

October 30, 2025

Q2FY26 Result Update

■ Change in Estimates | ☒ Target | ■ Reco

Change in Estimates

	Current		Previous	
	FY27E	FY28E	FY27E	FY28E
Rating	HOLD		HOLD	
Target Price	250		215	
Sales (Rs. m)	4,31,171	5,17,182	4,31,171	5,17,182
% Chng.	-	-	-	-
EBITDA (Rs. m)	51,364	66,303	51,364	66,303
% Chng.	-	-	-	-
EPS (Rs.)	9.8	12.9	9.8	12.9
% Chng.	-	-	-	-

Key Financials - Standalone

Y/e Mar	FY25	FY26E	FY27E	FY28E
Sales (Rs. bn)	283	347	431	517
EBITDA (Rs. bn)	12	24	51	66
Margin (%)	4.4	7.0	11.9	12.8
PAT (Rs. bn)	5	13	34	45
EPS (Rs.)	1.5	3.9	9.8	12.9
Gr. (%)	97.4	162.5	152.1	32.8
DPS (Rs.)	0.3	0.4	1.0	1.3
Yield (%)	0.1	0.2	0.4	0.5
RoE (%)	2.1	5.2	12.1	14.2
RoCE (%)	2.9	6.2	13.5	16.1
EV/Sales (x)	3.1	2.5	2.0	1.6
EV/EBITDA (x)	70.2	35.0	16.4	12.5
PE (x)	167.1	63.6	25.2	19.0
P/BV (x)	3.4	3.2	2.9	2.5

Key Data

BHEL.BO | BHEL IN

52-W High / Low	Rs.272 / Rs.176
Sensex / Nifty	84,997 / 26,054
Market Cap	Rs.858bn / \$ 9,731m
Shares Outstanding	3,482m
3M Avg. Daily Value	Rs.1655.24m

Shareholding Pattern (%)

Promoter's	63.17
Foreign	6.36
Domestic Institution	18.45
Public & Others	12.02
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	5.4	6.6	4.9
Relative	(0.4)	0.7	(0.8)

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Healthy Q2 with uptick in execution pace

Quick Pointers:

- Order intake decreased by ~30.6% YoY to ~Rs219bn (against higher base), comprising ~184bn from Power and ~Rs35.6bn from Industry (inc. Exports)
- Excluding net provisions withdrawn of Rs100mn in H1FY26 (vs net provisions withdrawn of Rs1.7bn in H1FY25), Adj. EBITDA margin stood at 0.3% in H1FY26 (vs -0.5% in H1FY25)

BHEL delivered a healthy performance with revenue rising 14.1% YoY and EBITDA margin expanding 356bps YoY to 7.7%, aided by healthy execution across both Power and Industry segments. The Power segment grew ~12% YoY, supported by healthy execution of its order book (Rs1.8trn in Q2FY26), while thermal order inflow momentum remained elevated at ~Rs183bn including ~Rs140bn EPC packages order of 2x660MW project reaffirming BHEL's positioning in the domestic thermal space. Industry segment maintained its growth trajectory (+18% YoY) driven by accelerating traction across transmission, transportation, oil & gas, and defense verticals. Industry's order inflows improved sharply to Rs36bn (vs Rs17bn in Q2FY25). With a robust execution of order backlog and rise in public/private capex, BHEL is well placed for sustained growth. However, the increase in contract assets (~2% YoY to Rs290bn) and CFO of -Rs11.9bn in H1FY26 (vs -Rs9.7bn in H1FY25) will remain key monitorable in near term. The stock is currently trading at a P/E of 25.2x/19.0x on FY27/28E earnings. We roll forward to Sep'27E and maintain our 'Hold' rating valuing the stock at a PE of 22x Sep'27E (22x Mar'27E) with a revised TP of Rs250 (Rs215 earlier).

Long term view: We believe that the execution is showing some sign of revival despite not keeping pace with the strong order wins in recent years, however in the long run 1) large thermal power order pipeline, 2) diversification into railways, defense, green hydrogen, coal gasification, etc., and 3) growing spares & services business could augurs well for BHEL. However, execution pace and balance sheet health continues to be key monitorable.

