

Bharat Heavy Electricals | BUY

4QFY25: Slower-than-expected pick-up; green shoots visible

The current thermal power capex cycle began in Sept'23, when India recorded its then highest peak demand of 243 GW, leading to a sharp and unexpected surge in ordering momentum across utilities. Consequently, 60% and 25% of the current orders of BHEL, INR 1.96 tn were booked during FY24/FY25. Considering the time-consuming revival of the dilapidated execution ecosystem and bunching of orders, BHEL reported consol net revenue of INR 89.9bn (+9%YoY, -16% JMFe) and an EBITDA of INR 8.3bn (+14%YoY, -20% JMFe) during 4QFY25. The YoY EBITDA margin improved to 9.2% vs. 8.8% in 4QFY24. Adj. PAT stood at INR 5bn (+3%YoY, -32% JMFe). Nevertheless, we expect pick up in execution from FY26 (FY25-28, 20% revenue CAGR) supported by growing and now executable order book (govt. revises its target for thermal capacity expansion from 80 GW to 100 GW by FY32). As execution of legacy projects are nearing completion (NTPC Patratu / Talcher 80%/30% completed) and industry orders-mix improves, EBITDA margin is likely to improve gradually from 4.4% in FY25 to at least 11% in FY28. We continue to maintain the BUY on the stock with a TP of INR 281 (30x FY27EPS).

- **Financial performance:** BHEL reported revenue of INR 89.9bn (9% YoY) largely supported by execution of its industry orders. Gross margin improved from 33% in 4QFY24 to 34% in 4QFY25. EBITDA margin stood at 9.2% vs. 8.8% in 4QFY24 driven by operating leverage. Adj. PAT came at INR 5bn (+3% YoY) as increase in EBITDA was offset by higher deprn. (24% YoY) and tax expense (36% YoY). With this annualised EBITDA margin has improved from 2.6% in FY24 to 4.4% in FY25, which we expect to gradually improve to around 10% by FY27.
- **Segment performance:** Power/ Industry segment reported revenue of INR 61.9bn/ INR 28bn (0%/ +34% YoY) in 4QFY25. EBIT for 4QFY25 for Power/ Industry segment is INR 3.1bn/ INR 8.8bn (4QFY24 INR 11.5bn/ INR 1.7bn) and the EBIT margin for Power/ Industry segment came at 5%/ 31.3%.
- **Working capital:** Currently, more than 13 GW of the thermal projects are in advance stage of commissioning in India, highest in the last decade. During FY25, total 8.1 GW of the projects were synchronised/ commissioned by BHEL, indicating softening of contract assets 3QFY26 onwards. During FY25, customer advances amounted to INR 79.3bn. Trade receivables/ Contract Assets increased to INR 89bn / INR 294bn vs. INR 80bn/ INR 267bn in FY24. Inventories have grown to INR 99bn vs. INR 72bn in FY24.
- **Orders inflows:** Order inflow in 4QFY25 was INR 446 bn vs. 419 bn in 4QFY24. With this, it bagged orders worth INR 925bn (INR 813bn power (14.6GW), INR 110bn industry, INR 2bn exports) in FY25. The total order book stands at INR 1,963 bn as of 31 Mar'25 (INR 1,579bn Power, INR 348bn Industry, INR 36bn exports).
- **Opportunities:** The government has revised its target for thermal capacity expansion from 80 GW to 100 GW by FY32 (media reports). Presently, 32 GW of projects are in the construction phase, while an additional 18 GW of projects have recently been awarded and are yet to commence construction. Consequently, the ordering for remaining c. 50 GW is anticipated over the next 2-3 years. Given the limited competition, we expect a sustained momentum in order inflow for BHEL in the medium term.

