

Bharat Heavy Electricals Ltd.

Private & Confidential

Company Profile

Bharat Heavy Electricals Ltd. (BHEL) is the largest engineering and manufacturing enterprise in India in the energy-related/infrastructure sector. The Company is engaged in the design, engineering, manufacture, construction, testing, commissioning and servicing of a wide range of products and services for the core sectors of the economy, viz. Power, Transmission, Industry, Transportation, Renewable Energy, Oil & Gas and Defence. BHEL has an overall share of 59% in India's total installed generating capacity. Apart from serving the domestic market, the company caters to customers in 76 countries.

Key Highlights

- ❖ The company has 14 manufacturing divisions, 8 service centers, 4 power sector regional centers besides project sites spread across all over India and abroad. It has a manufacturing capacity of 20GW spread across multiple factories in India; including for thermal, hydro and gas projects.
- ❖ It has an outstanding order book of about Rs 1.16 lakh crore at the end of June quarter, up 19.3 percent compared to Rs 97,400 crore in same quarter last year.
- ❖ BHEL is looking at a healthy L1 (level 1 of planning) orders of about 5 GW which it hopes to win in the next six months. Given most projects are led by public sector companies and state electricity boards; BHEL appears way too dependent on government spending.
- ❖ Orders are gaining momentum; excluding the negotiated order worth Rs 17,900 crore from Telangana for 4 GW Nalgonda plant, the order inflow in Q1FY16 improved by 58% to Rs. 1780 crore. The management says it will win some 15-20 GWs for FY16 and FY17.
- ❖ BHEL would be one of the biggest beneficiaries of any pick up in the domestic macroeconomic environment.
- ❖ Although there are a lot of challenges on the macro front that is severely affecting the industrial activities, yet with inflationary pressure easing off and a likely scenario of slow but steady down-ward revisions of interest rates, it is expected that industrial activity would start picking up steadily in the near future. This would result in steady revival in the Domestic Electrical Equipment industry, which is directly linked with the Power Sector. BHEL, with its technological competence and great execution track-record is expected to be a big beneficiary of this revival in the industry. BHEL's huge order book, strong focus on R&D, expanding geographical reach and financial discipline would help the Company perform well in future.
- ❖ At CMP of Rs.210.30, the stock trades at 17.6x FY17E EPS. **We recommend a "BUY" on the stock with a price target of Rs.298, assuming a P/E of 25x FY17E earnings, an upside of 42%, over a period of 12 months.**

Bharat Heavy Electricals Ltd.	
INDUSTRY	Electric Equipment
No. of Shares (Cr)	244.76
Face value	2.00
Mkt. Cap (Rs. Crore)	51473.03
Price (16/09/2015)	210.30
Book Value (Rs)	139.76
P/BV	1.5
BSE Code	500103
NSE Code	BHEL
Bloomberg	BHEL IN
Reuters	BHEL.BO
Avg. Volume (Monthly) NSE	3655000
52 W H/L (Rs.)	194.20 / 300.00
Shareholding Pattern	
%	
Promoters	63.06
MFs / Banks / FIs	17.34
Foreign	16.11
Non-Promoter Corp.	0.95
Total Public	2.54
Others	
Total	
(as on 31-Jun-2015)	
Recommendation	
BUY	

Particulars	Q1 FY16	Q1 FY15	Var %	Mar-13	Mar-14	Mar-15	Mar-16 E	Mar-17 E
Net Sales	4361.68	5154.97	-15.39	48915.84	39569.41	30788.59	28325.50	34557.11
Other Income	492.39	347.79	41.58	1128.76	1623.02	842.65	1132.44	1147.52
Operating Profit	283.05	565.71	-49.97	10611.81	6202.50	3372.02	2792.89	4920.93
Net Profit	33.89	193.50	-82.49	6693.37	3502.86	1452.38	1359.62	2920.08
EPS (Rs)	0.14	0.79	-82.49	27.35	14.31	5.93	5.55	11.93
PBIDTM%	6.18	10.55	-41.41	20.61	14.94	10.47	9.86	14.24
PATM%	0.74	3.61	-79.49	13.00	8.43	4.51	4.80	8.45