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Strong order book and diversification to drive growth...

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.

Q2FY27 performance: Bharat Heavy Electricals Ltd. (BHEL) reported a strong Q2FY27 performance, with revenue increasing 23.8% YoY to ₹9,300.4 crore (vs. ₹7,511.8 crore). EBITDA increased 76.6% YoY to ₹1,026 crore (vs. ₹581 crore), with EBITDA margin expanding to 11.0% from 7.7%. PAT increased 120.1% YoY to ₹808.9 crore (vs. ₹367.7 crore), with net profit margin improving to 8.7% from 4.9%.

Investment Rationale:

- Record order book and diversified order pipeline provide strong multi-year revenue visibility:** BHEL reported H1FY27 order inflows of ~₹30,000 crore, including ~₹4,000 crore in Q2FY27, taking its outstanding order book to a record ₹2.58 lakh crore (book to bill of 7.6x FY26 revenue) as of September 2026 (+17.3% YoY). The order book remains diversified beyond conventional thermal power, with sizeable non-thermal orders across transportation (~₹16,400 crore), transmission (~₹13,600 crore), nuclear (~₹12,800 crore), defence (~₹7,300 crore), hydro (~₹6,400 crore) and coal gasification (~₹9,000 crore). This diversification, supported by ongoing investments in power generation, grid expansion, rail mobility and defence indigenisation, provides a strong platform for sustained execution over the medium term.
- Execution-led turnaround with structural margin expansion potential:** BHEL's Q2FY27 performance reflects improving operating leverage, with EBITDA margin expanding to 11% from 7.7% in Q2FY26, while PAT increased 120% YoY to ₹809 crore. We believe sustained execution of the record ₹2.58 lakh crore order book, better fixed-cost absorption and a rising contribution from higher-value businesses such as spares and services, transmission, nuclear and defence can support further profitability improvement. Operational progress remains encouraging, with 2,260 MW of capacity addition achieved in H1FY27 against the FY27 target of 4,790 MW, alongside improved receivable days of 94 versus 120 days a year ago. Continued execution discipline, timely billing and collections should support cash generation and the conversion of revenue growth into sustainable earnings; however, margin sustainability and working-capital efficiency remain key monitorable.
- Rating and Target Price:** We expect the revenues and PAT to grow at a CAGR of ~31% and 95% over FY26-FY28E. This will also improve ROCE from mid-single digit to ~17.5% ROCE in FY28E. Hence, we rate the stock **BUY** with fair value of **₹605 (35x FY28E EPS)**.



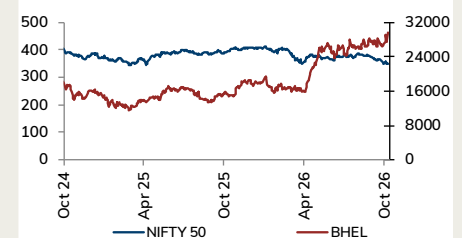
Particulars

	Rs. (in crore)
Market Capitalisation	161,521
Total Debt (FY26)	8118
Cash and Inv. (FY26)	11866
Enterprise Value	157773
52-week H/L (Rs.)	464/230
Equity capital	696.4
Face value (Rs.)	2

Shareholding pattern

%	Dec-25	Mar-26	Jun-26	Sep-26
Promoter	63.17	58.17	58.17	58.17
FII	6.28	7.23	9.52	9.94
DII	19.7	23.99	22.35	21.8
Others	10.85	10.61	9.96	10.09

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)	FY24	FY25	FY26	2-Year CAGR (FY24-FY26)	FY27E	FY28E	2-Year CAGR (FY26-FY28E)
Net Sales	23,893	28,339	33,782	18.9%	43,108	57,844	30.9%
EBITDA	613	1,242	2,342	95.5%	4,882	6,906	71.7%
EBITDA Margin (%)	2.6	4.4	6.9		11.3	11.9	
Net Profit	260	514	1,578	146.4%	3,680	6,020	95.3%
EPS (Rs.)	0.7	1.5	4.5		10.6	17.3	
P/ E (x)	621.7	314.5	102.4		43.9	26.8	
RoNW (%)	1.0	2.0	6.0		12.4	17.2	
RoCE (%)	2.8	4.3	8.3		14.8	17.5	

