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Execution momentum Kicks In; Earning cycle turns ...

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 (~75% revenue mix) and Industrial (~25%) 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.

Q4FY26 performance: Bharat Heavy Electricals Limited reported a strong Q4 FY26 performance with revenue rising 37% YoY to ₹12,310 crore, driven by robust execution, while EBITDA more than doubled to ₹1,753 crore with margin expanding ~498 bps YoY to 14.2% (vs 9.3% in Q4FY25). PAT surged ~154% YoY to ₹1,282.7 crore, reflecting operating leverage and improved project mix. Segment-wise, Power segment revenue stood at ~₹9,510 crore with EBIT of ₹1,869.9 crore (EBIT margin ~19.7% vs 5% YoY), reflecting a significant turnaround, while the Industrial segment reported revenue of ₹2,800.5 crore with EBIT of ₹673 crore (margin ~24%), maintaining stable profitability. For FY26, revenue grew 19% YoY to ~₹33,782 crore, with order inflows of ~₹75,000 crore and a robust order book of ~₹2.4 lakh crore, providing strong multi-year revenue visibility.

Investment Rationale:

- **Record order book provides strong multi-year visibility:** BHEL's strong order inflow of ~₹75,916 crore in FY26 and a robust outstanding order book of ~₹2.40 lakh crore provides high medium-term revenue visibility across multiple years of execution, with nearly 81% 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. We expect strong order inflow of ~ ₹1,23,000 crore over FY27-28E.
- **Execution cycle turning favourable; strong growth visibility:** BHEL has reported a sharp pickup in execution with FY26 revenue growth of ~19% YoY and Q4 growth of ~37% YoY, indicating transition from order inflow phase to execution phase. Notably, peak execution is likely to be witnessed over FY27-FY28E, as the sizeable order inflows received during FY23-FY24 enter the execution phase. We expect execution ramp up from FY27E onwards, with strong improvement in EBITDA margins from 6.9% in FY26 to 10.6% in FY28E on back of execution scale up of higher margin orders. Hence, we expect the revenues and PAT to grow at a CAGR of ~31% and 86% over FY26-FY28E. This will also improve ROCE from mid-single digit to ~16.2% 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 **₹460** (30x FY28E EPS).



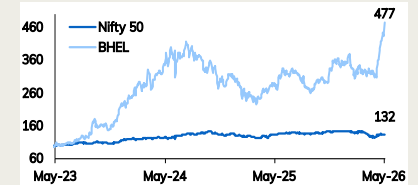
Market data

Particular	Rs. (in crore)
Market Capitalisation	132388
Total Debt (FY26)	8118
Cash and Inv (FY26)	11866
Enterprise Value	128640
52 week H/L (Rs.)	398/205
Equity capital	696.4
Face value (Rs.)	2

Shareholding pattern

%	Jun-25	Sep-25	Dec-25	Mar-26
Promoter	63.17	63.17	63.17	58.17
FII	6.36	6.23	6.28	7.23
DII	18.45	18.62	19.7	23.99
Others	12.02	11.98	10.85	10.61

Price chart



Key risks

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

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Key Financial Summary

Particulars (Rs. in crore)	FY23	FY24	FY25	FY26	3-Year CAGR (FY23-FY26)	FY27E	FY28E	2-Year CAGR (FY26-FY28E)
Net Sales	23,365	23,893	28,339	33,782	13.1%	45,632	57,773	30.8%
EBITDA	953	613	1,242	2,342	35.0%	4,753	6,261	63.5%
EBITDA Margin (%)	4.1	2.6	4.4	6.9		10.4	10.8	
Net Profit	624	260	514	1,548	35.3%	4,038	5,355	86.0%
EPS (Rs.)	1.8	0.7	1.5	4.4		11.6	15.4	
P/ E (x)	211.9	509.1	257.5	85.5		32.8	24.7	
RoNW (%)	2.5	1.0	2.0	5.8		13.6	15.4	
RoCE (%)	4.0	2.8	4.3	8.2		14.0	16.2	

