

August 7, 2025

Q1FY26 Result Update

☑ Change in Estimates | ☑ Target | ■ Reco

Change in Estimates

	Current		Previous	
	FY26E	FY27E	FY26E	FY27E
Rating	HOLD		HOLD	
Target Price	215		237	
Sales (Rs. m)	3,46,598	4,31,171	3,89,361	4,74,632
% Chng.	(11.0)	(9.2)		
EBITDA (Rs. m)	24,410	51,364	32,678	56,779
% Chng.	(25.3)	(9.5)		
EPS (Rs.)	3.9	9.8	5.6	10.8
% Chng.	(30.8)	(9.5)		

Key Financials - Standalone

Y/e Mar	FY24	FY25	FY26E	FY27E
Sales (Rs. bn)	239	283	347	431
EBITDA (Rs. bn)	6	12	24	51
Margin (%)	2.6	4.4	7.0	11.9
PAT (Rs. bn)	3	5	13	34
EPS (Rs.)	0.7	1.5	3.9	9.8
Gr. (%)	(58.4)	97.4	162.5	152.1
DPS (Rs.)	0.3	0.3	0.4	1.0
Yield (%)	0.1	0.1	0.2	0.4
RoE (%)	1.0	2.1	5.2	12.1
RoCE (%)	1.1	2.9	6.2	13.5
EV/Sales (x)	3.4	2.9	2.3	1.8
EV/EBITDA (x)	134.0	65.1	32.4	15.2
PE (x)	305.5	154.7	58.9	23.4
P/BV (x)	3.2	3.2	3.0	2.7

Key Data

52-W High / Low	Rs.306 / Rs.176
Sensex / Nifty	80,623 / 24,596
Market Cap	Rs.794bn/ \$ 9,051m
Shares Outstanding	3,482m
3M Avg. Daily Value	Rs.2499.2m

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	(11.1)	12.4	(25.2)
Relative	(8.0)	8.5	(26.2)

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Dismal Q1; focus on execution pace

Quick Pointers:

- Power segment's weak sales growth (-5.6% YoY) and significant margin decline (1,177 bps YoY) adversely impacted the quarterly results.
- Order intake increased by ~42% YoY to ~Rs134bn, supported by key HVDC and STG order wins.

We revise our FY26/27E EPS estimate by -30.8%/-9.5% factoring in weaker pace of execution and higher other expenses. BHEL reported a dismal quarter with a flattish revenue of Rs54.9bn and an EBITDA level loss of Rs5.4bn due to sharp increase in other expenses. Continued execution challenges in the Power segment led to 5.6% YoY decline in revenue despite a strong power order book of ~Rs1.6trn. Macro tailwinds—public/private capex and policy support—continue to drive robust order inflows, including ~14.6 GW of thermal orders won in FY25 and a Rs65bn equipment order won from Adani Power during the quarter. BHEL's active diversification into transmission, transportation, defense, and Oil & Gas is yielding results with award of the prestigious 6 GW Bhadla-Fatehpur HVDC order to the consortium of the company during Q1, further bolstering its presence in the industrial segment. While near-term challenges persist in execution and profitability, the strong order pipeline and strategic shift toward non-power segments position BHEL for long-term back ended growth. The stock is currently trading at a P/E of 58.9x/23.4x on FY26/27E earnings. We maintain our rating to 'Hold' and value a stock at a PE of 22x Mar'27E (same as earlier) with a revised TP of Rs215 (Rs237 earlier).

Long term view: We believe that the execution is not keeping pace with the strong order wins in recent years while in the long run 1) large thermal power order pipeline, 2) diversification into railways, defence, green hydrogen, coal gasification, etc., and 3) growing spares & services business could augurs well for BHEL. However, execution pace and operational efficiency will be key monitorable.

