

BHEL (BHEL IN)

Rating: HOLD | CMP: Rs263 | TP: Rs245

January 19, 2026

Q3FY26 Result Update

Change in Estimates | Target | Reco

Change in Estimates

Rating	Current		Previous	
	FY27E	FY28E	FY27E	FY28E
Rating	HOLD	HOLD	HOLD	HOLD
Target Price	245	250	245	250
Sales (Rs. m)	4,33,761	5,17,132	4,31,171	5,17,181
% Chng.	0.6	-	-	-
EBITDA (Rs. m)	46,468	66,296	51,364	66,303
% Chng.	(9.5)	-	-	-
EPS (Rs.)	9.3	12.9	9.8	12.9
% Chng.	(4.3)	-	-	-

Key Financials - Standalone

Y/e Mar	FY25	FY26E	FY27E	FY28E
Sales (Rs. bn)	283	328	434	517
EBITDA (Rs. bn)	12	18	46	66
Margin (%)	4.4	5.4	10.7	12.8
PAT (Rs. bn)	5	11	33	45
EPS (Rs.)	1.5	3.1	9.3	12.9
Gr. (%)	97.4	112.9	197.6	38.7
DPS (Rs.)	0.3	0.3	0.9	1.3
Yield (%)	0.1	0.1	0.4	0.5
RoE (%)	2.1	4.3	11.7	14.4
RoCE (%)	2.9	4.3	12.3	16.3
EV/Sales (x)	3.3	2.7	2.1	1.7
EV/EBITDA (x)	74.9	50.7	19.6	13.5
PE (x)	178.6	83.9	28.2	20.3
P/BV (x)	3.6	3.5	3.1	2.7

Key Data

	BHEL.BO BHEL IN
52-W High / Low	Rs.306 / Rs.176
Sensex / Nifty	83,246 / 25,586
Market Cap	Rs.916bn / \$ 10,077m
Shares Outstanding	3,482m
3M Avg. Daily Value	Rs.3469.82m

Shareholding Pattern (%)

Promoter's	63.17
Foreign	6.28
Domestic Institution	19.70
Public & Others	10.85
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	(4.6)	5.0	22.9
Relative	(2.7)	3.2	13.1

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Soft Q3, all eyes on execution pace

Quick Pointers:

- Order intake decreased by ~4.3% YoY to ~459Rsbn in 9MFY26, with order backlog stood at ~Rs2.2trn (7.3x TTM Revenue)
- BHEL's Board approved short closure of the Karkhiyaon (Varanasi) new plant capex planned; production for products will be shifted to other units

We revise our FY26E/FY27E EPS estimate by -18.9%/-4.3% factoring in slower execution pace amid strong order backlog, normalized provision, and moderate order inflow momentum. BHEL delivered a revenue growth of 16.4% YoY with EBITDA margin expanding by 225bps YoY aided by lower other expenses (vs higher base in Q3FY25) partially offset by decrease in GM. Execution in the Power segment remained slower, translating into ~13% YoY revenue growth despite a healthy Rs1.7trn order backlog, supported by recent Rs66.5bn EPC package win (1x800MW) from NTPC, reinforcing BHEL's positioning in the thermal space. In contrast, the industry segment continued to deliver strong execution with revenue up 27.4% YoY, driven by accelerating traction across transmission, transportation, oil & gas and defense verticals; however, order inflows in Industry moderated sharply to Rs16.3bn (vs. ~Rs57bn in Q3FY25 on a high base). While near-term challenges around execution intensity persist, a robust pipeline and a gradual shift towards non-Power opportunities with rise in public/private capex, BHEL is well placed for sustained growth. The stock is currently trading at a P/E of 28.2x/20.3x on FY27/28E earnings. We maintain our rating to 'Hold' and value a stock at a PE of 22x Sep'27E (same as earlier) with a revised TP of Rs245 (Rs250 earlier).

