last two years.

We maintain **BUY** on the stock with a revised target price of **INR 324** (previous TP of INR 259), valuing the stock at 35x FY27E EPS of INR 9.2/share.

Risks: 1) Delay in OI in FY26; and 2) no major improvement in execution of slow-moving orders.

Exhibit 1: PE-based target price of INR 324/share

	FY27E PAT (INR mn)	FY27E EPS	Multiple (x)	Equity Value per share (INR)
Valuation	32,196	9.2	35	324

Source: I-Sec research

Exhibit 2: Quarterly financial highlights (INR mn)

(INR mn)	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25	QoQ(%)	YoY(%)
Net Sales	82,603	54,849	65,841	72,771	89,934	24%	9%
EBITDA	7,278	-1,694	2,750	3,042	8,316	173%	14%
Margin	8.8%	-3.1%	4.2%	4.2%	9.2%	507 bps	4 bps
Depreciation	684	590	601	679	850	25%	24%
Finance Cost	1,933	1,617	2,014	1,838	2,014	10%	4%
Other Income	1,649	1,100	1,184	1,162	1,588	37%	-4%
PBT	6,310	-2,801	1,319	1,688	7,040	317%	12%
Tax	1,467	29	95	16	92	487%	-94%
tax rate	23.2%	-1.0%	7.2%	0.9%	1.3%	38 bps	(219 bps)
Reported PAT	4,843	-2,125	966	1,247	5,040	304%	4%
Adjusted PAT	4,843	-2,125	966	1,247	5,040	304%	4%
Margin(%)	5.9%	-3.9%	1.5%	1.7%	5.6%	389 bps	(3 bps)
EPS	1.4	-0.6	0.3	0.4	1.4	304%	4%
Order intake (INR bn)	419	95	316	69	446	550%	7%
Order book (INR bn)	1,316	1,356	1,606	1,602	1,963	23%	49%

Source: I-Sec research, Company data

Exhibit 3: Segmental highlights (INR mn)

(INR mn)	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25	QoQ(%)	YoY(%)
Revenue							
Power	61,683	41,281	50,283	55,885	61,924	11%	0%
Industrial	20,920	13,568	15,558	16,886	28,010	66%	34%
EBIT							
Power	11,459	-540	3,373	6,246	3,081	-51%	-73%
Industrial	1,692	633	2,164	1,054	8,773	733%	419%
EBIT Margin							
Power	19%	-1%	7%	11%	5%	(620 bps)	(136 bps)
Industrial	8.09%	4.67%	13.91%	6.24%	31.32%	2,508 bps	232 bps

Source: I-Sec research, Company data

Other key highlights

Power segment

- Received orders for 14.6GW thermal power capacity (highest in last 10 years)
- Key orders received in FY25:
 - EPC package for
 - 2x800 MW Koderma (Phase-II) TPS, Jharkhand
 - 1x800 MW Sipat (Stage-III) Bilaspur, Chhattisgarh
 - 1x800 MW Adilabad STPP
 - 1x800 MW Ukai STPP (Unit-7)
 - 2x660 MW Hasdeo Thermal Power Station (HTPS), Korba West
 - Supply of boiler, turbine and generator package, including supervision of E&C, for
 - 2x800 MW Phase-II and 2x800 MW Phase III Kawai, Rajasthan,
 - 2x800 MW Phase-III Mahan, Madhya Pradesh
 - 2x800 MW Raipur Phase-II power project, Chhattisgarh
 - 2x800 MW Mirzapur Phase-I power project, Uttar Pradesh
 - Boiler, Turbine and Generator package for 2x660 MW Koradi STPP
 - Steam generator, boiler island package for 2x660 MW Raghunathpur TPS
- Project execution work done in FY25 stood at ~8.1GW

Industry segment

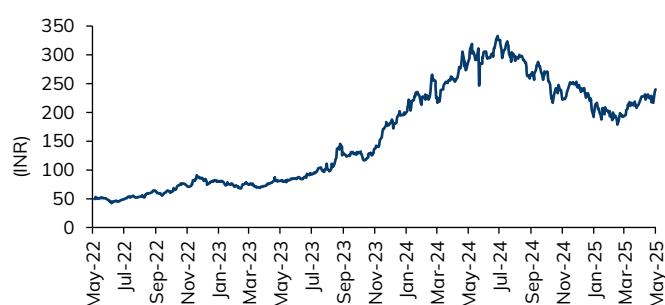
- Key orders received in FY25
 - + 800kV, 6,000MW HVDC Link between Khavda (Gujarat) and Nagpur (Maharashtra)
 - 8 nos. STG package
 - 33,642 MVA transmission products and 10 substation packages

Exhibit 4: Shareholding pattern

%	Sep'24	Dec'24	Mar'25
Promoters	63.2	63.2	63.2
Institutional investors	24.1	23.2	22.5
MFs and others	5.8	6.4	6.1
FIs/Banks	0.1	0.6	0.6
Insurance	8.3	8.3	8.7
FIIIs	9.9	8.0	7.2
Others	12.7	13.6	14.3

Source: Bloomberg

Exhibit 5: Price chart



Source: Bloomberg

Financial Summary

Exhibit 6: Profit & Loss

(INR mn, year ending Mar-31)