Financial Summary					(INR mn)
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Net Sales	2,29,205	2,83,395	3,45,000	4,16,500	4,89,000
Sales Growth (%)	3.5	23.6	21.7	20.7	17.4
EBITDA	6,126	12,416	24,054	41,429	55,140
EBITDA Margin (%)	2.6	4.4	7.0	9.9	11.3
Adjusted Net Profit	2,822	5,339	16,814	32,611	44,603
Diluted EPS (INR)	0.8	1.5	4.8	9.4	12.8
Diluted EPS Growth (%)	-56.9	89.2	214.9	94.0	36.8
ROIC (%)	1.7	2.6	6.2	10.0	11.7
ROE (%)	1.2	2.2	6.6	12.1	14.7
P/E (x)	308.5	163.0	51.8	26.7	19.5
P/B (x)	3.6	3.5	3.4	3.1	2.7
EV/EBITDA (x)	146.4	71.1	37.2	22.2	16.7
Dividend Yield (%)	0.2	0.2	0.6	1.1	0.0

Source: Company data, JM Financial. Note: Valuations as of 16/May/2025



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Recommendation and Price Target

Current Reco.	BUY
Previous Reco.	BUY
Current Price Target (12M)	281
Upside/(Downside)	12.2%
Previous Price Target	358
Change	-21.5%

Key Data – BHEL IN

Current Market Price	INR250
Market cap (bn)	INR871.7/US\$10.2
Free Float	30%
Shares in issue (mn)	3,482.1
Diluted share (mn)	3,482.1
3-mon avg daily val (mn)	INR3,242.1/US\$37.9
52-week range	335/176
Sensex/Nifty	82,331/25,020
INR/US\$	85.5

Price Performance

%	1M	6M	12M
Absolute	10.1	12.4	-19.3
Relative*	5.0	5.9	-27.5

* To the BSE Sensex

JM Financial Research is also available on:
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Please see Appendix I at the end of this report for Important Disclosures and Disclaimers and Research Analyst Certification.

Exhibit 1. 4QFY25 results summary

Particulars	4QFY25	4QFY24	YoY %	3QFY25	QoQ %	JMFe	% Var
Net sales	89,934	82,603	9%	72,771	24%	106,685	-16%
Expenditure	81,618	75,325	8%	69,729	17%	96,225	-15%
Raw material expense	59,533	55,206		45,842		71,479	
% of Revenue	66%	67%		63%		67%	
Employee expense	15,394	14,847		14,820		15,144	
% of Revenue	17%	18%		20%		14%	
Other expenditure	6,691	5,271		9,066		9,602	
% of Revenue	7%	6%		12%		9%	
EBITDA	8,317	7,279	14%	3,042	173%	10,461	-20%
EBITDA margins	9.2%	8.8%		4.2%		9.8%	
Other income	1,592	1,702		1,262		1,850	
Depreciation	850	684		679		700	
Interest	2,014	1,933		1,838		1,823	
PBT	7,044	6,363	11%	1,788	294%	9,787	-28%
Tax	2,000	1,467		441		2,408	
PAT	5,044	4,896		1,347		7,379	
Adjusted PAT	5,044	4,896	3%	1,347	274%	7,379	-32%
EPS	1.4	1.4		0.4		2.1	

Source: Company, JM Financial

Exhibit 2. Thermal orders awarded to BHEL

Quarter	Utility	Description	Scope	MW	INR bn*	INR Mn/ MW
2QFY22	NPCIL	6x700 MWe EPC, Nuclear steam turbines	EPC	-	108	
2QFY23	NTPC	2x660 MW EPC Talcher TPP	EPC	1320	85	64.39
2QFY24	NTPC	2x800 MW NTPC Lara TPS	EPC	1600	110	68.75
2QFY24	Adani Power	2x800 MW Adani Mahan	BTG, limited scope	1600	40	25.00
4QFY24	NLC	3x800 MW NLC Talabira	EPC	2400	150	62.50
4QFY24	HPGCL	1x800MW HPGCL Yamuna Nagar	EPC	800	55	68.75
4QFY24	NTPC	2x800MW NTPC Singrauli	EPC	1600	95	59.38
1QFY25	Adani Power	2x800MW Adani Power Raipur	BTG, limited scope	1600	35	21.88
1QFY25	Adani Power	2x800MW Adani Mirzapur	BTG, limited scope	1600	35	21.88
1QFY25	DVC	2x800MW DVC Koderma	EPC	1600	100	62.50
1QFY25	Adani Power	2x800 MW Adani Kawai-II	BTG, limited scope	1600	40	25.00
1QFY25	Adani Power	2x800 MW Adani Kawai-III	BTG, limited scope	1600	40	25.00
1QFY25	Adani Power	2x800 MW Adani Mahan-III	BTG, limited scope	1600	40	25.00
2QFY25	NTPC	1x800MW NTPC Sipat	EPC	800	61	76.25
2QFY25	NTPC	1x800MW NTPC Darlipalli	EPC	800	61	76.25
3QFY25	NTPC	3x800MW NTPC Telangana Ph-II	MP Pckg	2400	160	66.80
4QFY25	SCCL	1x800MW Singareni II	EPC	800	67	83.75
4QFY25	DVC	2x660MW Raghunathpur II	SG	1320	62	46.97
4QFY25	MAHAGENCO	2x660MW Koradi	BTG, limited scope	1320	80	60.61
4QFY25	CSPGCL	2x660MW Korba West STPP	EPC	1320	118	89.39
4QFY25	GSECL	1x800MW Ukai Unit-VII	EPC	800	75	93.75

