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Acceleration in execution ...

About the stock: BHEL is one of the largest engineering and manufacturing company of its kind in India engaged in design, engineering, construction, testing, commissioning and servicing of a wide range of products and services with over 180 product offerings to meet the ever-growing needs of the core sectors of economy.

- It operates in Power (~74% revenue mix) and Industrial (~26%) sector largely in India.
- The stock is well placed to gain from the need for building base load thermal coupled with strong revenue visibility in the medium term.

Q3FY26 performance: BHEL reported a healthy Q3 FY26 performance, with revenue rising 16.4% YoY to ₹8,473 crore, driven by growth across both segments. EBITDA increased 79% YoY to ₹545 crore, with margins expanding by 225 bps YoY to 6.4%, supported by a favorable industrial mix and operating leverage. PAT surged 207% YoY to ₹382.5 crore, leading to a 280 bps YoY improvement in net profit margin to 4.5%. Segment-wise, Power segment revenue stood at ₹6,322 crore (+13% YoY), though EBIT margin declined 330 bps YoY to 7.8%. The industry segment delivered stronger growth, with revenue of ₹2,150 crore (+27% YoY) and a significantly higher EBIT margin of 19.7%, up 1,348 bps YoY, highlighting a favorable shift in business mix. The company received orders worth ~₹10,900 crore (76% in Power) in Q3FY26 taking the total order book to ₹2,22,800 crore, Power segment forms 80% of total order book and balance 20% consists of Industry including exports.

Investment Rationale:

- Strong order book anchors medium term growth visibility:** BHEL's strong order inflow of ~₹45,900 crore up to Q3 FY26 and a robust outstanding order book of ~₹2.23 lakh crore provides high medium-term revenue visibility across multiple years of execution, with nearly 80% of the order book anchored in the power segment, positioning the company to benefit from India's renewed thermal capacity additions and infrastructure push. The order inflow momentum is expected to sustain as the CEA has outlined a thermal capacity addition target of ~97 GW by FY35, with incremental demand from replacement of ~37 GW of ageing thermal plants that will cross 35 years of life by FY32.
- Execution to ramp up:** Execution in Q3FY26 grew with Industry and power segment growing at 27% and 13 % respectively, with reasonable backlog (with ~7.7x order book to bill ratio on FY25 sales) and strong order bid pipeline upto FY35, we expect execution ramp up from FY27E onwards with strong improvement in EBITDA margins from 4.4% in FY25 to 10.3% in FY28E on back of execution scale up of profitable orders. Hence, we expect the revenues and PAT to grow at a CAGR of ~24.5% and 110% over FY25-FY28E. This will also improve ROCE from mid-single digit to ~14.6% ROCE in FY28E.

Rating and Target Price

- Good accretion of orders and strong ordering pipeline will keep order inflows strong coupled with strong pick in execution from FY27E onwards. This will also help margins and return ratios to improve meaningfully over the next 2-3 years. Hence, we rate the stock **buy** with fair value of **₹343** (25x FY28E EPS).



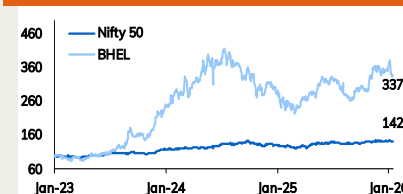
Market data

Particular	Rs. (in crore)
Market Capitalisation	87661
Total Debt (H1FY26)	10748
Cash and Inv (H1FY26)	8154
Enterprise Value	90255
52 week H/L (Rs.)	305/176
Equity capital	696.4
Face value (Rs.)	2

Shareholding pattern

%	Mar-25	Jun-25	Sep-25	Dec-25
Promoter	63.17	63.17	63.17	63.17
FII	7.19	6.36	6.23	6.28
DII	16.34	18.45	18.62	19.7
Others	13.29	12.02	11.98	10.85

Price chart



Key risks

- delay in execution of the current backlog adversely affecting the margins
- slowdown or delay in fresh ordering will impact visibility

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Key Financial Summary

Particulars (Rs. in crore)	FY23	FY24	FY25	3-Year CAGR (FY22-FY25)	FY26E	FY27E	FY28E	3-Year CAGR (FY25-FY28E)
Net Sales	23,364.9	23,892.8	28,339.5	10.1%	32,103.6	44,971.4	54,725.4	24.5%
EBITDA	952.8	612.6	1,242.4	19.0%	1,885.9	4,491.8	5,660.3	65.8%
EBITDA Margin (%)	4.1	2.6	4.4		5.9	10.0	10.3	
Net Profit	624.3	259.9	513.8	7.8%	1,179.1	3,766.9	4,780.9	110.3%
EPS (Rs.)	1.8	0.7	1.5		3.4	10.8	13.7	
P/ E (x)	141.1	339.0	171.5		74.7	23.4	18.4	
RoNW (%)	2.5	1.0	2.0		4.5	12.8	14.1	
RoCE (%)	4.0	2.8	4.3		6.6	13.1	14.6	

