

December 9, 2025

## Management Meet Update

■ Change in Estimates | ■ Target | ■ Reco

### Change in Estimates

	Current		Previous	
	FY27E	FY28E	FY27E	FY28E
<b>Rating</b>	<b>HOLD</b>		<b>HOLD</b>	
<b>Target Price</b>	<b>250</b>		<b>250</b>	
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	0.1	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)	3.4	2.7	2.1	1.8
EV/EBITDA (x)	76.8	38.4	18.0	13.8
PE (x)	183.1	69.7	27.7	20.8
P/BV (x)	3.7	3.6	3.2	2.8

### Key Data

BHEL.BO | BHEL IN

52-W High / Low	Rs.295 / Rs.176
Sensex / Nifty	85,103 / 25,961
Market Cap	Rs.939bn/ \$ 10,425m
Shares Outstanding	3,482m
3M Avg. Daily Value	Rs.2723.82m

### 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	2.2	5.5	8.3
Relative	-	1.9	4.0

**Amit Anwani**

amitanwani@plindia.com | 91-22-66322250

**Prathmesh Salunkhe**

prathmeshsalunkhe@plindia.com | 91-22-66322324

**Hitesh Agarwal**

hiteshagarwal@plindia.com | 91-22-66322535

## Gradual execution ramp-up of new orders in sight

We interacted with the management of Bharat Heavy Electricals Ltd (BHEL) to discuss the company's execution trajectory, tendering pipeline, and overall business outlook. BHEL expects to sustain strong order intake momentum, supported by a robust pipeline across thermal, HVDC, railways and renewable energy segments. Further, it anticipates delivering ~9GW in FY26, broadly flat YoY, and expects the sizable orders secured over the past 2 years (~Rs1.7trn), with a state regulatory approval window of 1.5–2 years, to transition to execution from FY27, indicating medium-term execution ramp-up. The company is undertaking capacity enhancement and debottlenecking initiatives, including increasing thermal manufacturing capacity from 10GW to 12GW per annum and scaling up electrical equipment capabilities. We believe these initiatives, combined with higher execution, should provide operating leverage and support margin expansion. Moreover, improving receivable quality, better advances from NTPC, and systematic closure of legacy projects are expected to improve BHEL's working capital position. The stock is currently trading at P/E of 27.7x/20.8x on FY27/28E earnings. We maintain our 'HOLD' rating valuing the stock at PE of 22x Sep'27E (same as earlier) with TP of Rs250 (same as earlier).

We believe execution is showing some sign of revival, despite not keeping pace with the strong order wins in recent years. Further, in the long run, 1) the large thermal power order pipeline, 2) diversification into railways, defense, green hydrogen, coal gasification, etc., and 3) growing spares & services business could augur well for BHEL. However, execution pace and balance sheet health will remain key monitorables.

## Key takeaways:

### Power segment: ~9.0GW lined up to be executed in FY26

During FY25, BHEL delivered ~8.9GW of capacity, including ~1.2GW of renewable energy. For FY26, the company has outlined an additional delivery plan of ~9GW, supported by gradual execution ramp-up, albeit slower than previously anticipated.

### A strong order pipeline improves visibility:

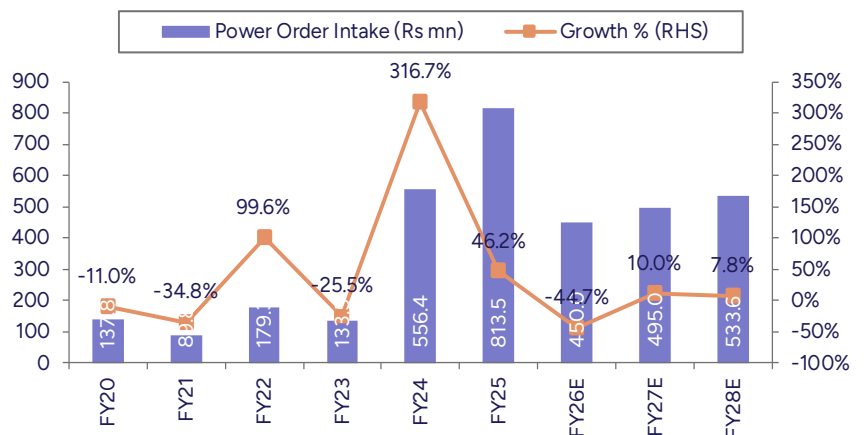
The favorable policy environment in FY25 led to exceptionally strong tendering for coal-based power projects by central and state utilities, enabling BHEL to secure ~14.6GW of thermal orders. While the company continues to see healthy momentum, the mapped tendering pipeline for FY27 is strong at ~8.0GW, though not at the extraordinary levels witnessed in FY25.