Healthy execution led to revenue growth and margin expansion: Standalone revenue grew by 14.1% YoY to Rs75.1bn (PLe: Rs71.3bn) led by growth in Power segments (+12.9% YoY to Rs56.8bn) and growth in Industry segments (+18% YoY to Rs18.4bn). Gross margin contracted by 212bps YoY to 30.6% (PLe: 32.6%). EBITDA increased by 111.2% YoY to Rs5.8bn (PLe: Rs1.5bn) with EBITDA margins expanding by 356 bps YoY to 7.7% (PLe: 2.1%) led by decrease in other expenses (-42.4% YoY to Rs2.4bn) and lower employee cost (-258 bps YoY % of sales).. Adj. PAT increased by 280.3% to Rs3.7bn (PLe: Rs179mn) driven by increase in other income (+53.5% YoY to Rs1.8bn) and lower effective tax rate (-146 bps YoY to 25.3%).

Robust order book: Order inflows declined 30.6% YoY to ~Rs219bn, led by a mix of Power/Industry (incl. exports) at 84%/16%. The order book remains robust at ~Rs2.2trn (7.5x TTM revenue), with Power/Industry composition at 80%/20%. Key wins in Q2 included EPC and BTG packages for thermal power projects, Kavach equipment from Indian Railways, and transformer supplies for power plants.

Exhibit 1: Healthy growth in revenue (+14.1%) driven by improved execution across Power and Industry segments

Y/e March (Rs mn)	Q2FY26	Q2FY25	YoY gr.	Q2FY26E	% Var.	Q1FY26	QoQ gr.	H1FY26	H1FY25	YoY gr.
Revenue	75,118	65,841	14.1%	71,286	5.4%	54,869	36.9%	1,29,987	1,20,690	7.7%
Gross Profit	22,983	21,540	6.7%	23,239	-1.1%	16,004	43.6%	38,987	37,613	3.7%
Margin (%)	30.6	32.7	(212)	32.6	(200)	29.2	143	30.0	31.2	(117)
Employee Cost	14,800	14,672	0.9%	14,970	-1.1%	14,625	1.2%	29,424	29,020	1.4%
as % of sales	19.7	22.3	(258)	21.0	(130)	26.7	(695)	22.6	24.0	(141)
Other expenditure	2,374	4,118	-42.4%	6,772	-64.9%	6,751	-64.8%	9,124	7,536	21.1%
as % of sales	3.2	6.3	(309)	9.5	(634)	12.3	(914)	7.0	6.2	78
EBITDA	5,809	2,750	111.2%	1,497	288.1%	(5,371)	-208.2%	438	1,056	-
Margin (%)	7.7	4.2	356	2.1	563	(9.8)	1,752	0.3	0.9	(54)
Depreciation	755	601	25.6%	750	0.6%	745	1.3%	1,500	1,191	26.0%
EBIT	5,055	2,149	135.2%	747	-	(6,117)	-182.6%	(1,062)	(134)	-
Margin (%)	6.7	3.3	346	1.0	568	(11.1)	1,788	(0.8)	(0.1)	(71)
Other Income	1,818	1,184	53.5%	1,250	45.4%	1,854	-2.0%	3,672	2,284	60.8%
Interest	1,952	2,014	-3.1%	1,750	11.5%	1,812	7.7%	3,764	3,631	3.7%
PBT (ex. Extra-ordinaries)	4,920	1,319	272.9%	247	-	(6,074)	-181.0%	(1,154)	(1,482)	-
Margin (%)	6.5	2.0	455	0.3	620	(11.1)	1,762	(0.9)	(1.2)	34
Extraordinary Items	-	-	-	-	-	-	-	-	-	-
PBT	4,920	1,319	272.9%	247	1891.9%	(6,074)	-181.0%	(1,154)	(1,482)	-22.1%
Total Tax	1,243	353	-	68	1730.5%	(1,525)	-181.5%	(282)	(323)	-12.7%
Effective Tax Rate (%)	25.3	26.7	(146)	27.5	-	25.1	-	-	-	-
Reported PAT	3,677	967	280.3%	179	1953.2%	(4,549)	-180.8%	(872)	(1,159)	-24.7%
Adj. PAT	3,677	967	280.3%	179	1953.2%	(4,549)	-180.8%	(872)	(1,159)	-24.7%
Adj. EPS	1.1	0.3	280.3%	0.1	1953.2%	(1.3)	-180.8%	(0.3)	(0.3)	-24.7%

