CMP: ₹440 | Target: ₹575 (31%) | Target Period: 12 months | BUY

July 17, 2026

Execution momentum accelerates …

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.

Q1FY27 performance: Bharat Heavy Electricals Ltd. (BHEL) reported a robust Q1FY27 performance, with revenue increasing 40.3% YoY to ₹7,697.7 crore (vs. ₹5,486.9 crore), driven by strong execution in the Power segment. Power revenue grew 51.8% YoY to ₹5,919.5 crore, while the industry segment reported 12.0% YoY growth to ₹1,778.2 crore. EBITDA improved to ₹503.9 crore from a loss of ₹537.1 crore in Q1FY26, with EBITDA margin expanding to 6.6% from -9.8%. PAT stood at ₹381.9 crore against a loss of ₹454.9 crore in the corresponding quarter last year, while PAT margin improved to 5.0% from -8.3%.

Investment Rationale:

- **Record order book provides strong multi-year visibility:** BHEL reported a strong order inflow of ₹26,745 crore in Q1FY27, driven by large thermal EPC wins, its largest-ever export gas turbine package, and healthy order additions across nuclear, transmission, defence, railways, and oil & gas. This resulted in a record order book backlog of ₹2.60 lakh crore (+27% YoY), providing revenue visibility for the medium to long term. The order book remains well diversified, with 81% from the power segment and increasing contribution from high-growth non-thermal businesses, with sizeable non-thermal orders including nuclear (~₹12,000 crore), transmission (~₹14,000 crore), transportation (~₹15,000 crore), defence (~₹7,000 crore) and coal gasification (~₹8,000 crore). The diversified backlog should support sustained revenue growth, improve execution flexibility and reduce dependence on conventional thermal projects over the medium term.
- **Execution-led margin expansion supported by operating leverage and a favourable business mix:** BHEL's turnaround is gaining momentum, with Q1FY27 revenue rising 40% YoY to ₹7,698 crore, while EBITDA turned positive at ₹735 crore and PAT at ₹382 crore, reflecting the benefits of higher execution and improved project profitability. We believe margins are at the beginning of a structural upcycle, driven by operating leverage as execution accelerates on the ₹2.6 lakh crore order book, a richer mix of higher-margin businesses such as spares & services, nuclear, defence, transmission and exports, improved project execution and milestone billing leading to lower cost overruns, better fixed-cost absorption with higher manufacturing utilisation, and stronger cash generation reducing working capital costs. We expect BHEL to achieve order inflows of over ₹70,000 crore in FY27, supported by a robust pipeline across thermal power, nuclear, transmission, defence and industrial businesses and EBITDA margin to expand from 6.9% in FY26 to 11.5% by FY28E.

Rating and Target Price

- We expect the revenues and PAT to grow at a CAGR of ~30.5% and 90% over FY26-FY28E. This will also improve ROCE from mid-single digit to ~16.7% ROCE in FY28E. Hence, we rate the stock **buy** with fair value of **₹575** (35x FY28E EPS).

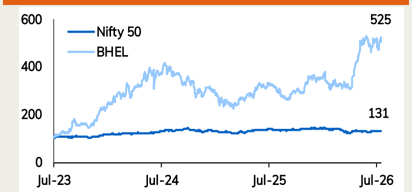
Market data

Particular	Rs. (in crore)
Market Capitalisation	1,46,247
Total Debt (FY26)	8118
Cash and Inv (FY26)	11866
Enterprise Value	142499
52 week H/L (Rs.)	425/205
Equity capital	696.4
Face value (Rs.)	2

Shareholding pattern

%	Sep-25	Dec-25	Mar-26	Jun-26
Promoter	63.17	63.17	58.17	58.17
FII	6.23	6.28	7.23	9.52
DII	18.62	19.7	23.99	22.35
Others	11.98	10.85	10.61	9.96

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

Research Analyst

Chirag J Shah
shah.chirag@icicisecurities.com

Dilip Pandey
dilip.pandey@icicisecurities.com

Gourav Aggarwal
gourav.aggarwal@icicisecurities.com

Result Update

ICICI Securities – Retail Equity Research

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%	46,826	57,533	30.5%
EBITDA	953	613	1,242	2,342	35.0%	5,059	6,642	68.4%
EBITDA Margin (%)	4.1	2.6	4.4	6.9		10.8	11.5	
Net Profit	624	260	514	1,578	36.2%	4,246	5,707	90.2%
EPS (Rs.)	1.8	0.7	1.5	4.5		12.2	16.4	
P/ E (x)	245.4	589.5	298.2	97.1		36.1	26.8	
RoNW (%)	2.5	1.0	2.0	6.0		14.1	16.1	
RoCE (%)	4.0	2.8	4.3	8.3		15.1	16.7	

Source: Company, ICICI Direct Research

Key result highlights

- Standalone revenue grew ~40.3% YoY to ₹7,698 crore (vs ₹5,487 crore), driven by strong execution in the Power segment, reflecting improvement in project conversion and order book monetisation.