Source: Industry, JM Financial; * approx

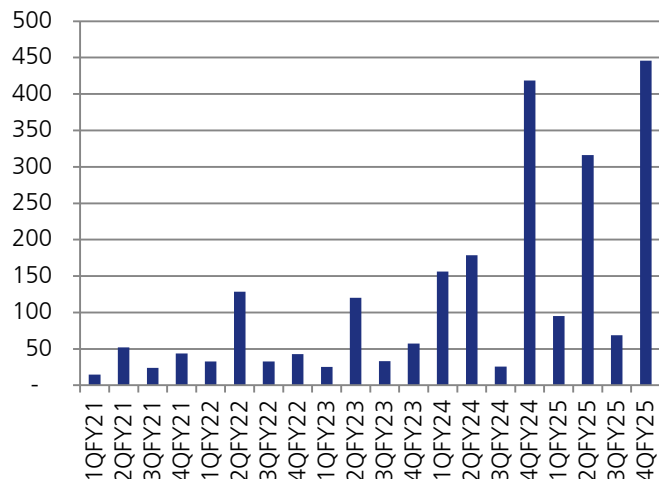
Exhibit 3. Major orders received in FY25

Segments	Particulars
Power Segment	<ul style="list-style-type: none"> EPC packages for 1x800 MW Adilabad STPP, 1x800 MW Ukai STPP (Unit-7), and 2x660 MW Hasdeo Thermal Power Station (HTPS), Korba West. Boiler, Turbine & Generator (BTG) package for 2x660 MW Koradi STPP, and Steam Generator Boiler island package for 2x660 MW Raghunathpur TPS.
Industry Segment	<ul style="list-style-type: none"> Supply and E&C of 1x250 MW STG package, and other STGs from industry 765kV AIS substation package for Barmer-I substation and extension of 765kV Sirohi& 400kV Fatehgarh-III substations. Supply of 33 sets of traction electrics for Diesel Electric Tower Car (DETC). Integrated Platform Management System for naval application Supply of Well Heads & X-Mas Trees from Oil exploration company

Source: Company, JM Financial

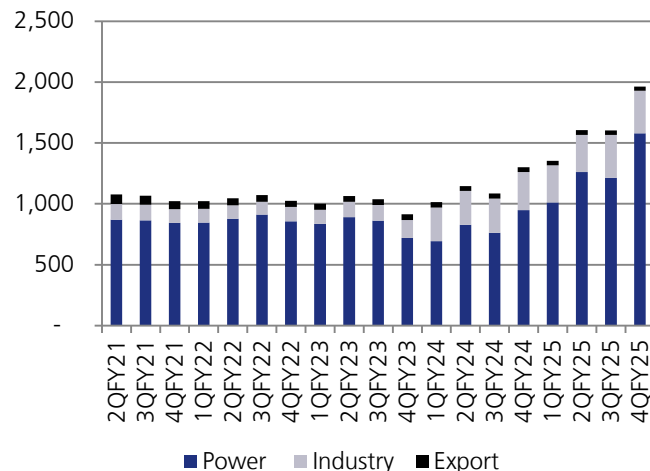
Key Charts

Exhibit 4. Order inflows (INR bn)



