



**DALAL & BROACHA**  
STOCK BROKING PVT. LTD.

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## Q1FY20 Result Update@ Dalal & Broacha

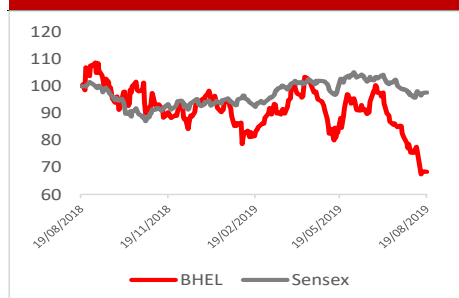
### Neutral

Current Price	50
52 Week Range	50/83

### Key Share Data

Market Cap (Rs.bn)	174
Market Cap (US\$ bn)	2.5
No of o/s shares (mn)	3671
Face Value	1
Monthly Avg.	
Vol(BSE+NSE) Nos ('000)	83800
BSE Code	500103
NSE Code	BHEL
Bloomberg	BHEL IN

### Price performance



### % Shareholding

	Jun-19	Mar-19
Promoters	63.17	63.17
Public	6.61	6.61
Others	28.94	28.94
<b>Total</b>	<b>100</b>	<b>100</b>

### Financial Performance

Year	Net Sales	%growth	EBIDTA	OPM%	PAT	%growth	EPS	PE(x)	RoE%	RoCE%
FY17	282,854	10.4	11,008.6	3.9%	4,958.4	(169.9)	1.4	35.1	1.54	3.0
FY18	289,257	2.3	19,328.9	6.7%	8,066.0	62.7	2.3	21.6	2.48	5.6
FY19	303,677	5.0	21,378.8	7.0%	10,091.1	25.1	2.9	17.3	3.27	7.5
FY20E	335,621	8.1	24,971.1	7.4%	13,185.4	30.7	3.3	15.2	4.19	7.8
FY21E	348,582	6.2	24,299.9	7.0%	12,996.7	13.5	3.7	13.4	4.06	7.4

### Q1FY20 performance below expectations

Revenue down 45% yoy at Rs45.3bn. Revenue for power segment (80% of sales) decreased 25% yoy to Rs49.6bn and the same for industry segment (20% of sales) declined 20% yoy to Rs9.2bn. Revenue decline is mainly on account of delay in dispatches, land clearances etc.

EBITDA margin negative 5.9% vs positive 4.8% yoy. Bhel reported loss of Rs2.7bn at operating level as against profit of Rs2.8bn yoy.

EBIT% for power division reduced from 10.5% to negative 16% yoy and the same for industry division reduced from 5.1% to 3.8% yoy.

Other income reduced by 19% yoy to Rs1.5bn. The company reported loss of Rs2.5bn during the quarter as against profit of Rs1.5bn in Q1FY19.

### Other highlights

**Order inflows down 11% yoy:** Order inflows during the quarter have gone down by 11% yoy at Rs39bn. Orders for power segment have gone down by 11 yoy at Rs19bn while for industrial segment are up 24% at Rs19.8bn. Industrial segment has seen orders from railways. Order backlog is down 8% yoy at Rs1078bn. The company sees order inflows to improve from FGD implementation. Tenders of Rs140bn are likely to be floated and BHEL is well placed to receive these orders. It sees 8-10 GW (Rs50000 crore) power sector opportunities to be finalised by year end. On the industrial side, five railway electrification tenders are in the pipeline while it also expects 75 more regenerative locomotive system order.

**Working capital requirement to increase:** Debtors during quarter have gone down by 9% yoy to Rs378.5bn. Trade receivables consist of 49% from state, 33% from central, 12% from private and 6% from exports. Earlier BHEL used to get 10-15% advances which has discontinued on new orders and payment terms have changed for new contracts which will increase working capital requirement.

**Valuation:** Also, in current scenario overall order inflows are likely to remain weak on the back of overcapacity prevailing in the industry. However, management's focus on improving non-coal segment and improving profitability is likely to improve margins. We expect BHEL to post topline of Rs335bn in FY20EE and Rs355bn in FY21E. We maintain our EPS estimates at Rs3.3 for FY20E and Rs3.7 for FY21E. At CMP Bhel is trading at 15x FY20E and 13.5x FY201 earnings. We maintain 'Neutral'.