Source: Company, PL

Exhibit 2: Healthy execution and margin improvement across both Power and Industry segments

Segment Performance	Q2FY26	Q2FY25	YoY gr.	Q2FY26E	% Var.	Q1FY26	QoQ gr.	H1FY26	H1FY25	YoY gr.
Revenue (Rs mn)										
Power	56,756	50,283	12.9%	53,356	6.4%	38,989	45.6%	95,745	91,564	4.6%
Industry	18,362	15,558	18.0%	17,929	2.4%	15,881	15.6%	34,242	29,126	17.6%
Total	75,118	65,841	14.1%	71,286	5.4%	54,869	36.9%	1,29,987	1,20,690	7.7%
EBIT (Rs mn)										
Power	5,938	3,373	76.0%	1,014	485.7%	(5,100)	-216.4%	838	2,833	-70.4%
Industry	2,800	2,164	29.4%	2,689	4.1%	3,068	-8.7%	5,869	2,798	-
Total	8,738	5,537	57.8%	3,703	136.0%	(2,032)	-530.1%	6,706	5,631	19.1%
EBIT Margin (%)										
Power	10.5	6.7	375	1.9	856	-13.1	2,354	0.9	3.1	-222
Industry	15.3	13.9	134	15.0	25	19.3	-407	17.1	9.6	753
Total	11.6	8.4	322	5.2	644	-3.7	1,533	5.2	4.7	49

Source: Company, PL

Financials

Income Statement (Rs m)

Y/e Mar	FY25	FY26E	FY27E	FY28E
Net Revenues	2,83,395	3,46,598	4,31,171	5,17,182
YoY gr. (%)	18.6	22.3	24.4	19.9
Cost of Goods Sold	1,88,452	2,24,942	2,75,087	3,29,962
Gross Profit	94,943	1,21,656	1,56,084	1,87,220
Margin (%)	33.5	35.1	36.2	36.2
Employee Cost	59,234	58,922	58,208	63,096
Other Expenses	21,713	25,302	30,311	38,168
EBITDA	12,416	24,410	51,364	66,303
YoY gr. (%)	102.7	96.6	110.4	29.1
Margin (%)	4.4	7.0	11.9	12.8
Depreciation and Amortization	2,720	3,200	3,588	3,827
EBIT	9,696	21,210	47,776	62,476
Margin (%)	3.4	6.1	11.1	12.1
Net Interest	7,483	7,574	6,860	6,909
Other Income	5,034	5,546	6,769	7,758
Profit Before Tax	7,247	19,182	47,686	63,324
Margin (%)	2.6	5.5	11.1	12.2
Total Tax	2,117	5,716	13,733	18,237
Effective tax rate (%)	29.2	29.8	28.8	28.8
Profit after tax	5,130	13,466	33,952	45,087
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
Adjusted PAT	5,130	13,466	33,952	45,087
YoY gr. (%)	97.4	162.5	152.1	32.8
Margin (%)	1.8	3.9	7.9	8.7
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	5,130	13,466	33,952	45,087
YoY gr. (%)	97.4	162.5	152.1	32.8
Margin (%)	1.8	3.9	7.9	8.7
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	5,130	13,466	33,952	45,087
Equity Shares O/s (m)	3,482	3,482	3,482	3,482
EPS (Rs)	1.5	3.9	9.8	12.9