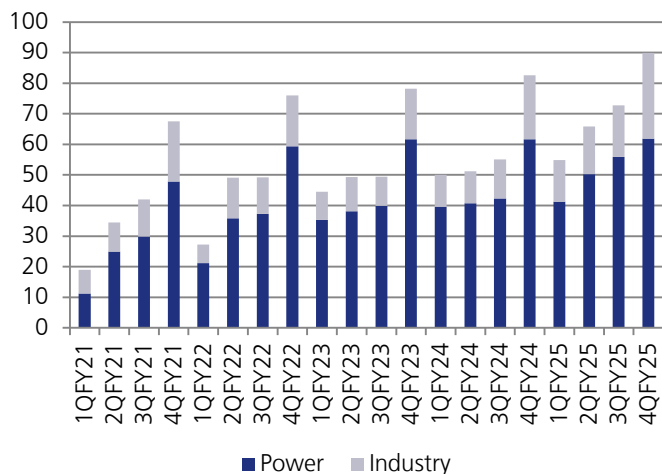
Source: Company, JM Financial

Exhibit 5. Order book (INR bn)



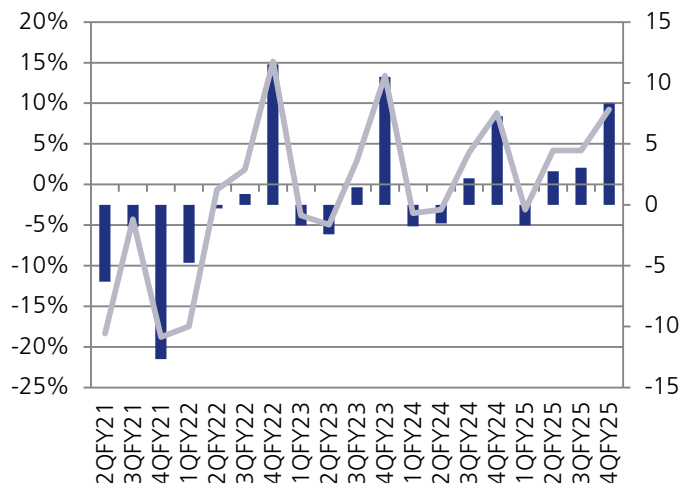
Source: Company, JM Financial

Exhibit 6. Revenue (INR bn)



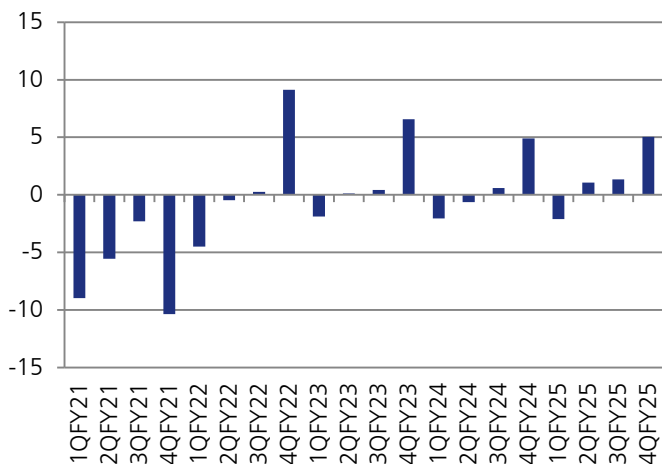
Source: Company, JM Financial

Exhibit 7. EBITDA (INR bn) & EBITDA margin



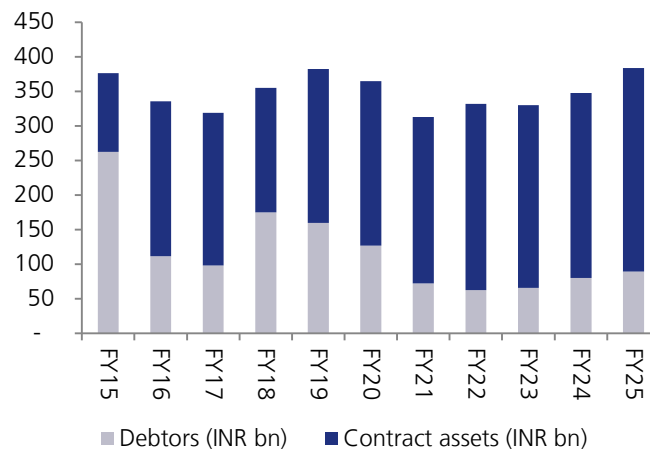
Source: Company, JM Financial

Exhibit 8. Adj PAT (INR bn)