Long term view: We believe that the execution is showing some sign of revival despite not keeping pace with the strong order wins in recent years. Further in the long run 1) large thermal power order pipeline, 2) diversification into railways, defense, green hydrogen, coal gasification, etc., and 3) growing spares & services business could augur well for BHEL. However, execution pace and balance sheet health continues to be key monitorable

Unfavorable mix impacted gross margin: Standalone revenue grew by 16.4% YoY to Rs84.7bn (PLe: Rs86.1bn). EBITDA increased by 79.2% YoY to Rs5.5bn (PLe: Rs6.9bn) with EBITDA margins expanding by 225bps YoY to 6.4% (PLe: 8.0%) aided by lower other expenses at Rs5.3bn (against higher base of Rs9.1bn in Q3FY25), partly offset by lower gross margin (-619 bps YoY to 30.8%). PBT grew by 203.2% YoY to Rs5.1bn (PLe: Rs5.6bn). Adj. PAT increased by 206.6% to Rs3.8bn (PLe: Rs4.1bn) driven by increase in other income (+95.4% YoY to Rs2.3bn) and marginal decline in effective tax rate (-81 bps YoY to 25.3%)

Order book stands at ~Rs2.2trn (7.3x TTM Revenue): Order inflow increased by 53.4% YoY in Q3FY26 led by a mix of Power/Industry (incl. exports) at 84%/16%. The order book remains robust at ~Rs2.2trn, with Power/Industry composition at 80%/20%. Key major wins in Q3 include 1x800MW Darlipali STPP (Stage-II) EPC, 3x16MW Chanju-III HEP E&M, and an industrial 265 TPH gas/oil-fired boiler EPC.

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Exhibit 1: EBITDA% expanded by 225bps led by decrease in other expenses (-41% YoY) partially offset by decline in GM

Y/e March (Rs mn)	Q3FY26	Q3FY25	YoY gr.	Q3FY26E	% Var.	Q2FY26	QoQ gr.	9MFY26	9MFY25	YoY gr.
Revenue	84,731	72,771	16.4%	86,136	-1.6%	75,118	12.8%	2,14,718	1,93,461	11.0%
Gross Profit	26,107	26,929	-3.1%	30,148	-13.4%	22,983	13.6%	65,094	64,542	0.9%
Margin (%)	30.8	37.0	(619)	35.0	(419)	30.6	22	30.3	33.4	(305)
Employee Cost	15,307	14,820	3.3%	15,074	1.5%	14,800	3.4%	44,731	43,841	2.0%
as % of sales	18.1	20.4	(230)	17.5	57	19.7	(164)	20.8	22.7	(183)
Other expenditure	5,347	9,066	-41.0%	8,183	-34.7%	2,374	125.2%	14,471	16,603	-12.8%
as % of sales	6.3	12.5	(615)	9.5	(319)	3.2	315	6.7	8.6	(184)
EBITDA	5,453	3,042	79.2%	6,891	-20.9%	5,809	-6.1%	5,891	4,099	-
Margin (%)	6.4	4.2	225	8.0	(156)	7.7	(130)	2.7	2.1	62
Depreciation	780	679	14.9%	850	-8.2%	755	3.4%	2,280	1,869	21.9%
EBIT	4,673	2,364	97.7%	6,041	-	5,055	-7.5%	3,611	2,230	-
Margin (%)	5.5	3.2	227	7.0	(150)	6.7	(121)	1.7	1.2	53
Other Income	2,271	1,162	95.4%	1,500	51.4%	1,818	24.9%	5,943	3,446	72.5%
Interest	1,825	1,838	-0.7%	1,950	-6.4%	1,952	-6.5%	5,589	5,469	2.2%
PBT (ex. Extra-ordinaries)	5,119	1,688	203.2%	5,591	-	4,920	4.0%	3,965	207	-
Margin (%)	6.0	2.3	372	6.5	(45)	6.5	(51)	1.8	0.1	174
Extraordinary Items	-	-	-	-	-	-	-	-	-	-
PBT	5,119	1,688	203.2%	5,591	-8.4%	4,920	4.0%	3,965	207	1820.1%
Total Tax	1,294	441	-	1,454	-11.0%	1,243	4.1%	1,012	117	763.0%
Effective Tax Rate (%)	25.3	26.1	(81)	26.0	-	25.3	-	-	-	-
Reported PAT	3,825	1,248	206.6%	4,137	-7.5%	3,677	4.0%	2,953	89	3210.2%
Adj. PAT	3,825	1,248	206.6%	4,137	-7.5%	3,677	4.0%	2,953	89	3210.2%
Adj. EPS	1.1	0.4	206.6%	1.2	-7.5%	1.1	4.0%	0.8	0.0	3210.2%