	FY24A	FY25A	FY26E	FY27E
Net Sales	2,38,928	2,83,395	3,45,963	3,70,133
Operating Expenses	64,731	82,528	83,120	86,048
Raw material expenses	1,68,071	1,88,452	2,28,343	2,40,465
EBITDA	6,126	12,416	34,499	43,620
EBITDA Margin (%)	2.6	4.4	10.0	11.8
Depreciation & Amortization	2,489	2,720	2,720	2,720
EBIT	3,637	9,696	31,780	40,901
Interest expenditure	7,313	7,483	8,730	9,905
Other Non-operating Income	5,879	5,034	13,702	11,932
Recurring PBT	2,203	7,247	36,752	42,927
Profit / (Loss) from Associates	-	-	-	-
Less: Taxes	(396)	2,117	8,085	10,732
PAT	2,599	5,130	28,667	32,196
Less: Minority Interest	-	-	-	-
Extraordinaries (Net)	-	-	-	-
Net Income (Reported)	2,599	5,130	28,667	32,196
Net Income (Adjusted)	2,599	5,130	28,667	32,196

Source Company data, I-Sec research

Exhibit 7: Balance sheet

(INR mn, year ending Mar-31)

	FY24A	FY25A	FY26E	FY27E
Total Current Assets	3,80,363	4,66,066	5,02,478	5,48,309
of which cash & cash eqv.	61,575	76,124	66,289	83,292
Total Current Liabilities & Provisions	2,57,317	3,44,089	3,60,001	3,78,555
Net Current Assets	1,23,045	1,21,977	1,42,477	1,69,755
Investments	6,676	6,717	6,694	6,694
Net Fixed Assets	25,107	28,625	32,789	34,573
ROU Assets	-	-	-	-
Capital Work-in-Progress	3,084	1,959	1,500	1,500
Total Intangible Assets	-	-	-	-
Other assets	1,36,897	1,40,750	1,40,750	1,40,750
Deferred Tax assets	-	-	-	-
Total Assets	2,94,809	3,00,027	3,24,209	3,53,271
Liabilities				
Borrowings	88,316	89,574	87,527	87,527
Deferred Tax Liability	(42,013)	(40,677)	(40,677)	(40,677)
provisions	-	-	-	-
other Liabilities	-	-	-	-
Equity Share Capital	6,964	6,964	6,964	6,964
Reserves & Surplus	2,41,542	2,44,166	2,70,395	2,99,457
Total Net Worth	2,48,506	2,51,130	2,77,359	3,06,421
Minority Interest	-	-	-	-
Total Liabilities	2,94,809	3,00,027	3,24,209	3,53,271

Source Company data, I-Sec research

Exhibit 8: Cashflow statement

(INR mn, year ending Mar-31)

	FY24A	FY25A	FY26E	FY27E
Operating Cashflow	16,736	(9,247)	46,247	24,422
Working Capital Changes	4,772	(16,865)	22,947	239
Capital Commitments	(1,500)	(5,113)	(6,425)	(4,504)
Free Cashflow	18,236	(4,134)	52,672	28,926
Other investing cashflow	-	-	-	-
Cashflow from Investing Activities	(1,500)	(5,113)	(6,425)	(4,504)
Issue of Share Capital	-	-	-	-
Interest Cost	(987)	(7,483)	(8,730)	(9,905)
Inc (Dec) in Borrowings	(2,000)	1,258	(2,047)	-
Dividend paid	(4,459)	(871)	(1,741)	(2,438)
Others	(12,641)	36,004	(37,140)	9,428
Cash flow from Financing Activities	(20,087)	28,909	(49,657)	(2,915)
Chg. in Cash & Bank balance	(4,851)	14,549	(9,835)	17,003
Closing cash & balance	61,575	76,124	66,289	83,292

Source Company data, I-Sec research

Exhibit 9: Key ratios

(Year ending Mar-31)

	FY24A	FY25A	FY26E	FY27E
Per Share Data (INR)				
Reported EPS	0.7	1.5	8.2	9.2
Adjusted EPS (Diluted)	0.7	1.5	8.2	9.2
Cash EPS	1.5	2.3	9.0	10.0
Dividend per share (DPS)	0.3	0.5	0.7	0.9
Book Value per share (BV)	71.4	72.1	79.7	88.0
Dividend Payout (%)	33.5	33.9	8.5	9.7
Growth (%)				
Net Sales	2.3	18.6	22.1	7.0
EBITDA	(14.5)	102.7	177.9	26.4
EPS (INR)	(53.7)	97.4	458.8	12.3
Valuation Ratios (x)				
P/E	335.4	169.9	30.4	27.1
P/CEPS	171.3	111.1	27.8	25.0
P/BV	3.5	3.5	3.1	2.8
EV / EBITDA	145.6	70.8	25.7	19.9
P / Sales	3.6	3.1	2.5	2.4
Dividend Yield (%)	0.0	0.0	0.0	0.0
Operating Ratios				
Gross Profit Margins (%)	29.7	33.5	34.0	35.0
EBITDA Margins (%)	2.6	4.4	10.0	11.8
Effective Tax Rate (%)	(18.0)	29.2	22.0	25.0
Net Profit Margins (%)	1.1	1.8	8.3	8.7
NWC / Total Assets (%)	0.1	0.1	-	-
Net Debt / Equity (x)	0.1	0.0	0.1	0.0
Net Debt / EBITDA (x)	3.3	0.5	0.4	(0.1)
Profitability Ratios				
RoCE (%)	3.4	3.1	10.1	10.4
RoE (%)	1.0	2.1	10.8	11.0
RoIC (%)	3.4	3.1	10.1	10.4
Fixed Asset Turnover (x)	9.7	10.5	11.3	11.0
Inventory Turnover Days	112	138	114	105
Receivables Days	124	125	135	126
Payables Days	51	51	63	58

Source Company data, I-Sec research

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