Source: Company, ICICI Direct Research

Q2FY27 Earnings call highlights

• Financial Performance:

- BHEL reported a strong Q2FY27 performance, with revenue increasing 23.8% YoY to ₹9,300.4 crore (vs. ₹7,511.8 crore), driven by healthy execution across Power and Industry segments.
- Power segment revenue grew 17.0% YoY to ₹6,638 crore, while Industry revenue increased 45.0% YoY to ₹2,662 crore. Power EBIT margin improved to 12.9% from 10.5% in Q2FY26, while Industry EBIT margin expanded to 19.5% from 15.3%, indicating improved segment profitability.
- EBITDA increased 76.6% YoY to ₹1,026 crore (vs. ₹581 crore), with EBITDA margin expanding to 11.0% from 7.7%.
- PAT increased 120.1% YoY to ₹808.9 crore (vs. ₹367.7 crore), with net profit margin improving to 8.7% from 4.9%.
- Customer collections increased 33% YoY to ₹13,179 crore in Q2FY27, while trade receivables remained broadly stable at ₹9,718 crore. Receivable days improved to 94 days from 120 days in Q2FY26, indicating better collection efficiency.

• Order Book & Order Inflow:

- BHEL's outstanding order book reached a record ₹2.58 lakh crore as of September 30, 2026, up 17.3% YoY from ₹2.20 lakh crore. H1FY27 order inflows stood at approximately ₹30,000 crore, including ₹4,000 crore in Q2FY27, providing substantial multi-year revenue visibility.
- The order book remains diversified beyond conventional thermal power, with transportation at ₹16,400 crore, transmission at ₹13,600 crore, nuclear at ₹12,800 crore, defence at ₹7,300 crore, hydro at ₹6,400 crore, coal gasification at ₹9,000 crore, and spares and services at ₹4,000 crore. This diversification provides exposure to multiple structural investment themes and reduces dependence on a single business segment.

• Execution & Project Commissioning:

- BHEL achieved 2,260 MW of capacity addition during H1FY27, against its FY27 target of 4,790 MW. Key Q2 milestones included commissioning of Unit 1 of the 660 MW Udangudi Supercritical Thermal Power Project for TANGEDCO, reflecting progress in execution of its power-generation project portfolio.
- The company synchronised 199 MW of capacity during the quarter, including 46 MW at Panchet HEP, 39 MW at Chilla HEP and multiple steam turbine generator units for industrial applications. Additionally, both 20 MW units at Rahughat HEP in Nepal achieved full-load operation.
- BHEL also successfully test-fired and delivered three upgraded Super Rapid Gun Mounts (SRGMs) to shipyards, demonstrating execution progress in its defence business.

Financial summary

Exhibit 1: Profit and loss statement				
	₹ crore			
(Year-end March)	FY25	FY26	FY27E	FY28E
Total operating Income	28,339.5	33,782.2	43,107.8	57,844.0
Growth (%)	18.6	19.2	27.6	34.2
Raw Material Expenses	18,844.4	22,983.1	27,872.0	37,363.3
Employee Expenses	5,923.4	6,467.8	7,914.4	10,646.1
Other Operating Expenses	2,329.3	1,989.3	2,439.7	2,928.1
Provision For Bad Debt	0.0	0.0	0.0	0.0
Other expenses	0.0	0.0	0.0	0.0
Total Operating Expenditure	27,097.1	31,440.1	38,226.1	50,937.5
EBITDA	1,242.4	2,342.1	4,881.7	6,906.5
Growth (%)	102.8	88.5	108.4	41.48
Depreciation	272.0	315.9	348.0	369.3
Interest	748.3	756.4	572.8	528.8
Other Income	503.4	846.4	955.3	914.7
PBT	725.5	2,116.2	4,916.2	6,923.0
Others	0.0	0.0	0.0	0.0
Total Tax	211.7	538.4	1,236.2	903.0
PAT	513.8	1,577.8	3,680.0	6,020.1
Growth (%)	97.7	207.1	133.2	63.59
EPS (Rs.)	1.5	4.5	10.6	17.3