Source: Company, PL

Exhibit 2: Strong execution in industry segment led to revenue growth (+27.4% YoY) with +1348bps YoY in EBIT margin

Segment Performance	Q3FY26	Q3FY25	YoY gr.	Q3FY26E	% Var.	Q2FY26	QoQ gr.	9MFY26	9MFY25	YoY gr.
Revenue (Rs mn)										
Power	63,224	55,885	13.1%	66,536	-5.0%	56,756	11.4%	1,58,969	1,47,448	7.8%
Industry	21,507	16,886	27.4%	19,600	9.7%	18,362	17.1%	55,750	46,013	21.2%
Total	84,731	72,771	16.4%	86,136	-1.6%	75,118	12.8%	2,14,718	1,93,461	11.0%
EBIT (Rs mn)										
Power	4,976	6,246	-20.3%	7,652	-35.0%	5,938	-16.2%	5,813	9,079	-36.0%
Industry	4,242	1,054	302.5%	3,234	31.2%	2,800	51.5%	10,110	3,851	-
Total	9,217	7,300	26.3%	10,886	-15.3%	8,738	5.5%	15,924	12,930	23.2%
EBIT Margin (%)										
Power	7.9	11.2	-331	11.5	-363	10.5	-259	3.7	6.2	-250
Industry	19.7	6.2	1,348	16.5	322	15.3	447	18.1	8.4	977
Total	10.9	10.0	85	12.6	-176	11.6	-75	7.4	6.7	73

Source: Company, PL

Financials

Income Statement (Rs m)

Y/e Mar	FY25	FY26E	FY27E	FY28E
Net Revenues	2,83,395	3,28,303	4,33,761	5,17,132
YoY gr. (%)	18.6	15.8	32.1	19.2
Cost of Goods Sold	1,88,452	2,20,620	2,80,644	3,29,930
Gross Profit	94,943	1,07,683	1,53,118	1,87,202
Margin (%)	33.5	32.8	35.3	36.2
Employee Cost	59,234	60,408	59,859	63,090
Other Expenses	21,713	22,554	30,493	38,164
EBITDA	12,416	17,743	46,468	66,296
YoY gr. (%)	102.7	42.9	161.9	42.7
Margin (%)	4.4	5.4	10.7	12.8
Depreciation and Amortization	2,720	3,161	3,343	3,827
EBIT	9,696	14,582	43,125	62,469
Margin (%)	3.4	4.4	9.9	12.1
Net Interest	7,483	7,574	6,559	6,909
Other Income	5,034	8,372	8,892	7,757
Profit Before Tax	7,247	15,380	45,458	63,317
Margin (%)	2.6	4.7	10.5	12.2
Total Tax	2,117	4,460	12,956	18,235
Effective tax rate (%)	29.2	29.0	28.5	28.8
Profit after tax	5,130	10,920	32,502	45,082
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
Adjusted PAT	5,130	10,920	32,502	45,082
YoY gr. (%)	97.4	112.9	197.6	38.7
Margin (%)	1.8	3.3	7.5	8.7
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	5,130	10,920	32,502	45,082
YoY gr. (%)	97.4	112.9	197.6	38.7
Margin (%)	1.8	3.3	7.5	8.7
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	5,130	10,920	32,502	45,082
Equity Shares O/s (m)	3,482	3,482	3,482	3,482
EPS (Rs)	1.5	3.1	9.3	12.9