**Exhibit 1: Thermal tendering pipeline remains strong at ~8.0GW till FY27**

Project	Capacity	Status
Meja Thermal Power Plant (Stage 2) - Expansion	3×800 MW	Under planning, multiple tenders active for works & services
Nabinagar Super Thermal Power Plant (Stage 2) - Expansion	3×800 MW	Order expected in FY26; execution to start in FY27
Talabira Thermal Power Plant (Stage 2) - Expansion	1×800 MW	Tender yet to floated
Durgapur Thermal Power Project	1×800 MW	Under planning
Lara Super Thermal Power Project (Stage 3) - Expansion	2×800 MW	Tenders floated

Source: Company, PL

**Exhibit 2: Power segment intake to clock ~23% CAGR over FY25-28E**

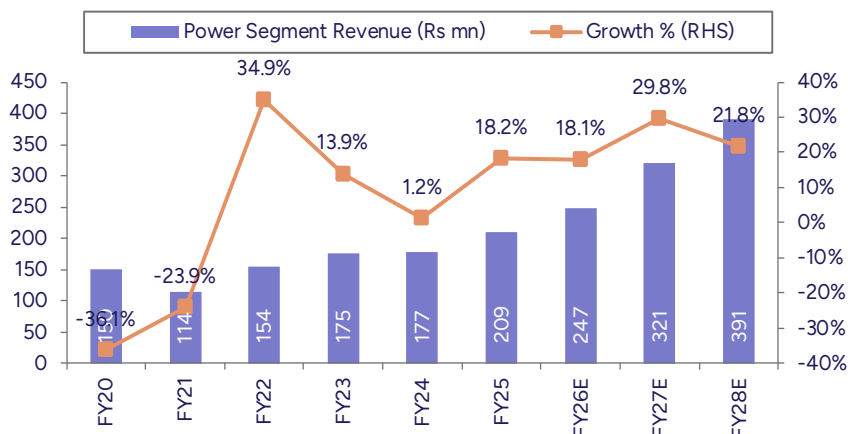


Source: Company, PL

**Nuclear & Renewable: Investments in the future of energy**

- BHEL is involved in all 3 phases of the Nuclear Energy Mission of India.
- **The Mahi Banswara nuclear power plant project with capacity of 2,800MW (4 × 700MW)** will be a key milestone in this nuclear roadmap.
- **BHEL also has capabilities to manufacture ~220MW Bharat Small Modular Reactor (BSMR)**, which is currently being promoted by the Government of India.
- NTPC is further trying to tie up with different original equipment manufacturers (OEMs) to manufacture BSMRs.
- **BHEL is also seeing major traction in hydro and pump storage**, which are crucial for grid balancing with renewables.

**Exhibit 3: Power segment revenue to reach ~Rs390bn by FY28E**



Source: Company, PL

### Industry segment: Multi-levered growth in sight

The management has identified multiple industries experiencing traction, which have the potential to propel growth of the industry segment. These include HVDC, defense, O&G and railways.

#### HVDC – A long-term strategic foray

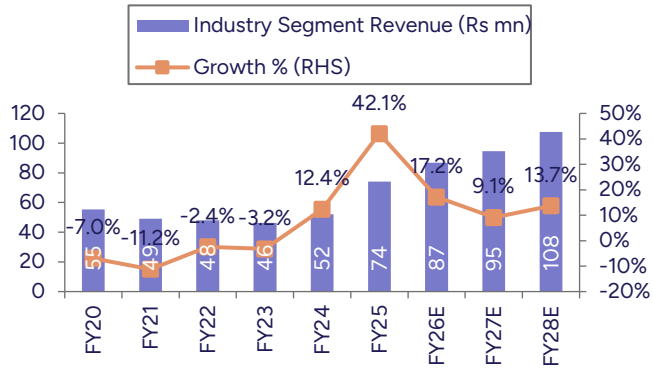
- BHEL has already won 2 HVDC projects, Bhadla – Fatehpur and Khavda – Nagpur, in consortium with Hitachi Energy.
  - The scope of work for BHEL includes supply of transformers, thyristors, 400kV class capacitors, etc.
  - Balance-of-plant is shared 50:50 between BHEL and Hitachi Energy.
- **The management expects tendering of 5 more HVDC projects in coming years** in addition to currently tendered out Barmer – South Kalamb VSC HVDC project. BHEL is exploring further consortium opportunities to bid for upcoming HVDC projects.
- The company is investing in debottlenecking of capacities of transformer manufacturing to better service the growing HVDC demand.
  - **It has initiated debottlenecking efforts for HVDC transformer manufacturing** along with modernization of equipment, retrofitting, etc.
  - **It has also shifted manufacturing of 400kV transformers from Bhopal to Jhansi**, resulting in 2 concurrent EHV transformer manufacturing plants.