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY25	FY26E	FY27E	FY28E
Non-Current Assets				
Gross Block	74,045	78,045	81,545	85,045
Tangibles	74,045	78,045	81,545	85,045
Intangibles	-	-	-	-
Acc: Dep / Amortization	45,420	48,620	52,208	56,035
Tangibles	45,420	48,620	52,208	56,035
Intangibles	-	-	-	-
Net fixed assets	28,625	29,425	29,337	29,010
Tangibles	28,625	29,425	29,337	29,010
Intangibles	-	-	-	-
Capital Work In Progress	2,797	2,797	2,797	2,797
Goodwill	-	-	-	-
Non-Current Investments	13,881	14,904	17,247	21,204
Net Deferred tax assets	40,677	40,677	40,677	40,677
Other Non-Current Assets	1,40,750	1,62,901	1,81,092	2,27,560
Current Assets				
Investments	-	-	-	-
Inventories	98,695	1,17,748	1,29,942	1,41,694
Trade receivables	89,309	96,858	1,18,129	1,37,443
Cash & Bank Balance	76,124	82,701	84,904	96,596
Other Current Assets	1,90,928	1,62,901	1,85,403	2,22,388
Total Assets	6,44,116	6,73,874	7,53,464	8,84,898
Equity				
Equity Share Capital	6,964	6,964	6,964	6,964
Other Equity	2,44,166	2,56,761	2,89,367	3,31,058
Total Networth	2,51,130	2,63,725	2,96,331	3,38,022
Non-Current Liabilities				
Long Term borrowings	88,522	78,522	68,522	68,522
Provisions	-	-	-	-
Other non current liabilities	-	-	-	-
Current Liabilities				
ST Debt / Current of LT Debt	1,624	1,624	1,624	1,624
Trade payables	1,17,117	1,51,933	1,91,369	2,29,544
Other current liabilities	2,26,400	2,18,746	2,36,296	2,87,863
Total Equity & Liabilities	6,44,116	6,73,874	7,53,464	8,84,898

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY25	FY26E	FY27E	FY28E
PBT	7,247	19,182	47,686	63,324
Add. Depreciation	2,720	3,200	3,588	3,827
Add. Interest	7,483	7,574	6,860	6,909
Less Financial Other Income	5,034	5,546	6,769	7,758
Add. Other	(13,638)	-	-	-
Op. profit before WC changes	3,811	29,956	58,134	74,060
Net Changes-WC	17,295	4,299	(19,399)	(28,864)
Direct tax	813	(5,716)	(13,733)	(18,237)
Net cash from Op. activities	21,919	28,539	25,001	26,959
Capital expenditures	(2,681)	(4,000)	(3,500)	(3,500)
Interest / Dividend Income	3,717	-	-	-
Others	(28,346)	483	(1,091)	(1,462)
Net Cash from Invst. activities	(27,309)	(3,517)	(4,591)	(4,962)
Issue of share cap. / premium	(554)	(10,000)	(10,000)	-
Debt changes	(130)	-	-	-
Dividend paid	(874)	(871)	(1,347)	(3,395)
Interest paid	(7,010)	(7,574)	(6,860)	(6,909)
Others	(300)	-	-	-
Net cash from Fin. activities	(8,868)	(18,444)	(18,207)	(10,305)
Net change in cash	(14,258)	6,577	2,203	11,692
Free Cash Flow	19,104	24,539	21,501	23,459

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY25	FY26E	FY27E	FY28E
Per Share(Rs)				
EPS	1.5	3.9	9.8	12.9
CEPS	2.3	4.8	10.8	14.0
BVPS	72.1	75.7	85.1	97.1
FCF	5.5	7.0	6.2	6.7
DPS	0.3	0.4	1.0	1.3
Return Ratio(%)				
RoCE	2.9	6.2	13.5	16.1
ROIC	2.6	5.7	12.6	15.3
RoE	2.1	5.2	12.1	14.2
Balance Sheet				
Net Debt : Equity (x)	0.1	0.0	0.0	(0.1)
Net Working Capital (Days)	91	66	48	35
Valuation(x)				
PER	167.1	63.6	25.2	19.0
P/B	3.4	3.2	2.9	2.5
P/CEPS	109.2	51.4	22.8	17.5
EV/EBITDA	70.2	35.0	16.4	12.5
EV/Sales	3.1	2.5	2.0	1.6
Dividend Yield (%)	0.1	0.2	0.4	0.5

