BUY (Maintain)

CMP: **INR 245** Target Price: **INR 324** ▲ 32%

ICICI Securities

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30 October 2025

India | Equity Research | Results Update

Bharat Heavy Electricals

Capital Goods

Gaining ground

BHEL saw a pick-up in execution with revenues increasing 14% YoY to INR 75bn. EBITDA stood at INR 5.8bn with margins of 7.7% (+360 bps YoY). PAT grew 3.8x YoY to INR 3.6bn. Note, the company is still in early stages of executing its burgeoning order book (OB) of INR 2.2trn (vs. INR 1.6trn YoY). As a result, we expect its scale of operations to improve further from hereon. Better pricing in new orders should lead to a gradual increase in gross margins and profitability. BHEL reported order inflow (OI) of INR 350bn in H1FY26 (Q2 saw OI of INR 219bn). Its industrial segment has seen a sharp increase in OI in H1 to INR 94bn (3.4x YoY). The order outlook for BHEL remains strong with ~30GW of coal-based capacity in the planning stage. We expect the company to report OI of ~INR 700bn in FY26E. We maintain **BUY** with TP of **INR 324** (35x FY27E EPS).

Pick-up in execution; EBITDA margins at 7.7%

Revenue in Q2FY26 grew 14% YoY to INR 75bn with industrial/power segments' revenue growing by 18%/13% YoY to INR 18.3bn/INR 56.7bn. Gross margin stood at 31% (vs. 33% YoY). EBITDA stood at INR 5.8bn with margin of 7.7% (+360bps YoY). Power EBIT margin was at 10.5% (vs 6.7% YoY) while industrial EBIT grew 130bps to 15.3%. Thus, PAT grew 3.8x YoY to INR 3.6bn.

OI remains strong

BHEL's OB stands at INR 2.2trn (vs. INR1.6trn YoY). It has reported OI worth INR 353bn in H1FY26 (in line with our expectations). We estimate OI of INR 700bn in FY26. Industrial segment saw OI of INR 35bn during the quarter (2.1x YoY) and INR 94bn in H1FY26 – sharp growth of 3.6x YoY.

Robust bidding pipeline

Given the revived interest in thermal power plants, with India's target of 80GW by 2032, the order outlook remains strong for BHEL. ~30GW of coal-based plants are in planning stages. We expect BHEL to report INR 700bn of OI in FY26E (OI in H1 was at INR 353bn).

Maintain BUY

We maintain **BUY** on BHEL with an unchanged TP of INR 324, 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	25,455	43,800
EBITDA Margin (%)	2.6	4.4	7.4	11.8
Net Profit	2,599	5,130	21,612	32,194
EPS (INR)	0.7	1.5	6.2	9.2
EPS % Chg YoY	(53.7)	97.4	321.3	49.0
P/E (x)	328.8	166.6	39.5	26.5
EV/EBITDA (x)	139.6	67.8	33.4	19.2
RoCE (%)	3.4	3.1	8.1	10.6
RoE (%)	1.0	2.1	8.3	11.3

Mohit Kumar
kumar.mohit@icicisecurities.com
+91 22 6807 7419
Mahesh Patil
mahesh.patil@icicisecurities.com
Abhinav Nalawade
abhinav.nalawade@icicisecurities.com
Nidhi Shah
nidhi.shah@icicisecurities.com

Market Data

Market Cap (INR)	854bn
Market Cap (USD)	9,687mn
Bloomberg Code	BHEL IN
Reuters Code	BHEL.BO
52-week Range (INR)	272 /176
Free Float (%)	37.0
ADTV-3M (mn) (USD)	18.7

Price Performance (%)	3m	6m	12m
Absolute	2.0	6.1	4.4
Relative to Sensex	(2.5)	0.2	(1.3)

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

07-08-2025: Q1FY26 results review

18-05-2025: Q4FY25 results review

Exhibit 1: Quarterly financial highlights (standalone)