#### Vande Bharat: Delay in deliveries amid changing configs

- The Vande Bharat order execution has been delayed by a year due to the government changing the configurations of Vande Bharat trains.
- **The management now expects the deliveries to start from Sep'26.** Post which, **it expects to deliver one set every 6 months.**

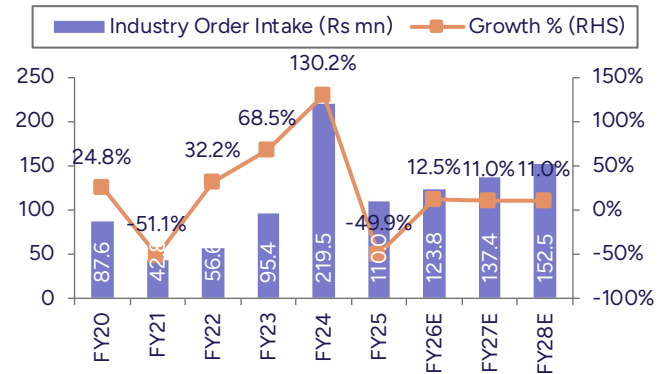
- Meanwhile, the management anticipates further capex by the government for Vande Bharat trains along with some big tenders in pipeline.

**Exhibit 4: Industry sales to clock ~13% CAGR over FY25-28E**



Source: Company, PL

**Exhibit 5: Industry intake to show modest growth till FY28E**

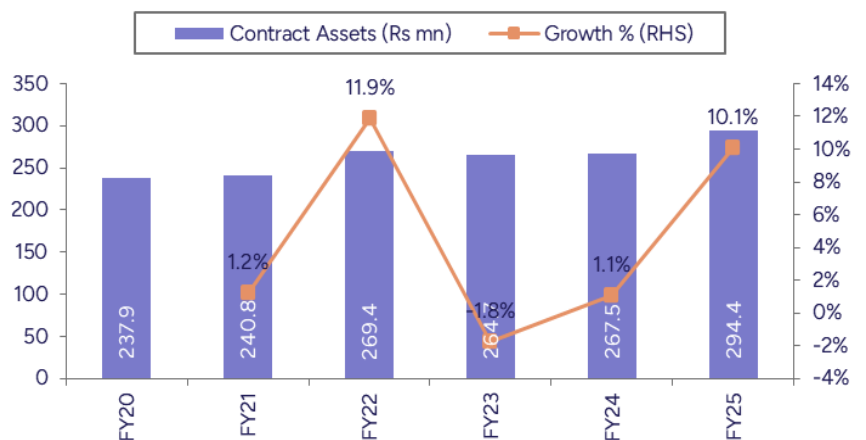


Source: Company, PL

### Working capital improvement on cards amid focus on better collections

- The management iterated improvement in advances from NTPC, which may eventually help ease working capital requirements.
- The payment terms of NTPC have seen a positive shift, benefiting companies like BHEL.
- BHEL will continue to focus on quality of receivables and reduction in working capital time cycles.
- Going forward, provisions are expected to decline and be in tandem with the execution.
- The management expects to incur a capex of more than Rs5.0bn in FY26.

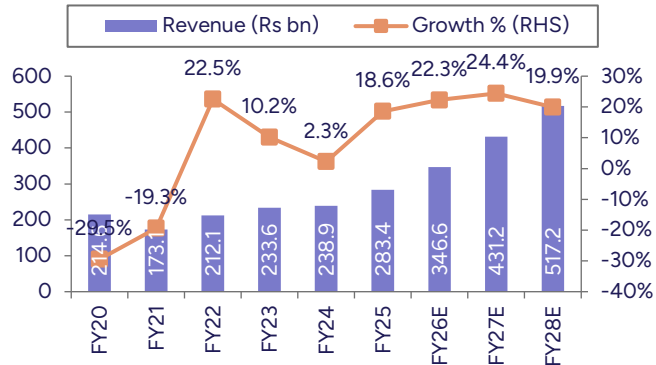
**Exhibit 6: Contract assets expected to decline in new orders with better terms**