Weaker execution led to flattish revenue growth: Standalone revenue remains flattish YoY to Rs54.9bn (PLe: Rs67.9bn) led by growth in Industry segments (+17.0% YoY to Rs15.9bn), while the power segment declined by ~6% YoY to ~Rs39.0bn. Gross margin contracted by 14bps YoY to 29.2% (PLe: 30.0%). At EBITDA level, a loss of Rs5.4bn was reported vs loss of Rs1.7bn in Q1FY25 (PLe: loss of Rs1.0bn) due to sharp increase in other expenses (+97.5% YoY to Rs6.8bn). At the PBT level, a loss of Rs6.1bn was reported (PLe: loss of Rs2.3bn), due to an increase in other expenses and a 12.0% YoY rise in interest costs to Rs1.8bn. Net loss stood at Rs4.5bn vs loss of Rs2.1bn in Q1FY25 (PLe: loss of Rs1.7bn) due to weaker operating performance despite of increase in other income (+68.7% YoY to Rs1.9bn).

Order book stands at ~Rs2.0trn (7.2x TTM revenue): Order inflow increased by 41.7% YoY to ~Rs134bn with a mix of Power/Industry(inc. Export) at 57%/43% and Order book stands at Rs2.0trn with a mix of Power/Industry(inc. Export) at 79%/21%. Key orders in the Q1 include Bhadla - Fatehpur HVDC terminals, 6x800 MW Steam Turbine Generators, and Supply of 5733 nos. of 5Ah Li-ion cells.

Exhibit 1: Significant increase in other expenses (+97.5% YoY to Rs6.8bn) impacted margin performance

Y/e March (Rs mn)	Q1FY26	Q1FY25	YoY gr.	Q1FY26E	% Var.	Q4FY25	QoQ gr.	FY26E	FY25	YoY gr.
Revenue	54,869	54,849	0.0%	67,929	-19.2%	89,934	-39.0%	3,46,598	2,83,395	22.3%
Gross Profit	16,004	16,074	-0.4%	20,379	-21.5%	30,401	-47.4%	1,21,656	94,943	28.1%
Margin (%)	29.2	29.3	(14)	30.0	(83)	33.8	(464)	35.1	33.5	160
Employee Cost	14,625	14,349	1.9%	14,605	0.1%	15,394	-5.0%	58,922	59,234	-0.5%
as % of sales	26.7	26.2	49	21.5	515	17.1	954	17.0	20.9	(390)
Other expenditure	6,751	3,418	97.5%	6,793	-0.6%	6,691	0.9%	38,324	23,293	64.5%
as % of sales	12.3	6.2	607	10.0	230	7.4	486	11.1	8.2	284
EBITDA	(5,371)	(1,694)	217.2%	(1,019)	427.2%	8,317	-164.6%	24,410	12,416	-
Margin (%)	(9.8)	(3.1)	(670)	(1.5)	(829)	9.2	(1,904)	7.0	4.4	266
Depreciation	745	590	26.4%	690	8.0%	850	-12.4%	3,200	2,720	17.7%
EBIT	(6,117)	(2,283)	-	(1,709)	-	7,467	-181.9%	21,210	9,696	-
Margin (%)	(11.1)	(4.2)	(698)	(2.5)	(863)	8.3	(1,945)	6.1	3.4	270
Other Income	1,854	1,100	68.7%	1,300	42.6%	1,588	16.8%	5,546	5,034	10.2%
Interest	1,812	1,617	12.0%	1,900	-4.6%	2,014	-10.0%	7,574	7,483	1.2%
PBT (ex. Extra-ordinaries)	(6,074)	(2,801)	-	(2,309)	-	7,040	-186.3%	19,182	7,247	-
Margin (%)	(11.1)	(5.1)	(596)	(3.4)	(767)	7.8	(1,890)	5.5	2.6	298
Extraordinary Items	-	-	-	-	-	-	-	-	-	-
PBT	(6,074)	(2,801)	116.9%	(2,309)	163.1%	7,040	-186.3%	19,182	7,247	164.7%
Total Tax	(1,525)	(676)	-	(582)	162.2%	2,000	-176.3%	5,716	2,117	170.0%
Effective Tax Rate (%)	25.1	24.1	-	25.2	-	28.4	-	-	-	-
Reported PAT	(4,549)	(2,125)	114.0%	(1,727)	163.4%	5,040	-190.2%	13,466	5,130	162.5%
Adj. PAT	(4,549)	(2,125)	114.0%	(1,727)	163.4%	5,040	-190.2%	13,466	5,130	162.5%
Adj. EPS	(1.3)	(0.6)	114.0%	(0.5)	163.4%	1.4	-190.2%	3.9	1.5	162.5%