- EBITDA turned positive at ₹504 crore from a loss of ₹537 crore in Q1FY26, while EBITDA margin improved sharply to 6.6% from -9.8%, reflecting improved operating leverage and better project execution.

- PAT stood at ₹382 crore, compared with a loss of ₹455 crore in the year-ago quarter, with PAT margin improving to 5.0% from -8.3%, supported by a strong recovery in operating profitability.

- Order inflows (OI) during the quarter came in at ₹26,745 crore in Q1FY27, comprising Power: ₹22,625 crore, Industry: ₹1,767 crore and Exports: ₹2,353 crore, driven by marquee thermal, export and diversified business wins.

- Order book reached a record ₹2.60 lakh crore (+27% YoY), providing strong long-term revenue visibility. Non-thermal businesses continue to scale with sizeable order books in Transportation (~₹15,000 crore), Transmission (~₹14,000 crore), Nuclear (~₹12,000 crore), Coal Gasification (~₹8,000 crore) and Defence (~₹7,000 crore).

- Power segment revenue increased 51.8% YoY to ₹5,920 crore (vs. ₹3,899 crore), driven by robust project execution. Power EBIT margin improved sharply to 9.5% from -13.1% in Q1FY26, reflecting better execution and operating leverage.

- Industry segment revenue grew 12.0% YoY to ₹1,778 crore (vs. ₹1,588 crore). Industry EBIT margin moderated to 13.6% from 19.3% in the year-ago quarter but remained at stable double-digit levels.

- **Key Business Development:**

    a. Secured a marquee EPC order worth ₹21,000+ crore from Meja Urja Nigam Pvt. Ltd. (MUNPL) for the 3×800 MW Meja Supercritical Thermal Power Project (Stage-II), strengthening BHEL's thermal power order pipeline.

    b. Expanded international presence by securing a ₹2,000–2,500 crore gas turbine generator package order from Dangote Petroleum Refinery & Petrochemicals (Nigeria), reinforcing its global EPC capabilities.

    c. Green Hydrogen Foray: Entered a strategic collaboration agreement with thyssenkrupp nucera for local manufacturing and indigenisation of high-efficiency Alkaline electrolyser systems in India.

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**	**46,826.1**	**57,533.0**
Growth (%)	2.3	18.6	19.2	38.6	22.9
Raw Material Expenses	16,807.1	18,844.4	22,983.1	30,676.9	37,064.6
Employee Expenses	5,628.8	5,923.4	6,467.8	8,715.0	10,913.3
Other Operating Expens	844.2	2,329.3	1,989.3	2,375.1	2,912.7
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 Expendit	23,280.2	27,097.1	31,440.1	41,767.0	50,890.6
EBITDA	**612.6**	**1,242.4**	**2,342.1**	**5,059.1**	**6,642.5**
Growth (%)	-35.7	102.8	88.5	116.0	31.30
Depreciation	248.9	272.0	315.9	348.0	369.3
Interest	731.3	748.3	756.4	571.3	528.8
Other Income	587.9	503.4	846.4	979.4	917.7
PBT	220.3	725.5	2,116.2	5,119.2	6,662.1
Others	0.0	0.0	0.0	0.0	0.0
Total Tax	-39.6	211.7	538.4	873.2	954.9
PAT	**259.9**	**513.8**	**1,577.8**	**4,246.0**	**5,707.2**
Growth (%)	-58.4	97.7	207.1	169.1	34.41
EPS (Rs.)	**0.7**	**1.5**	**4.5**	**12.2**	**16.4**