Source: Company, PL

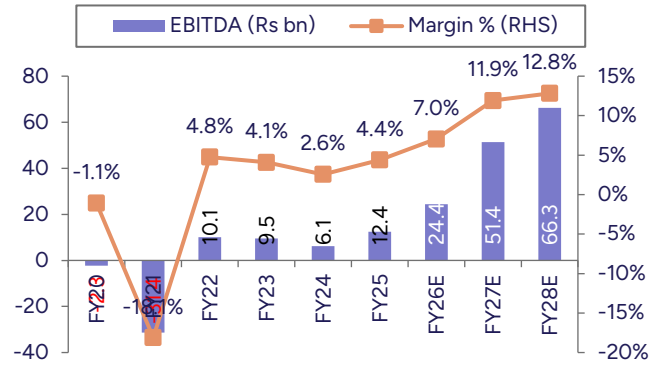
## Story in Charts:

**Exhibit 7: Sales to clock CAGR of ~22% over FY25-28E**



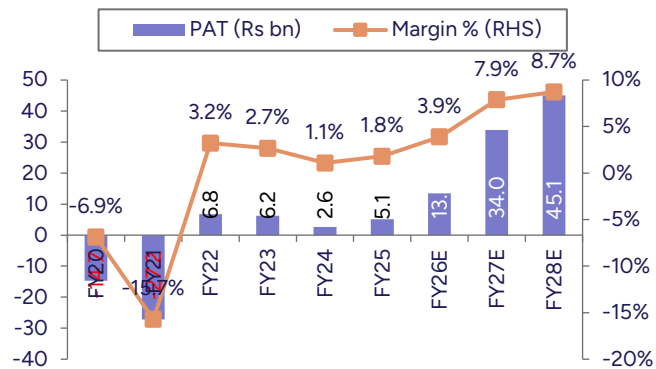
Source: Company, PL

**Exhibit 8: EBITDA margin to improve to ~13% by FY28E**



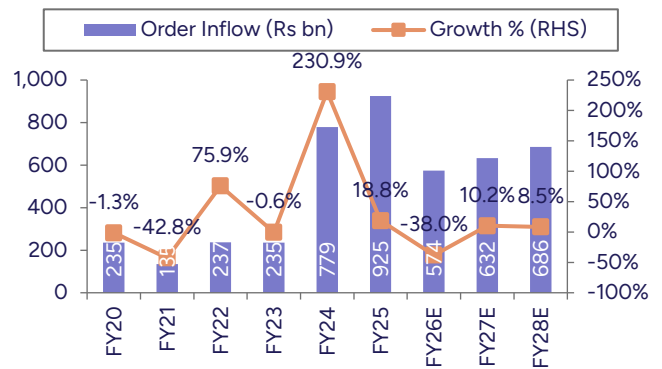
Source: Company, PL

**Exhibit 9: PAT to register CAGR of ~100% over FY25-28E**



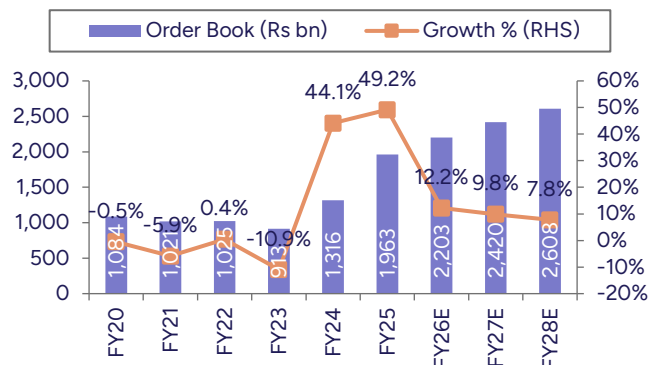
Source: Company, PL

**Exhibit 10: Strong tendering to propel order intake growth**



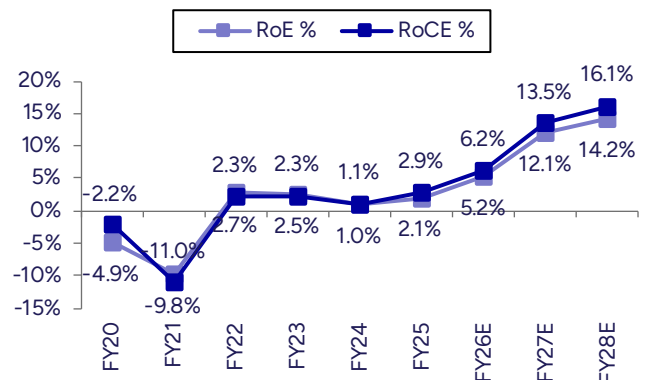
Source: Company, PL

**Exhibit 11: Order book to reach ~Rs2.6trn by FY28E**



Source: Company, PL

**Exhibit 12: Return ratios to trend upward**



Source: Company, PL

## Financials

### Income Statement (Rs m)

Y/e Mar	FY25	FY26E	FY27E	FY28E
<b>Net Revenues</b>	<b>2,83,395</b>	<b>3,46,598</b>	<b>4,31,171</b>	<b>5,17,182</b>
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
<b>EBITDA</b>	<b>12,416</b>	<b>24,410</b>	<b>51,364</b>	<b>66,303</b>
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
<b>EBIT</b>	<b>9,696</b>	<b>21,210</b>	<b>47,776</b>	<b>62,476</b>
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
<b>Profit Before Tax</b>	<b>7,247</b>	<b>19,182</b>	<b>47,686</b>	<b>63,324</b>
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
<b>Profit after tax</b>	<b>5,130</b>	<b>13,466</b>	<b>33,952</b>	<b>45,087</b>
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
<b>Adjusted PAT</b>	<b>5,130</b>	<b>13,466</b>	<b>33,952</b>	<b>45,087</b>
YoY gr. (%)	97.4	162.5	152.1	32.8
Margin (%)	1.8	3.9	7.9	8.7
Extra Ord. Income / (Exp)	-	-	-	-
<b>Reported PAT</b>	<b>5,130</b>	<b>13,466</b>	<b>33,952</b>	<b>45,087</b>
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
<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>1.5</b>	<b>3.9</b>	<b>9.8</b>	<b>12.9</b>

Source: Company Data, PL Research

### Balance Sheet Abstract (Rs m)

Y/e Mar	FY25	FY26E	FY27E	FY28E
<b>Non-Current Assets</b>				
<b>Gross Block</b>	<b>74,045</b>	<b>78,045</b>	<b>81,545</b>	<b>85,045</b>
Tangibles	74,045	78,045	81,545	85,045