Key result highlights

- Order inflows (OI) during the quarter came in at ~₹10,900 crore. With OI in 9MFY26 at ~₹45,900 crore. OI in Q3FY26 were led by Power segment (76% of order inflows), Industry segment share stood at around 24%. Order book reached ₹2,22,800 crore in Q3FY26 with 80:20 mix of power and industry business segment.
- Revenue for Q2FY26 was ₹8,473 crore, up 16% YoY. The Power and Industrial division grew by 13% and 27% YoY respectively to ₹6,322 and ₹2,150 crore respectively.
- EBITDA grew 79% YoY to ₹545 crore. EBITDA Margins expanded 225 basis points (bps) to 6.4% vs. 4.2% in Q3FY25. Consequently, PAT came in at ₹382 crore, up 3.08x YoY. PAT margins expanded by 280 basis points YoY to 4.5% in Q3FY26.
- The power segment added ~800 MW of thermal capacity during Q3FY26.
- Company has received key order from Bharat Coal Gasification and Chemicals Limited, order valued at ~₹5,400 crore pertains to the Coal Gasification & Raw Syngas Cleaning Plant.
- Company is well-positioned to benefit from India's Nuclear Energy Mission, given its established role in supplying nuclear steam generators, reactor auxiliaries, heat exchangers and balance-of-plant equipment for PHWR projects. As nuclear capacity scales up from ~8.8 GW currently to 22 GW by 2032 and 100 GW by 2047, BHEL could see multi-year order inflows as projects move from planning to procurement, improving long-term revenue visibility in its power and industrial segments.

Financial summary

Exhibit 1: Profit and loss statement						₹ crore
(Year-end March)	FY24	FY25	FY26E	FY27E	FY28E	
Total operating Income	23,892.8	28,339.5	32,103.6	44,971.4	53,407.3	
Growth (%)	2.3	18.6	13.3	40.1	18.8	
Raw Material Expenses	16,807.1	18,844.4	21,716.6	28,556.8	34,649.3	
Employee Expenses	5,628.8	5,923.4	6,287.8	8,651.7	10,403.5	
Other Operating Expenses	844.2	2,329.3	2,213.3	3,271.1	4,012.2	
Provision For Bad Debt	0.0	0.0	0.0	0.0	0.0	
Other expenses	0.0	0.0	0.0	0.0	0.0	
Total Operating Expenditure	23,280.2	27,097.1	30,217.7	40,479.6	49,065.1	
EBITDA	612.6	1,242.4	1,885.9	4,491.8	5,660.3	
Growth (%)	-35.7	102.8	51.8	138.2	26.01	
Depreciation	248.9	272.0	345.6	334.9	334.9	
Interest	731.3	748.3	742.3	562.8	562.4	
Other Income	587.9	503.4	779.8	789.9	856.3	
PBT	220.3	725.5	1,577.7	4,384.0	5,619.3	
Others	0.0	0.0	0.0	0.0	0.0	
Total Tax	-39.6	211.7	398.6	617.1	838.3	
PAT	259.9	513.8	1,179.1	3,766.9	4,780.9	
Growth (%)	-58.4	97.7	129.5	219.5	26.92	
EPS (Rs.)	0.7	1.5	3.4	10.8	13.7	

Source: Company, ICICI Direct Research

Exhibit 2: Cash flow statement						₹ crore
(Year-end March)	FY24	FY25	FY26E	FY27E	FY28E	
Profit after Tax	259.9	513.8	1,179.1	3,766.9	4,780.9	
Add: Depreciation	248.9	272.0	345.6	334.9	334.9	
(Inc)/dec in Current Assets	-5,991.8	-6,759.1	-2,144.0	-10,669.6	-7,745.1	
(Inc)/dec in CL and Provisions	-1,569.8	2,911.1	3,008.3	5,744.1	2,284.1	
Others	0.0	0.0	0.0	0.0	0.0	
CF from operating activities	-7,052.8	-3,062.3	2,389.2	-823.7	-345.1	
(Inc)/dec in Investments	1.8	-4.0	0.0	0.0	0.0	
(Inc)/dec in Fixed Assets	-301.5	-531.7	-89.6	0.0	0.0	
Others	0.0	0.0	0.0	0.0	0.0	
CF from investing activities						
Issue/(Buy back) of Equity	0.0	0.0	0.0	0.0	0.0	
(Inc)/dec in loan funds	3,412.8	125.8	-10.0	-510.0	-10.0	
Dividend paid & dividend tax	-139.3	-87.1	-174.1	-348.2	-348.2	
(Inc)/dec in Sec. premium	0.0	0.0	0.0	0.0	0.0	
Others	0.0	0.0	0.0	0.0	0.0	
CF from financing activities	3,273.5	38.8	-184.1	-858.2	-358.2	
Net Cash flow	-540.4	1,456.3	3,386.6	-2,409.9	-1,629.9	
Opening Cash	6,697.4	6,157.0	7,613.3	10,999.9	8,590.0	
Closing Cash	6,157.0	7,613.3	10,999.9	8,590.0	6,960.1	