Source: Company, PL

Exhibit 2: Industry margin improved to 19.3% (vs 4.7% YoY); Power margin declined to -13.1% (vs -1.3% YoY)

Segment Performance	Q1FY26	Q1FY25	YoY gr.	Q1FY26E	% Var.	Q4FY25	QoQ gr.	FY26E	FY25	YoY gr.
Revenue (Rs mn)										
Power	38,989	41,281	-5.6%	50,260	-22.4%	61,924	-37.0%	2,56,580	2,09,373	22.5%
Industry	15,881	13,568	17.0%	17,670	-10.1%	28,010	-43.3%	90,018	74,022	21.6%
Total	54,869	54,849	0.0%	67,929	-19.2%	89,934	-39.0%	3,46,598	2,83,395	22.3%
EBIT (Rs mn)										
Power	(5,100)	(540)	845.0%	2,262	-325.5%	3,081	-265.5%	44,494	12,160	265.9%
Industry	3,068	633	384.4%	972	215.7%	8,773	-65.0%	9,973	12,625	-
Total	(2,032)	94	-2268.2%	3,234	-162.8%	11,854	-117.1%	54,467	24,785	119.8%
EBIT Margin (%)										
Power	-13.1	-1.3	-1,177	4.5	-1,758	5.0	-1,806	17.3	5.8	1,153
Industry	19.3	4.7	1,465	5.5	1,382	31.3	-1,200	11.1	17.1	-598
Total	-3.7	0.2	-387	4.8	-846	13.2	-1,688	15.7	8.7	697

Source: Company, PL

Financials

Income Statement (Rs m)

Y/e Mar	FY24	FY25	FY26E	FY27E
Net Revenues	2,38,928	2,83,395	3,46,598	4,31,171
YoY gr. (%)	2.3	18.6	22.3	24.4
Cost of Goods Sold	1,68,071	1,88,452	2,24,942	2,75,087
Gross Profit	70,857	94,943	1,21,656	1,56,084
Margin (%)	29.7	33.5	35.1	36.2
Employee Cost	56,288	59,234	58,922	58,208
Other Expenses	18,814	21,713	25,302	30,311
EBITDA	6,126	12,416	24,410	51,364
YoY gr. (%)	(35.7)	102.7	96.6	110.4
Margin (%)	2.6	4.4	7.0	11.9
Depreciation and Amortization	2,489	2,720	3,200	3,588
EBIT	3,637	9,696	21,210	47,776
Margin (%)	1.5	3.4	6.1	11.1
Net Interest	7,313	7,483	7,574	6,860
Other Income	5,879	5,034	5,546	6,769
Profit Before Tax	2,203	7,247	19,182	47,686
Margin (%)	0.9	2.6	5.5	11.1
Total Tax	(396)	2,117	5,716	13,733
Effective tax rate (%)	(18.0)	29.2	29.8	28.8
Profit after tax	2,599	5,130	13,466	33,952
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
Adjusted PAT	2,599	5,130	13,466	33,952
YoY gr. (%)	(58.4)	97.4	162.5	152.1
Margin (%)	1.1	1.8	3.9	7.9
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	2,599	5,130	13,466	33,952
YoY gr. (%)	(58.4)	97.4	162.5	152.1
Margin (%)	1.1	1.8	3.9	7.9
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	2,599	5,130	13,466	33,952
Equity Shares O/s (m)	3,482	3,482	3,482	3,482
EPS (Rs)	0.7	1.5	3.9	9.8