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(in Rs mn)	1QFY20	1QFY19	YoY(%)	4QFY19	QoQ(%)
Net Sales	44,103	57,901	-23.8%	98,365	-55.2%
Other operational income	1,214	1,454	-16.5%	4,607	-73.6%
Net revenues	45,317	59,355	-23.7%	102,972	-56.0%
(Inc)/Dec in WIP	-	2,127	-100.0%	-	NM
Raw material consumption	(26,072)	(35,804)	-27.2%	(58,400)	-55.4%
Staff cost	(14,509)	(14,180)	2.3%	(19,809)	-26.8%
Other items	(7,402)	(8,626)	-14.2%	(10,811)	-31.5%
Total Expenditure	(47,983)	(56,483)	-15.0%	(89,019)	-46.1%
EBIDTA	(2,666)	2,872	-192.8%	13,952	-119.1%
Other income	1,455	1,786	-18.5%	1,209	20.4%
EBIDT	(1,211)	4,659	-126.0%	15,161	
Interest	(1,079)	(639)	68.9%	(964)	11.9%
Depreciation	(1,148)	(1,761)	-34.8%	(1,342)	-14.5%
PBT	(3,438)	2,259	-252.2%	12,854	-126.7%
Tax	1,277	(703)	-281.8%	(6,027)	-121.2%
PAT	(2,161)	1,556	-238.9%	6,827	-131.7%
<b>Key ratios</b>					
Sales as % of opening order backlog					
Raw Material to Sales	58	57		57	
Staff Cost to sales	32	24		19	
Other exp to sales	16	15		10	
OPM	(5.9)	4.8		14	
Effective tax rate	37	31		47	
Gross margin	44	44		41	
EPS	(0.59)	0.42		1.86	



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Profit & Loss (Rs Mn)	FY17	FY18	FY19	FY20E	FY21E
Net Sales	282,854	289,257	303,677	328,349	348,582
Raw Materials	(171,100)	(161,435)	(177,780)	(174,025)	(184,749)
Employee Cost	(53,999)	(60,265)	(62,690)	(66,641)	(70,350)
Other Expenses	(46,746)	(48,229)	(41,829)	(65,649)	(69,184)
Cost of Sales	(271,845)	(269,928)	(282,298)	(306,315)	(324,283)
<b>Operating Profit</b>	<b>11,009</b>	<b>19,329</b>	<b>21,379</b>	<b>22,034</b>	<b>24,300</b>
Depreciation	(8,488)	(7,864)	(4,757)	(8,372)	(8,757)
PBIT	2,520	11,465	16,621	13,663	15,543
Other Income	7,264	6,931	6,615	7,977	8,015
Interest	(3,506)	(2,546)	(2,880)	(2,229)	(2,599)
Prior period items	0	0	0	0	1
Profit Before Tax	6,278	15,850	18,501	19,411	20,960
Provision for Tax	(1,320)	(7,784)	(8,409)	(7,959)	(7,964)
<b>PAT</b>	<b>4,958</b>	<b>8,066</b>	<b>10,091</b>	<b>11,453</b>	<b>12,996</b>
Extra ordinary items	0	0	0	0	0
Share of JV/ Associate	0	0	0	0	1
<b>Adj. PAT</b>	<b>4,958</b>	<b>8,066</b>	<b>10,091</b>	<b>11,453</b>	<b>12,997</b>
<b>Balance Sheet (Rs Mn)</b>	<b>FY17</b>	<b>FY18</b>	<b>FY19</b>	<b>FY20E</b>	<b>FY21E</b>
Equity Capital	4,895	7,343	6,964	6,964	6,964
Reserves	318,049	318,289	301,760	306,992	312,928
<b>Net Worth</b>	<b>322,944</b>	<b>325,632</b>	<b>308,724</b>	<b>313,956</b>	<b>319,892</b>
Long term borrowings	0	0	0	0	0
Short term borrowings	896	572	954	0	0
Total Debt	896	572	954	0	0
<b>Capital Employed</b>	<b>323,840</b>	<b>326,204</b>	<b>309,678</b>	<b>313,956</b>	<b>319,892</b>
Gross Block	138,287	141,696	148,705	155,714	162,723
Accumulated Depreciation	102,328	111,008	118,994	127,365	136,122
Net Block	35,959	30,688	29,711	28,349	26,601
Capital WIP	1,595	1,945	1,945	1,945	1,945
<b>Total Fixed Assets</b>	<b>37,554</b>	<b>32,634</b>	<b>31,657</b>	<b>30,294</b>	<b>28,546</b>
Goodwill & Intangible	88	82	82	82	82
Investments	6,614	6,907	6,907	6,907	6,907
Inventories	73,724	62,588	83,199	89,959	95,502
Sundry debtors	318,633	354,935	249,597	260,880	276,956
Cash & bank	104,918	112,912	153,230	146,259	149,146
Loans & advances and Oth	2,169	2,314	33,280	35,983	38,201
Other current assets	30,188	29,261	29,261	29,261	29,261
Trade Payables	(93,403)	(92,240)	(73,475)	(75,530)	(79,960)
Current Liabilities	(103,130)	(132,010)	(132,362)	(135,966)	(144,693)
Provisions	(91,929)	(87,059)	(89,288)	(91,765)	(97,646)
Working Capital	241,170	250,701	253,442	259,082	266,766
Deferred Tax Liabilities	38,414	35,880	17,591	17,591	17,591
<b>Capital Deployed</b>	<b>323,840</b>	<b>326,204</b>	<b>309,678</b>	<b>313,956</b>	<b>319,892</b>