Source: Company, ICICI Direct Research

Exhibit 3: Balance Sheet						₹ crore
(Year-end March)	FY24	FY25	FY26E	FY27E	FY28E	
Liabilities						
Equity Capital	696.4	696.4	696.4	696.4	696.4	
Reserve and Surplus	24,153.8	24,417.0	25,272.0	28,690.7	33,123.4	
Total Shareholders funds	24,850.2	25,113.4	25,968.4	29,387.1	33,819.8	
Total Debt	8,831.6	8,957.4	8,947.4	8,437.4	8,427.4	
Deferred Tax Liability	0.0	0.0	0.0	0.0	0.0	
Minority Interest / Others	0.0	0.0	0.0	0.0	0.0	
Total Liabilities	42,892.2	49,043.8	50,203.2	53,605.3	58,028.0	
Assets						
Gross Block	6,897.0	7,404.4	7,404.4	7,404.4	7,404.4	
Less: Acc Depreciation	4,386.3	4,542.0	4,866.4	5,180.1	5,493.8	
Net Block	2,510.7	2,862.4	2,538.0	2,224.3	1,910.6	
Capital WIP	282.3	161.7	275.0	275.0	275.0	
Total Fixed Assets	2,793.0	3,024.1	2,813.0	2,499.3	2,185.6	
Investments	667.7	671.7	671.7	671.7	671.7	
Inventory	7,220.6	9,869.5	10,013.0	15,102.6	17,088.1	
Debtors	4,785.4	5,884.4	6,915.6	9,567.8	11,705.7	
Loans and Advances	0.0	0.0	0.0	0.0	0.0	
Other Current Assets	16,382.3	19,393.5	20,362.7	23,290.5	26,912.3	
Cash	6,157.0	7,613.3	10,999.9	8,590.0	6,960.1	
Total Current Assets	34,545.2	42,760.7	48,291.2	56,550.9	62,666.1	
Creditors	8,696.2	9,540.9	10,373.5	14,351.8	14,632.1	
Provisions	2,318.3	1,815.3	3,112.0	3,587.9	3,658.0	
Total Current Liabilities	16,524.8	19,435.9	22,444.2	28,188.4	30,472.5	
Net Current Assets	18,020.4	23,324.8	25,847.0	28,362.6	32,193.6	
Others Assets	0.0	0.0	0.0	0.0	0.0	
Application of Funds	42,892.2	49,043.8	50,203.2	53,605.3	58,028.0	

Source: Company, ICICI Direct Research

Exhibit 4: Key ratios					
(Year-end March)	FY24	FY25	FY26E	FY27E	FY28E
Per share data (Rs.)					
EPS	0.7	1.5	3.4	10.8	13.7
Cash EPS	1.5	2.3	4.4	11.8	14.7
BV	71.4	72.1	74.6	84.4	97.1
DPS	0.4	0.2	0.5	1.0	1.0
Cash Per Share	17.7	21.9	31.6	24.7	20.0
Operating Ratios (%)					
EBITDA Margin	2.6	4.4	5.9	10.0	10.3
PBT / Total Operating income	1.0	2.6	5.0	10.0	10.5
PAT Margin	1.1	1.8	3.7	8.4	8.7
Inventory days	115.0	127.1	115.8	126.3	116.8
Debtor days	76.2	75.8	80.0	80.0	80.0
Creditor days	138.5	122.9	120.0	120.0	100.0
Return Ratios (%)					
RoE	1.0	2.0	4.5	12.8	14.1
RoCE	2.8	4.3	6.6	13.1	14.6
RoC	2.4	5.0	8.5	18.3	19.1
Valuation Ratios (x)					
P/E	339.0	171.5	74.7	23.4	18.4
EV / EBITDA	148.2	72.0	45.6	19.6	15.8
EV / Net Sales	4.0	3.2	2.7	2.0	1.7
Market Cap / Sales	3.8	3.1	2.8	2.0	1.6
Price to Book Value	4.8	4.8	4.6	4.1	3.5
Solvency Ratios					
Debt/EBITDA	14.4	7.2	4.7	1.9	1.5
Debt / Equity	0.4	0.4	0.3	0.3	0.2
Current Ratio	1.7	1.8	1.7	1.7	1.8
Quick Ratio	1.3	1.3	1.2	1.2	1.3

Source: Company, ICICI Direct Research

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Buy: >15%

Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%



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