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY24	FY25	FY26E	FY27E
Non-Current Assets				
Gross Block	68,970	74,045	78,045	81,545
Tangibles	68,970	74,045	78,045	81,545
Intangibles	-	-	-	-
Acc: Dep / Amortization	43,863	45,420	48,620	52,208
Tangibles	43,863	45,420	48,620	52,208
Intangibles	-	-	-	-
Net fixed assets	25,107	28,625	29,425	29,337
Tangibles	25,107	28,625	29,425	29,337
Intangibles	-	-	-	-
Capital Work In Progress	3,717	2,797	2,797	2,797
Goodwill	-	-	-	-
Non-Current Investments	8,737	13,881	14,904	17,247
Net Deferred tax assets	42,013	40,677	40,677	40,677
Other Non-Current Assets	1,36,897	1,40,750	1,62,901	1,81,092
Current Assets				
Investments	-	-	-	-
Inventories	72,206	98,695	1,17,748	1,29,942
Trade receivables	80,101	89,309	96,858	1,18,129
Cash & Bank Balance	61,575	76,124	82,701	84,904
Other Current Assets	1,61,425	1,90,928	1,62,901	1,85,403
Total Assets	5,52,162	6,44,116	6,73,874	7,53,464
Equity				
Equity Share Capital	6,964	6,964	6,964	6,964
Other Equity	2,41,542	2,44,166	2,56,761	2,89,367
Total Networth	2,48,506	2,51,130	2,63,725	2,96,331
Non-Current Liabilities				
Long Term borrowings	88,329	88,522	78,522	68,522
Provisions	-	-	-	-
Other non current liabilities	-	-	-	-
Current Liabilities				
ST Debt / Current of LT Debt	236	1,624	1,624	1,624
Trade payables	1,09,890	1,17,117	1,51,933	1,91,369
Other current liabilities	1,47,214	2,26,400	2,18,746	2,36,296
Total Equity & Liabilities	5,52,162	6,44,116	6,73,874	7,53,464

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY24	FY25	FY26E	FY27E
PBT	2,203	7,247	19,182	47,686
Add. Depreciation	2,489	2,720	3,200	3,588
Add. Interest	7,313	7,483	7,574	6,860
Less Financial Other Income	5,879	5,034	5,546	6,769
Add. Other	(16,910)	(13,638)	-	-
Op. profit before WC changes	(4,905)	3,811	29,956	58,134
Net Changes-WC	(34,446)	17,295	4,299	(19,399)
Direct tax	2,222	813	(5,716)	(13,733)
Net cash from Op. activities	(37,129)	21,919	28,539	25,001
Capital expenditures	(2,236)	(2,681)	(4,000)	(3,500)
Interest / Dividend Income	3,993	3,717	-	-
Others	11,551	(28,346)	483	(1,091)
Net Cash from Invt. activities	13,309	(27,309)	(3,517)	(4,591)
Issue of share cap. / premium	(391)	(554)	(10,000)	(10,000)
Debt changes	34,230	(130)	-	-
Dividend paid	(1,395)	(874)	(871)	(1,347)
Interest paid	(5,888)	(7,010)	(7,574)	(6,860)
Others	(893)	(300)	-	-
Net cash from Fin. activities	25,664	(8,868)	(18,444)	(18,207)
Net change in cash	1,844	(14,258)	6,577	2,203
Free Cash Flow	(39,454)	19,104	24,539	21,501