(INR mn)	Q2FY25	Q3FY25	Q4FY25	Q1FY26	Q2FY26	QoQ(%)	YoY(%)
Net Sales	65,841	72,771	89,934	54,869	75,118	37%	14%
EBITDA	2,750	3,042	8,316	-5,372	5,809	-208%	111%
Margin	*4.2%*	4.2%	9.2%	-9.8%	7.7%	1,752 bps	36 bps
Depreciation	601	679	850	745	755	1%	26%
Finance Cost	2,014	1,838	2,014	1,812	1,952	8%	-3%
Other Income	1,184	1,162	1,588	1,854	1,818	-2%	53%
PBT	1,319	1,688	7,040	-6,075	4,920	-181%	273%
Tax	95	16	92	3	5	50%	-95%
tax rate	*7.2%*	0.9%	1.3%	-0.1%	0.1%	16 bps	(71 bps)
Reported PAT	966	1,247	5,040	-4,549	3,676	-181%	280%
Adjusted PAT	966	1,247	5,040	-4,549	3,676	-181%	280%
Margin(%)	*1.5%*	1.7%	5.6%	-8.3%	4.9%	1,319 bps	34 bps
EPS	0.3	0.4	1.4	-1.3	1.1	-181%	280%
Order intake (INR bn)	316	69	446	134	219	63%	-31%
Order book (INR bn)	1,606	1,602	1,958	2,044	2,201	8%	37%

Source: I-Sec research, Company data

Exhibit 2: Segmental highlights

(INR mn)	Q2FY25	Q3FY25	Q4FY25	Q1FY26	Q2FY26	QoQ(%)	YoY(%)
Revenue							
Power	50,283	55,885	61,924	38,989	56,756	46%	13%
Industrial	15,558	16,886	28,010	15,881	18,362	16%	18%
EBIT							
Power	3,373	6,246	3,081	-5,100	5,938	-216%	76%
Industrial	2,164	1,054	8,773	3,068	2,800	-9%	29%
Total							
EBIT Margin							
Power	7%	11%	5%	-13%	10%	2,354 bps	375 bps
Industrial	13.91%	6.24%	31.32%	19.32%	15.25%	(407 bps)	134 bps

Source: I-Sec research, Company data

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 on 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.

We maintain **BUY** on BHEL with a target price of **INR 324** (unchanged), 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 3: PE-based target price of INR 324

	FY27E PAT (INR mn)	FY27E EPS (INR)	Multiple (x)	Equity Value (INR mn)
Valuation	32,194	9.2	35	324

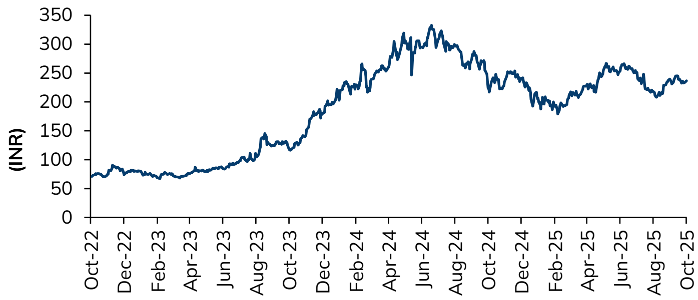
Source: I-Sec research, Company data

Exhibit 4: Shareholding pattern

%	Mar'25	Jun'25	Sep'25
Promoters	63.2	63.2	63.2
Institutional investors	22.5	24.8	23.2
MFs and others	6.1	7.5	7.6
FIs/Banks	0.6	1.7	0.3
Insurance	8.7	8.9	9.0
FIIs	7.2	6.7	6.2
Others	14.3	12.0	13.6