Cash Flow Statement (l)	FY17	FY18	FY19	FY20E	FY21E
Pre tax Profit	6278	15850	18501	19411	20959
Add: Dep. & Amortizati	8488	7864	4757	8372	8757
Total tax paid	(1320)	(7784)	(8409)	(7959)	(7964)
Other Adjustments	11730	8476	51020	6988	(448530)
<b>Cash Profit</b>	<b>25177</b>	<b>24406</b>	<b>65869</b>	<b>26813</b>	<b>(426778)</b>
(Inc) / Dec in					
Sundry Debtors	1163	18765	(2055)	(4430)	79960
Inventories	11136	(20611)	(6760)	(5543)	95502
Loans & Advances	(145)	(30966)	(2704)	(2217)	38201
Current liabilities &	(27717)	18413	(5659)	(13157)	224653
<b>Change in Working Cap</b>	<b>(15563)</b>	<b>(14399)</b>	<b>(17178)</b>	<b>(25348)</b>	<b>438316</b>
<b>CF from Operating Acti</b>	<b>9614</b>	<b>10008</b>	<b>48691</b>	<b>1465</b>	<b>11538</b>
<b>CF from Investing Activ</b>	<b>3969</b>	<b>2879</b>	<b>(394)</b>	<b>968</b>	<b>1006</b>
<b>CF from Financing Activ</b>	<b>(5113)</b>	<b>(7250)</b>	<b>(7979)</b>	<b>(9404)</b>	<b>(9657)</b>
Cash Generated (Utilisi	8469	5636	40318	(6971)	2887
Cash at the start of year	100860	104918	112912	153230	146259
Cash at the end of year	104918	112912	153230	146259	149146

Ratios	FY17	FY18	FY19	FY20E	FY21E
DPM	3.9	6.7	7.0	6.7	7.0
NPM	1.8	2.8	3.3	3.5	3.7
Tax Rate %	(21.0)	(49.1)	(45.5)	(41.0)	(38.0)
<b>Growth Ratio (%)</b>					
Net Sales	10.4	2.3	5.0	8.1	6.2
Operating Profit	(180.6)	75.6	10.6	3.1	10.3
PAT	(169.9)	62.7	25.1	13.5	13.5
<b>Per Share</b>					
Earning Per Share (EPS)	1.4	2.3	2.9	3.3	3.7
Cash Earnings (CPS)	3.9	4.6	4.3	5.7	6.2
Dividend	0.4	1.0	1.3	1.5	1.7
Book Value	92.7	93.5	88.7	90.2	91.9
Free Cash flow	6,291	6,248	41,682	(5,544)	4,529
<b>Valuation Ratios</b>					
P/E (x)	35.1	21.6	17.3	15.2	13.4
P/B (x)	0.6	0.6	0.7	0.7	0.7
EV / Sales	0.2	0.0	0.0	0.0	0.0
EV / EBITDA	5.8	3.3	3.0	2.9	2.6
Div. Yield (%)	0.7	1.7	2.2	2.5	2.9
FCF Yield (%)	3.4	3.0	20.0	-2.7	2.2
<b>Return Ratios (%)</b>					
ROE	1.5	2.5	3.3	3.6	4.1
ROCE*	3.0	5.6	7.5	6.9	7.4
* includes other income					



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