Source: Company, JM Financial

Exhibit 9. Sundry debtors trend (INR bn)



Source: Company, JM Financial

Valuation

Exhibit 10. SOTP Valuation

Particulars	Value
FY27 EPS	9.4
P/E multiple	30
TP (INR)	281

Source: Company, JM Financial

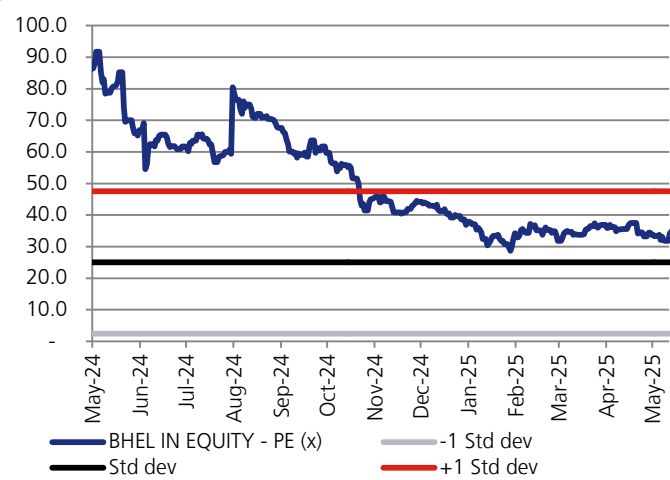
Exhibit 11. Change in estimate

Yea end Mar31 (INR mn)	FY26E	FY27E	FY28E
Revenues			
Old	415,897	488,320	
New	345,000	416,500	489,000
Chg	-17.05%	-14.71%	
EBITDA			
Old	31,547	49,213	
New	24,054	41,429	55,140
Chg	-23.75%	-15.82%	
EBITDA Margins			
Old	7.59%	10.08%	
New	6.97%	9.95%	11.28%
bps	-61bps	-13bps	
PAT			
Old	25,452	41,462	
New	16,814	32,611	44,603
Chg	-33.94%	-21.35%	
FD EPS			
Old	7.3	11.9	
New	4.8	9.4	12.8
Chg	-33.94%	-21.35%	

Source: JM Financial

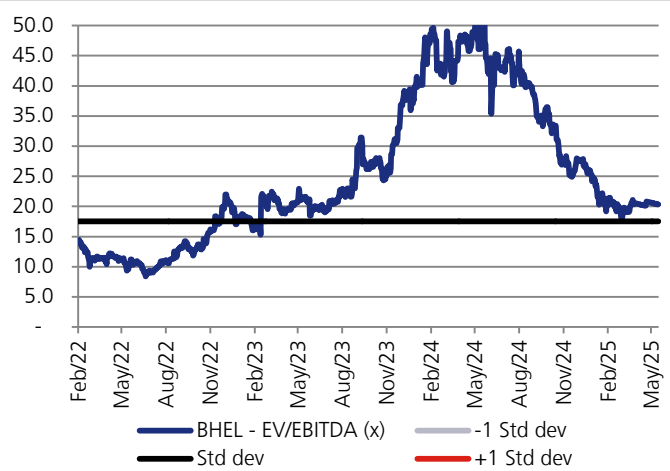
Valuation Bands

Exhibit 12. BHEL P/E



Source: Company, JM Financial

Exhibit 13. EV/EBITDA



Source: Company, JM Financial

Financial Tables (Consolidated)