Source: Bloomberg, I-Sec research

Exhibit 5: Price chart



Source: Bloomberg, I-Sec research

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	85,449	86,048
Raw material expenses	1,68,071	1,88,452	2,35,058	2,40,286
EBITDA	**6,126**	**12,416**	**25,455**	**43,800**
EBITDA Margin (%)	2.6	4.4	7.4	11.8
Depreciation & Amortization	2,489	2,720	2,720	2,720
EBIT	3,637	9,696	22,736	41,081
Interest expenditure	7,313	7,483	8,730	9,905
Other Non-operating Income	5,879	5,034	13,702	11,751
Recurring PBT	**2,203**	**7,247**	**27,708**	**42,926**
Profit / (Loss) from Associates	**-**	**-**	**-**	**-**
Less: Taxes	(396)	2,117	6,096	10,731
PAT	2,599	5,130	21,612	32,194
Less: Minority Interest	-	-	-	-
Extraordinaries (Net)	-	-	-	-
Net Income (Reported)	**2,599**	**5,130**	**21,612**	**32,194**
Net Income (Adjusted)	**2,599**	**5,130**	**21,612**	**32,194**

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	5,04,354	5,41,014
of which cash & cash eqv.	61,575	76,124	65,281	76,075
Total Current Liabilities & Provisions	2,57,317	3,44,089	3,68,931	3,78,315
Net Current Assets	**1,23,045**	**1,21,977**	**1,35,423**	**1,62,699**
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**	**3,17,155**	**3,46,215**
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	2,63,341	2,92,401
Total Net Worth	**2,48,506**	**2,51,130**	**2,70,305**	**2,99,365**
Minority Interest	-	-	-	-
Total Liabilities	**2,94,809**	**3,00,027**	**3,17,155**	**3,46,215**

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)**	**37,127**	**30,629**
Working Capital Changes	4,772	(16,865)	18,891	6,447
Capital Commitments	(1,500)	(5,113)	(6,425)	(4,504)
Free Cashflow	**18,236**	**(4,134)**	**43,552**	**35,133**
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	(29,028)	(2,988)
Cash flow from Financing Activities	(20,087)	28,909	(41,545)	(15,331)
Chg. in Cash & Bank balance	**(4,851)**	**14,549**	**(10,843)**	**10,794**
Closing cash & balance	61,575	76,124	65,281	76,075

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	6.2	9.2
Adjusted EPS (Diluted)	0.7	1.5	6.2	9.2
Cash EPS	1.5	2.3	7.0	10.0
Dividend per share (DPS)	0.3	0.5	0.7	0.9
Book Value per share (BV)	71.4	72.1	77.6	86.0
Dividend Payout (%)	33.5	33.9	11.3	9.7
Growth (%)				
Net Sales	2.3	18.6	22.1	7.0
EBITDA	(14.5)	102.7	105.0	72.1
EPS (INR)	(53.7)	97.4	321.3	49.0
Valuation Ratios (x)				
P/E	328.8	166.6	39.5	26.5
P/CEPS	167.9	108.9	35.1	24.5
P/BV	3.4	3.4	3.2	2.9
EV / EBITDA	139.6	67.8	33.4	19.2
P / Sales	3.5	2.9	2.4	2.3
Dividend Yield (%)	0.0	0.0	0.0	0.0
Operating Ratios				
Gross Profit Margins (%)	29.7	33.5	32.1	35.1
EBITDA Margins (%)	2.6	4.4	7.4	11.8
Effective Tax Rate (%)	(18.0)	29.2	22.0	25.0
Net Profit Margins (%)	1.1	1.8	6.2	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	0.6	0.1
Profitability Ratios				
RoCE (%)	3.4	3.1	8.1	10.6
RoE (%)	1.0	2.1	8.3	11.3
RoIC (%)	3.4	3.1	8.1	10.6
Fixed Asset Turnover (x)	9.7	10.5	11.3	11.0
Inventory Turnover Days	112	138	117	105
Receivables Days	124	125	135	126
Payables Days	51	51	65	58

Source Company data, I-Sec research

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