Source: Company, ICICI Direct Research

Exhibit 2: Cash flow statement				
	₹ crore			
(Year-end March)	FY25	FY26	FY27E	FY28E
Profit after Tax	514	1,578	3,680	6,020
Add: Depreciation	272	316	348	369
(Inc)/dec in Current Assets	-6,759	-4,441	-5,933	-9,481
Inc/(dec) in CL and Provisions	2,911	4,921	4,289	7,790
Others	0	0	0	0
CF from operating activities	-3,062	2,373	2,384	4,699
(Inc)/dec in Investments	-4	-5	5	0
(Inc)/dec in Fixed Assets	-532	-668	-451	-451
Others	0	0	0	0
CF from investing activities	-125	-1,013	-997	-497
Issue/(Buy back) of Equity	0	0	0	0
Inc/(dec) in loan funds	126	-839	-510	-10
Dividend paid & dividend tax	-174	-174	-487	-487
Inc/(dec) in Sec. premium	0	0	0	0
Others	0	0	0	0
CF from financing activities	-125	-1,013	-997	-497
Net Cash flow	1,456	4,253	1,258	-208
Opening Cash	6,157	7,613	11,866	13,124
Closing Cash	7,613	11,866	13,124	12,916

Source: Company, ICICI Direct Research

Exhibit 3: Balance sheet				
	₹ crore			
(Year-end March)	FY25	FY26	FY27E	FY28E
Liabilities				
Equity Capital	696.4	696.4	696.4	696.4
Reserve and Surplus	24,417	25,821	28,863	34,396
Total Shareholders' funds	25,113	26,517	29,560	35,092
Total Debt	8,957	8,118	7,608	7,598
Deferred Tax Liability	0.0	0.0	0.0	0.0
Minority Interest / Others	0.0	0.0	0.0	0.0
Total Liabilities	49,044	52,204	54,836	60,359
Assets				
Gross Block	7,404	7,662	8,286	8,792
Less: Acc Depreciation	4,542	4,728	5,100	5,498
Net Block	2,862	2,933	3,186	3,294
Capital WIP	162	399	275	275
Total Fixed Assets	3,024	3,332	3,461	3,569
Investments	672	677	672	672
Inventory	9,869	13,335	15,010	18,270
Debtors	5,884	6,796	9,448	12,678
Loans and Advances	0.0	0.0	0.0	0.0
Other Current Assets	19,394	19,458	21,063	24,055
Cash	7,613	11,866	13,124	12,916
Total Current Assets	42,761	51,455	58,646	67,918
Creditors	9,541	10,492	12,991	17,432
Provisions	1,815	1,919	2,598	3,138
Total Current Liabilities	19,436	24,357	28,646	36,436
Net Current Assets	23,325	27,098	30,000	31,482
Other Assets	0.0	0.0	0.0	0.0
Application of Funds	49,044	52,204	54,836	60,359

Source: Company, ICICI Direct Research

Exhibit 4: Key ratios				
(Year-end March)	FY25	FY26	FY27E	FY28E
Per share data (Rs.)				
EPS	1.5	4.5	10.6	17.3
Cash EPS	2.3	5.4	11.6	18.3
BV	72.1	76.2	84.9	100.8
DPS	0.5	0.5	1.4	1.4
Cash Per Share	21.9	34.1	37.7	37.1
Operating Ratios (%)				
EBITDA Margin	4.4	6.9	11.3	11.9
PBT / Total Operating income	2.6	6.3	11.4	12.0
PAT Margin	1.8	4.7	8.5	10.4
Inventory days	127.1	144.1	127.1	115.3
Debtor days	75.8	73.4	80.0	80.0
Creditor days	122.9	113.4	110.0	110.0
Return Ratios (%)				
RoE	2.0	6.0	12.4	17.2
RoCE	4.3	8.3	14.8	17.5
RoIC	5.0	10.8	21.9	29.0
Valuation Ratios (x)				
P/E	314.5	102.4	43.9	26.8
EV / EBITDA	131.1	67.4	32.0	22.6
EV / Net Sales	5.7	4.7	3.6	2.7
Market Cap / Sales	5.7	4.8	3.7	2.8
Price to Book Value	8.4	7.9	7.1	6.0
Solvency Ratios				
Debt/EBITDA	7.2	3.5	1.6	1.1
Debt / Equity	0.4	0.3	0.3	0.2
Current Ratio	1.8	1.6	1.6	1.5
Quick Ratio	1.3	1.1	1.1	1.0

Source: Company, ICICI Direct Research

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Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%

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