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY25	FY26E	FY27E	FY28E
Non-Current Assets				
Gross Block	74,045	78,045	81,545	85,045
Tangibles	74,045	78,045	81,545	85,045
Intangibles	-	-	-	-
Acc: Dep / Amortization	45,420	48,581	51,924	55,751
Tangibles	45,420	48,581	51,924	55,751
Intangibles	-	-	-	-
Net fixed assets	28,625	29,464	29,620	29,293
Tangibles	28,625	29,464	29,620	29,293
Intangibles	-	-	-	-
Capital Work In Progress	2,797	2,797	2,797	2,797
Goodwill	-	-	-	-
Non-Current Investments	13,881	14,117	17,350	21,202
Net Deferred tax assets	40,677	40,677	40,677	40,677
Other Non-Current Assets	1,40,750	1,54,302	1,82,180	2,27,538
Current Assets				
Investments	-	-	-	-
Inventories	98,695	1,11,533	1,30,723	1,41,680
Trade receivables	89,309	91,745	1,18,839	1,37,430
Cash & Bank Balance	76,124	97,456	76,548	90,844
Other Current Assets	1,90,928	1,54,302	1,86,517	2,22,367
Total Assets	6,44,116	6,59,164	7,49,216	8,79,357
Equity				
Equity Share Capital	6,964	6,964	6,964	6,964
Other Equity	2,44,166	2,54,215	2,85,626	3,27,457
Total Networth	2,51,130	2,61,179	2,92,590	3,34,421
Non-Current Liabilities				
Long Term borrowings	88,522	78,522	68,522	68,522
Provisions	-	-	-	-
Other non current liabilities	-	-	-	-
Current Liabilities				
ST Debt / Current of LT Debt	1,624	1,624	1,624	1,624
Trade payables	1,17,117	1,43,914	1,92,519	2,29,522
Other current liabilities	2,26,400	2,14,602	2,34,638	2,85,946
Total Equity & Liabilities	6,44,116	6,59,164	7,49,216	8,79,357

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY25	FY26E	FY27E	FY28E
PBT	7,247	15,380	45,458	63,317
Add. Depreciation	2,720	3,161	3,343	3,827
Add. Interest	7,483	7,574	6,559	6,909
Less Financial Other Income	5,034	8,372	8,892	7,757
Add. Other	(13,638)	-	-	-
Op. profit before WC changes	3,811	26,115	55,360	74,053
Net Changes-WC	17,295	21,310	(40,697)	(26,445)
Direct tax	813	(4,460)	(12,956)	(18,235)
Net cash from Op. activities	21,919	42,964	1,707	29,373
Capital expenditures	(2,681)	(4,000)	(3,500)	(3,500)
Interest / Dividend Income	3,717	-	-	-
Others	(28,346)	812	(1,464)	(1,417)
Net Cash from Invt. activities	(27,309)	(3,188)	(4,964)	(4,917)
Issue of share cap. / premium	(554)	(10,000)	(10,000)	-
Debt changes	(130)	-	-	-
Dividend paid	(874)	(871)	(1,092)	(3,250)
Interest paid	(7,010)	(7,574)	(6,559)	(6,909)
Others	(300)	-	-	-
Net cash from Fin. activities	(8,868)	(18,444)	(17,651)	(10,160)
Net change in cash	(14,258)	21,332	(20,908)	14,296
Free Cash Flow	19,104	38,964	(1,793)	25,873

Key Financial Metrics

Y/e Mar	FY25	FY26E	FY27E	FY28E
Per Share(Rs)				
EPS		1.5	3.1	9.3
CEPS		2.3	4.0	10.3
BVPS		72.1	75.0	84.0
FCF		5.5	11.2	(0.5)
DPS		0.3	0.3	0.9
Return Ratio(%)				
RoCE		2.9	4.3	12.3
ROIC		2.6	4.2	11.2
RoE		2.1	4.3	11.7
Balance Sheet				
Net Debt : Equity (x)		0.1	(0.1)	0.0
Net Working Capital (Days)		91	66	48
Valuation(x)				
PER		178.6	83.9	28.2
P/B		3.6	3.5	3.1
P/CEPS		116.7	65.1	25.6
EV/EBITDA		74.9	50.7	19.6
EV/Sales		3.3	2.7	2.1
Dividend Yield (%)		0.1	0.1	0.4