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY24	FY25	FY26E	FY27E
Per Share(Rs)				
EPS	0.7	1.5	3.9	9.8
CEPS	1.5	2.3	4.8	10.8
BVPS	71.4	72.1	75.7	85.1
FCF	(11.3)	5.5	7.0	6.2
DPS	0.3	0.3	0.4	1.0
Return Ratio(%)				
RoCE	1.1	2.9	6.2	13.5
ROIC	1.7	2.6	5.7	12.6
RoE	1.0	2.1	5.2	12.1
Balance Sheet				
Net Debt : Equity (x)	0.1	0.1	0.0	0.0
Net Working Capital (Days)	65	91	66	48
Valuation(x)				
PER	305.5	154.7	58.9	23.4
P/B	3.2	3.2	3.0	2.7
P/CEPS	156.0	101.1	47.6	21.1
EV/EBITDA	134.0	65.1	32.4	15.2
EV/Sales	3.4	2.9	2.3	1.8
Dividend Yield (%)	0.1	0.1	0.2	0.4

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q2FY25	Q3FY25	Q4FY25	Q1FY26
Net Revenue	65,841	72,771	89,934	54,869
YoY gr. (%)	28.5	32.2	8.9	-
Raw Material Expenses	44,301	45,842	59,533	38,865
Gross Profit	21,540	26,929	30,401	16,004
Margin (%)	32.7	37.0	33.8	29.2
EBITDA	2,750	3,042	8,317	(5,371)
YoY gr. (%)	(278.9)	40.5	14.3	217.2
Margin (%)	4.2	4.2	9.2	(9.8)
Depreciation / Depletion	601	679	850	745
EBIT	2,149	2,364	7,467	(6,117)
Margin (%)	3.3	3.2	8.3	(11.1)
Net Interest	2,014	1,838	2,014	1,812
Other Income	1,184	1,162	1,588	1,854
Profit before Tax	1,319	1,688	7,040	(6,074)
Margin (%)	2.0	2.3	7.8	(11.1)
Total Tax	353	441	2,000	(1,525)
Effective tax rate (%)	26.7	26.1	28.4	25.1
Profit after Tax	967	1,248	5,040	(4,549)
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
Adjusted PAT	967	1,248	5,040	(4,549)
YoY gr. (%)	(265.8)	169.4	4.1	114.0
Margin (%)	1.5	1.7	5.6	(8.3)
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	967	1,248	5,040	(4,549)
YoY gr. (%)	(265.8)	169.4	4.1	114.0
Margin (%)	1.5	1.7	5.6	(8.3)
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	967	1,248	5,040	(4,549)
Avg. Shares O/s (m)	3,482	3,482	3,482	3,482
EPS (Rs)	0.3	0.4	1.4	(1.3)

Source: Company Data, PL Research

Price Chart



Recommendation History

No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	09-Jul-25	Hold	237	258
2	20-May-25	Hold	237	244
3	09-Apr-25	Accumulate	226	211
4	29-Jan-25	Accumulate	226	200
5	09-Jan-25	Accumulate	260	221
6	29-Oct-24	Accumulate	260	230
7	07-Oct-24	Reduce	264	268

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	ABB India	Accumulate	5,600	5,093
2	Apar Industries	Hold	9,540	9,682
3	BEML	Hold	4,142	4,522
4	Bharat Electronics	Hold	374	387
5	BHEL	Hold	237	258
6	Carborundum Universal	Hold	1,028	994
7	Cummins India	BUY	3,647	3,478
8	Elgi Equipments	Accumulate	559	535
9	Engineers India	Accumulate	250	242
10	GE Vernova T&D India	Accumulate	2,706	2,473
11	Grindwell Norton	Hold	1,739	1,635
12	Harsha Engineers International	Hold	402	423
13	Hindustan Aeronautics	Accumulate	5,500	5,003
14	Ingersoll-Rand (India)	BUY	4,522	4,045
15	Kalpataru Projects International	Accumulate	1,268	1,190
16	KEC International	Accumulate	911	860
17	Kirloskar Pneumatic Company	BUY	1,636	1,316
18	Larsen & Toubro	BUY	4,144	3,496
19	Praj Industries	BUY	545	497
20	Siemens	Accumulate	3,497	3,291
21	Thermax	Hold	3,633	3,779
22	Triveni Turbine	BUY	650	533
23	Voltamp Transformers	BUY	10,285	8,892

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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