Key result highlights

- Order inflows (OI) during the quarter came in at ~₹30,011 crore. With OI in FY26 at ~₹75,916 crore. OI in Q4FY26 were led by Power segment (82% of order inflows), Industry segment share stood at around 18%. Order book reached ₹2,40,000 crore in Q4FY26 with 81:19 mix of power and industry business segment.
- Standalone revenue grew ~37% YoY to ₹12,310 crore, driven by strong execution in the Power segment, reflecting improvement in project conversion and order book monetisation.
- EBITDA margin expanded to 14.24% vs 9.3% YoY (~498 bps), supported by better project mix, higher operating leverage and improved execution efficiency.
- Power segment EBIT surged sharply to ₹1,870 crore (vs ₹308 crore YoY) with EBIT margins expanding to ~19.7%, indicating a strong turnaround in core business profitability and better cost absorption.
- Industry segment revenue remained flat at ~₹2,800 crore, while EBIT declined to ₹673 crore (vs ₹877 crore YoY), though margins remained stable at ~24%, indicating resilient but slightly normalising profitability.
- The power segment added ~2460 MW of thermal capacity during Q4FY26.
- BHEL is actively diversifying beyond thermal power into segments such as railway signalling (Kavach), coal gasification, hydro and industrial EPC, which are expected to provide incremental growth opportunities and reduce dependence on thermal ordering cycle over the long term. Recent order wins in these segments indicate early traction in diversification efforts.

Financial summary

Exhibit 1: Profit and loss statement					
	₹ crore				
(Year-end March)	FY24	FY25	FY26	FY27E	FY28E
Total operating Income	23,892.8	28,339.5	33,782.2	46,949.6	57,772.5
Growth (%)	2.3	18.6	19.2	39.0	23.1
Raw Material Expenses	16,807.1	18,844.4	22,983.1	29,767.3	37,344.3
Employee Expenses	5,628.8	5,923.4	6,467.8	9,012.5	11,145.3
Other Operating Expenses	844.2	2,329.3	1,989.3	3,416.9	4,340.0
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	31,440.1	42,196.7	52,829.6
EBITDA	612.6	1,242.4	2,342.1	4,752.9	6,261.1
Growth (%)	-35.7	102.8	88.5	102.9	31.73
Depreciation	248.9	272.0	345.6	334.9	334.9
Interest	731.3	748.3	756.4	529.3	528.8
Other Income	587.9	503.4	846.4	811.7	914.7
PBT	220.3	725.5	2,086.4	4,700.5	6,312.0
Others	0.0	0.0	0.0	0.0	0.0
Total Tax	-39.6	211.7	538.4	662.4	957.0
PAT	259.9	513.8	1,548.0	4,038.1	5,355.0
Growth (%)	-58.4	97.7	201.3	160.9	32.61
EPS (Rs.)	0.7	1.5	4.4	11.6	15.4

Source: Company, ICICI Direct Research

Exhibit 2: Cash flow statement					
	₹ crore				
(Year-end March)	FY24	FY25	FY26	FY27E	FY28E
Profit after Tax	259.9	513.8	1,548.0	4,038.1	5,355.0
Add: Depreciation	248.9	272.0	345.6	334.9	334.9
(Inc)/dec in Current Assets	-5,991.8	-6,759.1	-4,441.4	-9,505.5	-12,020.6
(Inc)/dec in CL and Provisions	-1,569.8	2,911.1	4,920.9	2,527.4	9,033.7
Others	0.0	0.0	0.0	0.0	0.0
CF from operating activities	-7,052.8	-3,062.3	2,373.2	-2,605.0	2,703.1
(Inc)/dec in Investments	1.8	-4.0	-4.9	4.9	0.0
(Inc)/dec in Fixed Assets	-301.5	-531.7	-696.6	607.0	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	-839.2	-510.0	-10.0
Dividend paid & dividend tax	-139.3	-87.1	-487.5	-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	-1,013.7	-1,171.2	-358.2
Net Cash flow	-540.4	1,456.3	4,253.5	-4,895.1	161.0
Opening Cash	6,697.4	6,157.0	7,613.3	11,866.8	6,971.7
Closing Cash	6,157.0	7,613.3	11,866.8	6,971.7	7,132.6