Income Statement (INR mn)					
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Net Sales	2,29,205	2,83,395	3,45,000	4,16,500	4,89,000
Sales Growth	3.5%	23.6%	21.7%	20.7%	17.4%
Other Operating Income	9,723	0	0	0	0
Total Revenue	2,38,928	2,83,395	3,45,000	4,16,500	4,89,000
Cost of Goods Sold/Op. Exp	1,68,071	1,88,452	2,31,150	2,74,890	3,17,850
Personnel Cost	56,288	59,234	62,196	66,861	76,890
Other Expenses	0	0	0	0	0
EBITDA	6,126	12,416	24,054	41,429	55,140
EBITDA Margin	2.6%	4.4%	7.0%	9.9%	11.3%
EBITDA Growth	-35.7%	102.7%	93.7%	72.2%	33.1%
Depn. & Amort.	2,489	2,720	2,968	3,118	3,327
EBIT	3,637	9,696	21,086	38,312	51,814
Other Income	6,103	5,243	6,030	6,934	7,974
Finance Cost	7,313	7,483	6,098	4,482	4,034
PBT before Excep. & Forex	2,427	7,456	21,018	40,764	55,754
Excep. & Forex Inc./Loss(-)	0	0	0	0	0
PBT	2,427	7,456	21,018	40,764	55,754
Taxes	-396	2,117	4,204	8,153	11,151
Extraordinary Inc./Loss(-)	0	0	0	0	0
Assoc. Profit/Min. Int.(-)	0	0	0	0	0
Reported Net Profit	2,822	5,339	16,814	32,611	44,603
Adjusted Net Profit	2,822	5,339	16,814	32,611	44,603
Net Margin	1.2%	1.9%	4.9%	7.8%	9.1%
Diluted Share Cap. (mn)	3,482.1	3,482.1	3,482.1	3,482.1	3,482.1
Diluted EPS (INR)	0.8	1.5	4.8	9.4	12.8
Diluted EPS Growth	-56.9%	89.2%	214.9%	94.0%	36.8%
Total Dividend + Tax	1,395	1,602	5,044	9,783	0
Dividend Per Share (INR)	0.4	0.5	1.4	2.8	0.0

Source: Company, JM Financial

Cash Flow Statement (INR mn)					
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Profit before Tax	2,427	7,456	21,018	40,764	55,754
Depn. & Amort.	2,489	2,720	2,968	3,118	3,327
Net Interest Exp. / Inc. (-)	7,313	7,483	6,098	4,482	4,034
Inc (-) / Dec in WCap.	-34,446	17,295	-24,128	-43,150	-43,753
Others	-17,133	-13,848	-6,030	-6,934	-7,974
Taxes Paid	2,222	813	-4,204	-8,153	-11,151
Operating Cash Flow	-37,129	21,919	-4,277	-9,873	236
Capex	-2,236	-2,681	-2,633	-5,232	-5,755
Free Cash Flow	-39,365	19,238	-6,910	-15,105	-5,519
Inc (-) / Dec in Investments	11,135	-28,727	-1,000	-1,000	-1,000
Others	4,410	4,098	6,030	6,934	7,974
Investing Cash Flow	13,309	-27,309	2,397	703	1,220
Inc / Dec (-) in Capital	0	0	0	0	0
Dividend + Tax thereon	-1,395	-874	-5,044	-9,783	0
Inc / Dec (-) in Loans	33,840	-684	-32,460	-5,549	-4,994
Others	-14,031	21,497	-6,098	-4,482	-4,034
Financing Cash Flow	18,414	19,939	-43,602	-19,814	-9,028
Inc / Dec (-) in Cash	-5,406	14,549	-45,482	-28,985	-7,572
Opening Cash Balance	66,981	61,575	76,124	30,642	1,657
Closing Cash Balance	61,575	76,124	30,642	1,657	-5,916