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q4FY25	Q1FY26	Q2FY26	Q3FY26
Net Revenue	89,934	54,869	75,118	84,731
YoY gr. (%)	8.9	-	14.1	16.4
Raw Material Expenses	59,533	38,865	52,135	58,624
Gross Profit	30,401	16,004	22,983	26,107
Margin (%)	33.8	29.2	30.6	30.8
EBITDA	8,317	(5,371)	5,809	5,453
YoY gr. (%)	14.3	217.2	111.2	79.2
Margin (%)	9.2	(9.8)	7.7	6.4
Depreciation / Depletion	850	745	755	780
EBIT	7,467	(6,117)	5,055	4,673
Margin (%)	8.3	(11.1)	6.7	5.5
Net Interest	2,014	1,812	1,952	1,825
Other Income	1,588	1,854	1,818	2,271
Profit before Tax	7,040	(6,074)	4,920	5,119
Margin (%)	7.8	(11.1)	6.5	6.0
Total Tax	2,000	(1,525)	1,243	1,294
Effective tax rate (%)	28.4	25.1	25.3	25.3
Profit after Tax	5,040	(4,549)	3,677	3,825
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
Adjusted PAT	5,040	(4,549)	3,677	3,825
YoY gr. (%)	4.1	114.0	280.3	206.6
Margin (%)	5.6	(8.3)	4.9	4.5
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	5,040	(4,549)	3,677	3,825
YoY gr. (%)	4.1	114.0	280.3	206.6
Margin (%)	5.6	(8.3)	4.9	4.5
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	5,040	(4,549)	3,677	3,825
Avg. Shares O/s (m)	3,482	3,482	3,482	3,482
EPS (Rs)	1.4	(1.3)	1.1	1.1

Source: Company Data, PL Research

Price Chart



Recommendation History

No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	07-Jan-26	Hold	250	304
2	09-Dec-25	Hold	250	270
3	30-Oct-25	Hold	250	246
4	07-Oct-25	Hold	215	245
5	07-Aug-25	Hold	215	228
6	09-Jul-25	Hold	237	258
7	20-May-25	Hold	237	244
8	09-Apr-25	Accumulate	226	211
9	29-Jan-25	Accumulate	226	200

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	ABB India	Accumulate	5,540	5,299
2	Apar Industries	Hold	9,431	8,184
3	BEML	Hold	1,982	1,861
4	Bharat Electronics	Hold	407	416
5	BHEL	Hold	250	304
6	Carborundum Universal	Hold	894	824
7	Cummins India	Hold	4,172	4,148
8	Elgi Equipments	Accumulate	561	472
9	Engineers India	BUY	255	205
10	GE Vernova T&D India	BUY	4,005	3,151
11	Grindwell Norton	Hold	1,744	1,576
12	Harsha Engineers International	Hold	407	395
13	Hindustan Aeronautics	BUY	5,507	4,525
14	Ingersoll-Rand (India)	Accumulate	4,271	3,395
15	Kalpataru Projects International	BUY	1,494	1,174
16	KEC International	BUY	932	717
17	Kirloskar Pneumatic Company	BUY	1,620	1,058
18	Larsen & Toubro	BUY	4,766	4,157
19	Praj Industries	Hold	353	322
20	Siemens	Accumulate	3,470	3,134
21	Siemens Energy India	Accumulate	3,312	2,603
22	Thermax	Accumulate	3,513	3,069
23	Triveni Turbine	Accumulate	609	533
24	Voltamp Transformers	BUY	10,318	7,720

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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