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**	**1,577.8**	**4,246.0**	**5,707.2**
Add: Depreciation	248.9	272.0	315.9	348.0	369.3
(Inc)/dec in Current Assets	-5,991.8	-6,759.1	-4,441.4	-11,649.2	-7,579.7
Inc/(dec) in CL and Provisions	-1,569.8	2,911.1	4,920.9	3,544.0	7,309.0
Others	0.0	0.0	0.0	0.0	0.0
CF from operating activities	**-7,052.8**	**-3,062.3**	**2,373.2**	**-3,511.2**	**5,805.8**
(Inc)/dec in Investments	1.8	-4.0	-4.9	4.9	0.0
(Inc)/dec in Fixed Assets	-301.5	-531.7	-668.5	-451.0	-451.0
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	-174.1	-174.1	-487.5	-487.5
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**	**-124.9**	**-1,013.3**	**-997.5**	**-497.5**
Net Cash flow	-540.4	1,456.2	4,252.8	-7,612.0	4,752.2
Opening Cash	6,697.4	6,157.0	7,613.2	11,865.9	4,253.9
Closing Cash	**6,157.0**	**7,613.2**	**11,865.9**	**4,253.9**	**9,006.1**

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	24,154	24,417	25,821	29,429	34,649
Total Shareholders funds	24,850	25,113	26,517	30,125	35,345
Total Debt	8,832	8,957	8,118	7,608	7,598
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**	**49,044**	**52,204**	**55,402**	**60,612**
Assets					
Gross Block	6,897	7,404	7,662	8,286	8,792
Less: Acc Depreciation	4,386	4,542	4,728	5,100	5,498
Net Block	2,511	2,862	2,933	3,186	3,294
Capital WIP	282	162	399	275	275
Total Fixed Assets	2,793	3,024	3,332	3,461	3,569
Investments	668	672	677	672	672
Inventory	7,221	9,869	13,335	13,606	19,495
Debtors	4,785	5,884	6,796	10,263	12,610
Loans and Advances	0.0	0.0	0.0	0.0	0.0
Other Current Assets	16,382	19,394	19,458	27,368	26,713
Cash	6,157	7,613	11,866	4,254	9,006
Total Current Assets	34,545	42,761	51,455	55,492	67,824
Creditors	8,696	9,541	10,492	15,395	15,762
Provisions	2,318	1,815	1,919	3,849	3,941
Total Current Liabilities	16,525	19,436	24,357	27,901	35,210
Net Current Assets	18,020	23,325	27,098	27,591	32,614
Others Assets	0.0	0.0	0.0	0.0	0.0
Application of Funds	**42,892**	**49,044**	**52,204**	**55,402**	**60,612**

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	4.5	12.2	16.4
Cash EPS	1.5	2.3	5.4	13.2	17.5
BV	71.4	72.1	76.2	86.5	101.5
DPS	0.4	0.5	0.5	1.4	1.4
Cash Per Share	17.7	21.9	34.1	12.2	25.9
Operating Ratios (%)					
EBITDA Margin	2.6	4.4	6.9	10.8	11.5
PBT / Total Operating income	1.0	2.6	6.3	10.9	11.6
PAT Margin	1.1	1.8	4.7	9.1	9.9
Inventory days	115.0	127.1	144.1	106.1	123.7
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	6.0	14.1	16.1
RoCE	2.8	4.3	8.3	15.1	16.7
RoIC	2.4	5.0	10.8	17.3	22.8
Valuation Ratios (x)					
P/E	589.5	298.2	97.1	36.1	26.8
EV / EBITDA	254.5	124.4	63.8	30.9	22.9
EV / Net Sales	6.8	5.5	4.4	3.3	2.6
Market Cap / Sales	6.7	5.4	4.5	3.3	2.7
Price to Book Value	8.1	8.0	7.5	6.6	5.7
Solvency Ratios					
Debt/EBITDA	14.4	7.2	3.5	1.5	1.1
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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Buy: >15%

Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%

Pankaj Pandey Head – Research pankaj.pandey@icicisecurities.com

ICICI Direct Research Desk,
ICICI Securities Limited,
Third Floor, Brillanto House,
Road No 13, MIDC,
Andheri (East)
Mumbai – 400 093
research@icicidirect.com

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Name of the Compliance officer (Research Analyst): Mr. Atul Agrawal

Contact number: 022-40701000 E-mail Address: complianceofficer@icicisecurities.com

For any queries or grievances: Mr. Jeetu Jawrani Email address: headservicequality@icicidirect.com Contact Number: 18601231122

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