Source: Company, ICICI Direct Research

Exhibit 3: Balance Sheet					
	₹ crore				
(Year-end March)	FY24	FY25	FY26	FY27E	FY28E
Liabilities					
Equity Capital	696.4	696.4	696.4	696.4	696.4
Reserve and Surplus	24,153.8	24,417.0	25,819.7	29,017.4	34,024.2
Total Shareholders funds	24,850.2	25,113.4	26,516.1	29,713.8	34,720.6
Total Debt	8,831.6	8,957.4	8,118.2	7,608.2	7,598.2
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	52,203.0	54,990.6	59,987.4
Assets					
Gross Block	6,897.0	7,404.4	7,799.7	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	2,933.3	2,224.3	1,910.6
Capital WIP	282.3	161.7	399.2	275.0	275.0
Total Fixed Assets	2,793.0	3,024.1	3,332.5	2,499.3	2,185.6
Investments	667.7	671.7	676.6	671.7	671.7
Inventory	7,220.6	9,869.5	13,334.6	12,919.2	20,319.8
Debtors	4,785.4	5,884.4	6,796.3	10,001.4	12,662.5
Loans and Advances	0.0	0.0	0.0	0.0	0.0
Other Current Assets	16,382.3	19,393.5	19,457.9	26,173.6	28,132.5
Cash	6,157.0	7,613.3	11,866.8	6,971.7	7,132.6
Total Current Assets	34,545.2	42,760.7	51,455.5	56,065.9	68,247.4
Creditors	8,696.2	9,540.9	10,491.6	15,002.1	15,828.1
Provisions	2,318.3	1,815.3	1,918.9	3,750.5	3,957.0
Total Current Liabilities	16,524.8	19,435.9	24,356.8	26,884.2	35,918.0
Net Current Assets	18,020.4	23,324.8	27,098.7	29,181.7	32,329.4
Others Assets	0.0	0.0	0.0	0.0	0.0
Application of Funds	42,892.2	49,043.8	52,203.0	54,990.6	59,987.4

Source: Company, ICICI Direct Research

Exhibit 4: Key ratios					
(Year-end March)	FY24	FY25	FY26	FY27E	FY28E
Per share data (Rs.)					
EPS	0.7	1.5	4.4	11.6	15.4
Cash EPS	1.5	2.3	5.4	12.6	16.3
BV	71.4	72.1	76.2	85.3	99.7
DPS	0.4	0.2	1.4	1.0	1.0
Cash Per Share	17.7	21.9	34.1	20.0	20.5
Operating Ratios (%)					
EBITDA Margin	2.6	4.4	6.9	10.1	10.6
PBT / Total Operating income	1.0	2.6	6.2	10.3	10.9
PAT Margin	1.1	1.8	4.6	8.6	9.1
Inventory days	115.0	127.1	144.1	103.3	128.4
Debtor days	76.2	75.8	73.4	80.0	80.0
Creditor days	138.5	122.9	113.4	120.0	100.0
Return Ratios (%)					
RoE	1.0	2.0	5.8	13.6	15.4
RoCE	2.8	4.3	8.2	14.0	16.2
RoC	2.4	5.0	10.6	17.6	21.3
Valuation Ratios (x)					
P/E	509.1	257.5	85.5	32.8	24.7
EV / EBITDA	220.4	107.6	54.9	28.0	21.2
EV / Net Sales	5.9	4.7	3.8	2.9	2.3
Market Cap / Sales	5.8	4.7	3.9	2.9	2.3
Price to Book Value	6.5	6.4	6.0	5.4	4.6
Solvency Ratios					
Debt/EBITDA	14.4	7.2	3.5	1.6	1.2
Debt / Equity	0.4	0.4	0.3	0.3	0.2
Current Ratio	1.7	1.8	1.6	1.8	1.7
Quick Ratio	1.3	1.3	1.1	1.3	1.1

Source: Company, ICICI Direct Research

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Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%

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