Source: Company, JM Financial

Balance Sheet (INR mn)					
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Shareholders' Fund	2,44,387	2,47,222	2,58,991	2,81,819	3,26,422
Share Capital	6,964	6,964	6,964	6,964	6,964
Reserves & Surplus	2,37,422	2,40,258	2,52,027	2,74,855	3,19,458
Preference Share Capital	0	0	0	0	0
Minority Interest	0	0	0	0	0
Total Loans	88,080	87,950	55,490	49,941	44,947
Def. Tax Liab. / Assets (-)	-42,013	-40,677	-40,677	-40,677	-40,677
Total - Equity & Liab.	2,90,454	2,94,494	2,73,805	2,91,083	3,30,692
Net Fixed Assets	28,564	31,084	30,749	32,863	35,291
Gross Fixed Assets	70,352	76,798	79,431	84,663	90,417
Intangible Assets	260	337	337	337	337
Less: Depn. & Amort.	44,611	47,331	50,299	53,417	56,744
Capital WIP	2,823	1,617	1,617	1,617	1,617
Investments	0	0	0	0	0
Current Assets	5,19,183	6,08,733	6,31,390	6,96,475	7,84,274
Inventories	72,206	98,695	1,04,261	1,25,869	1,47,779
Sundry Debtors	80,101	89,309	1,08,724	1,31,256	1,54,104
Cash & Bank Balances	61,575	76,124	30,642	1,657	-5,916
Loans & Advances	0	0	0	0	0
Other Current Assets	3,05,302	3,44,605	3,87,763	4,37,692	4,88,306
Current Liab. & Prov.	2,57,553	3,45,660	3,88,672	4,38,592	4,89,210
Current Liabilities	1,53,663	2,20,908	2,46,367	2,75,916	3,05,877
Provisions & Others	1,03,889	1,24,752	1,42,305	1,62,676	1,83,332
Net Current Assets	2,61,630	2,63,073	2,42,718	2,57,883	2,95,064
Total - Assets	2,90,454	2,94,494	2,73,804	2,91,083	3,30,692

Source: Company, JM Financial

Dupont Analysis					
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Net Margin	1.2%	1.9%	4.9%	7.8%	9.1%
Asset Turnover (x)	0.4	0.5	0.5	0.6	0.6
Leverage Factor (x)	2.2	2.4	2.6	2.6	2.5
RoE	1.2%	2.2%	6.6%	12.1%	14.7%

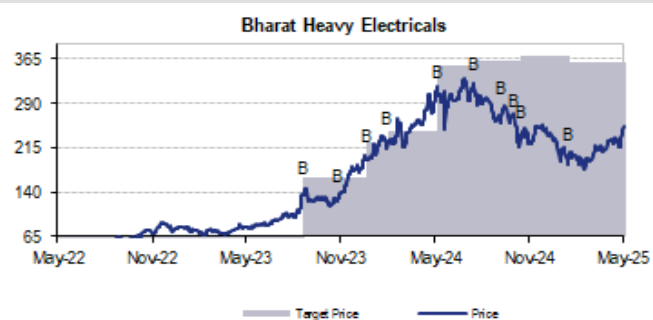
Key Ratios					
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
BV/Share (INR)	70.2	71.0	74.4	80.9	93.7
ROIC	1.7%	2.6%	6.2%	10.0%	11.7%
ROE	1.2%	2.2%	6.6%	12.1%	14.7%
Net Debt/Equity (x)	0.1	0.0	0.1	0.2	0.2
P/E (x)	308.5	163.0	51.8	26.7	19.5
P/B (x)	3.6	3.5	3.4	3.1	2.7
EV/EBITDA (x)	146.4	71.1	37.2	22.2	16.7
EV/Sales (x)	3.8	3.1	2.6	2.2	1.9
Debtor days	122	115	115	115	115
Inventory days	110	127	110	110	110
Creditor days	170	158	162	168	170

Source: Company, JM Financial

History of Recommendation and Target Price

Date	Recommendation	Target Price	% Chg.
4-Sep-23	Buy	165	
9-Nov-23	Buy	165	0.0
4-Jan-24	Buy	225	36.5
14-Feb-24	Buy	243	8.1
22-May-24	Buy	353	45.1
31-Jul-24	Buy	361	2.4
23-Sep-24	Buy	361	0.0
17-Oct-24	Buy	361	0.0
29-Oct-24	Buy	371	2.7
30-Jan-25	Buy	358	-3.4

Recommendation History



APPENDIX I

JM Financial Institutional Securities Limited

Corporate Identity Number: U67100MH2017PLC296081

Member of BSE Ltd. and National Stock Exchange of India Ltd.

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Rating	Meaning
Buy	Total expected returns of more than 10% for stocks with market capitalisation in excess of INR 200 billion and REITs* and more than 15% for all other stocks, over the next twelve months. Total expected return includes dividend yields.
Hold	Price expected to move in the range of 10% downside to 10% upside from the current market price for stocks with market capitalisation in excess of INR 200 billion and REITs* and in the range of 10% downside to 15% upside from the current market price for all other stocks, over the next twelve months.
Sell	Price expected to move downwards by more than 10% from the current market price over the next twelve months.

* REITs refers to Real Estate Investment Trusts.

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