Intangibles	-	-	-	-
<b>Acc: Dep / Amortization</b>	<b>45,420</b>	<b>48,620</b>	<b>52,208</b>	<b>56,035</b>
Tangibles	45,420	48,620	52,208	56,035
Intangibles	-	-	-	-
<b>Net fixed assets</b>	<b>28,625</b>	<b>29,425</b>	<b>29,337</b>	<b>29,010</b>
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
<b>Current Assets</b>				
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
<b>Total Assets</b>	<b>6,44,116</b>	<b>6,73,874</b>	<b>7,53,464</b>	<b>8,84,898</b>
<b>Equity</b>				
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
<b>Total Networth</b>	<b>2,51,130</b>	<b>2,63,725</b>	<b>2,96,331</b>	<b>3,38,022</b>
<b>Non-Current Liabilities</b>				
Long Term borrowings	88,522	78,522	68,522	68,522
Provisions	-	-	-	-
Other non current liabilities	-	-	-	-
<b>Current Liabilities</b>				
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
<b>Total Equity &amp; Liabilities</b>	<b>6,44,116</b>	<b>6,73,874</b>	<b>7,53,464</b>	<b>8,84,898</b>

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)
<b>Net cash from Op. activities</b>	<b>21,919</b>	<b>28,539</b>	<b>25,001</b>	<b>26,959</b>
Capital expenditures	(2,681)	(4,000)	(3,500)	(3,500)
Interest / Dividend Income	3,717	-	-	-
Others	(28,346)	483	(1,091)	(1,462)
<b>Net Cash from Invst. activities</b>	<b>(27,309)</b>	<b>(3,517)</b>	<b>(4,591)</b>	<b>(4,962)</b>
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)	-	-	-
<b>Net cash from Fin. activities</b>	<b>(8,868)</b>	<b>(18,444)</b>	<b>(18,207)</b>	<b>(10,305)</b>
<b>Net change in cash</b>	<b>(14,258)</b>	<b>6,577</b>	<b>2,203</b>	<b>11,692</b>
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
<b>Per Share(Rs)</b>				
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
<b>Return Ratio(%)</b>				
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
<b>Balance Sheet</b>				
Net Debt : Equity (x)	0.1	0.0	0.0	(0.1)
Net Working Capital (Days)	91	66	48	35
<b>Valuation(x)</b>				
PER	183.1	69.7	27.7	20.8
P/B	3.7	3.6	3.2	2.8
P/CEPS	119.6	56.4	25.0	19.2
EV/EBITDA	76.8	38.4	18.0	13.8
EV/Sales	3.4	2.7	2.1	1.8
Dividend Yield (%)	0.1	0.1	0.4	0.5