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q3FY25	Q4FY25	Q1FY26	Q2FY26
Net Revenue	72,771	89,934	54,869	75,118
YoY gr. (%)	32.2	8.9	-	14.1
Raw Material Expenses	45,842	59,533	38,865	52,135
Gross Profit	26,929	30,401	16,004	22,983
Margin (%)	37.0	33.8	29.2	30.6
EBITDA	3,042	8,317	(5,371)	5,809
YoY gr. (%)	40.5	14.3	217.2	111.2
Margin (%)	4.2	9.2	(9.8)	7.7
Depreciation / Depletion	679	850	745	755
EBIT	2,364	7,467	(6,117)	5,055
Margin (%)	3.2	8.3	(11.1)	6.7
Net Interest	1,838	2,014	1,812	1,952
Other Income	1,162	1,588	1,854	1,818
Profit before Tax	1,688	7,040	(6,074)	4,920
Margin (%)	2.3	7.8	(11.1)	6.5
Total Tax	441	2,000	(1,525)	1,243
Effective tax rate (%)	26.1	28.4	25.1	25.3
Profit after Tax	1,248	5,040	(4,549)	3,677
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
Adjusted PAT	1,248	5,040	(4,549)	3,677
YoY gr. (%)	169.4	4.1	114.0	280.3
Margin (%)	1.7	5.6	(8.3)	4.9
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	1,248	5,040	(4,549)	3,677
YoY gr. (%)	169.4	4.1	114.0	280.3
Margin (%)	1.7	5.6	(8.3)	4.9
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	1,248	5,040	(4,549)	3,677
Avg. Shares O/s (m)	3,482	3,482	3,482	3,482
EPS (Rs)	0.4	1.4	(1.3)	1.1

Source: Company Data, PL Research

Price Chart



Recommendation History

No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	07-Oct-25	Hold	215	245
2	07-Aug-25	Hold	215	228
3	09-Jul-25	Hold	237	258
4	20-May-25	Hold	237	244
5	09-Apr-25	Accumulate	226	211
6	29-Jan-25	Accumulate	226	200
7	09-Jan-25	Accumulate	260	221

Analyst Coverage Universe

Sr. No.	CompanyName	Rating	TP (Rs)	Share Price (Rs)
1	ABB India	Accumulate	5,584	5,224
2	Apar Industries	Hold	9,540	8,531
3	BEML	Hold	4,142	4,336
4	Bharat Electronics	Hold	374	410
5	BHEL	Hold	215	245
6	Carborundum Universal	Hold	835	919
7	Cummins India	Hold	3,895	3,957
8	Elgi Equipments	Accumulate	559	494
9	Engineers India	BUY	245	202
10	GE Vernova T&D India	Accumulate	2,706	3,098
11	Grindwell Norton	Hold	1,739	1,681
12	Harsha Engineers International	Hold	402	395
13	Hindustan Aeronautics	BUY	5,500	4,838
14	Ingersoll-Rand (India)	BUY	4,335	4,101
15	Kalpataru Projects International	Accumulate	1,366	1,273
16	KEC International	Accumulate	911	861
17	Kirloskar Pneumatic Company	BUY	1,620	1,150
18	Larsen & Toubro	BUY	4,766	3,958
19	Praj Industries	Hold	393	353
20	Siemens	Accumulate	3,431	3,246
21	Siemens Energy India	Hold	3,360	3,282
22	Thermax	Hold	3,633	3,185
23	Triveni Turbine	BUY	650	524
24	Voltamp Transformers	BUY	10,285	7,190

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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