Source: Company Data, PL Research

**Quarterly Financials (Rs m)**

Y/e Mar	Q3FY25	Q4FY25	Q1FY26	Q2FY26
<b>Net Revenue</b>	<b>72,771</b>	<b>89,934</b>	<b>54,869</b>	<b>75,118</b>
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
<b>EBITDA</b>	<b>3,042</b>	<b>8,317</b>	<b>(5,371)</b>	<b>5,809</b>
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
<b>EBIT</b>	<b>2,364</b>	<b>7,467</b>	<b>(6,117)</b>	<b>5,055</b>
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
<b>Profit before Tax</b>	<b>1,688</b>	<b>7,040</b>	<b>(6,074)</b>	<b>4,920</b>
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
<b>Profit after Tax</b>	<b>1,248</b>	<b>5,040</b>	<b>(4,549)</b>	<b>3,677</b>
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
<b>Adjusted PAT</b>	<b>1,248</b>	<b>5,040</b>	<b>(4,549)</b>	<b>3,677</b>
YoY gr. (%)	169.4	4.1	114.0	280.3
Margin (%)	1.7	5.6	(8.3)	4.9
Extra Ord. Income / (Exp)	-	-	-	-
<b>Reported PAT</b>	<b>1,248</b>	<b>5,040</b>	<b>(4,549)</b>	<b>3,677</b>
YoY gr. (%)	169.4	4.1	114.0	280.3
Margin (%)	1.7	5.6	(8.3)	4.9
Other Comprehensive Income	-	-	-	-
<b>Total Comprehensive Income</b>	<b>1,248</b>	<b>5,040</b>	<b>(4,549)</b>	<b>3,677</b>
Avg. Shares O/s (m)	3,482	3,482	3,482	3,482
<b>EPS (Rs)</b>	<b>0.4</b>	<b>1.4</b>	<b>(1.3)</b>	<b>1.1</b>

Source: Company Data, PL Research

**Price Chart**



**Recommendation History**

No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	30-Oct-25	Hold	250	246
2	07-Oct-25	Hold	215	245
3	07-Aug-25	Hold	215	228
4	09-Jul-25	Hold	237	258
5	20-May-25	Hold	237	244
6	09-Apr-25	Accumulate	226	211
7	29-Jan-25	Accumulate	226	200
8	09-Jan-25	Accumulate	260	221

**Analyst Coverage Universe**

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	ABB India	Accumulate	5,540	5,017
2	Apar Industries	Hold	9,744	9,252
3	BEML	Hold	1,982	1,987
4	Bharat Electronics	Hold	407	426
5	BHEL	Hold	250	246
6	Carborundum Universal	Hold	894	901
7	Cummins India	Hold	4,172	4,292
8	Elgi Equipments	Accumulate	561	500
9	Engineers India	BUY	255	200
10	GE Vernova T&D India	Accumulate	3,531	3,171
11	Grindwell Norton	Hold	1,744	1,676
12	Harsha Engineers International	Hold	407	388
13	Hindustan Aeronautics	BUY	5,507	4,749
14	Ingersoll-Rand (India)	Accumulate	4,271	3,804
15	Kalpataru Projects International	BUY	1,494	1,256
16	KEC International	BUY	932	768
17	Kirloskar Pneumatic Company	BUY	1,620	1,047
18	Larsen & Toubro	BUY	4,766	3,958
19	Praj Industries	Hold	353	335
20	Siemens	Accumulate	3,470	3,084
21	Siemens Energy India	Accumulate	3,566	3,163
22	Thermax	Accumulate	3,513	3,061
23	Triveni Turbine	Accumulate	609	543
24	Voltamp Transformers	BUY	10,318	7,845

**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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**Prabhudas Lilladher Pvt. Ltd.**

**3rd Floor, Sadhana House, 570, P. B. Marg, Worli, Mumbai-400 018, India | Tel: (91 22) 6632 2222 Fax: (91 22) 6632 2209**

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