



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

Analyst: Abhilasha Satale (022) 67141435

## Q4FY19 Result Update@ Dalal & Broacha

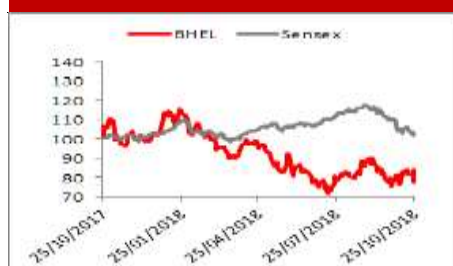
### Neutral

Current Price	70
52 Week Range	56/99

### Key Share Data

Market Cap (Rs.bn)	251
Market Cap (US\$ bn)	3.5
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-18	Mar-18
Promoters	63.17	63.17
Public	6.61	6.61
Others	28.94	28.94
<b>Total</b>	<b>100</b>	<b>100</b>

### Q4FY19 performance above expectations, margin improves

Revenue remained flat at Rs98.36bn (Exp: Rs100bn). Revenue for power segment (82% of sales) decreased 2.5% yoy to Rs81bn and the same for industry segment (16% of sales) increased 14% yoy to Rs17.3bn.

EBITDA margin improved by 40bps yoy to 13.5%. Net provisioning declined to Rs11bn vs Rs23bn yoy. Interest cost increased by 33% yoy.

EBIT% for power division improved from 11% to 16% yoy (Exp: 11%) and the same for industry division has improved from 3.8% to 14.6% yoy%.

Other income increased 65% yoy to Rs2.26bn as company has reported interest gain of Rs800mn on receipt of tax dues of Rs480cr.

### Other highlights

**Order inflows at Rs240bn for FY19:** BHEL received orders worth Rs240bn during FY19. Current order book is Rs1090bn (down 8% yoy). Order inflow stood at INR68b (-73% YoY) in 4QFY19. Received FGD orders of INR86b in FY19; is well placed for orders worth INR83b. BHEL secured the main plant package order (1x660 MW Sagardighi Extn. Unit 5) for a thermal power plant in West Bengal.

**L1 status for orders worth Rs220bn:** It has L1 status for orders worth Rs240bn. It includes Rs155bn from power, Rs70bn from industrials and Rs14bn from international segment. Overall 13GW (incl solar PP) of opportunity is expected over a period of time. BHEL continues to diversify into various areas such as emission control equipment, railway electrification, transportation, solar EV chargers and defence. Expect orders from railways to continue.

**Working capital to increase:** Debtors during quarter have gone down from Rs174bn to Rs159bn. Current receivables include 50% from state utilities, 32% from central utilities, 12% from private entities and 6% from exports. Earlier BHEL used to get 10-15% advances which has discontinued on new orders.

**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 expect BHEL's margin to improve from 7% to 7.4% over FY19-21E. We revise our EPS estimates upwards from Rs3.4 to Rs3.6 for FY20E and Rs3.7 to Rs3.9 for FY21E. At CMP BHEL is trading at 19.5x FY20E and 17.8x FY201 earnings. We maintain **'Neutral'**.

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	49.2	1.54	3.0
FY18	289,257	2.3	19,328.9	6.7%	8,066.0	62.7	2.3	30.2	2.48	5.6
FY19	303,677	5.0	21,378.8	7.0%	10,091.1	25.1	2.9	24.2	3.27	7.5
FY20E	335,621	10.5	24,971.1	7.4%	13,185.4	30.7	3.8	18.5	4.19	7.8
FY21E	354,410	5.6	26,653.1	7.5%	14,455.6	9.6	4.2	16.9	4.50	8.1


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**Financial Performance**

(in Rs mn)	4QFY19	4QFY18	YoY(%)	3QFY19	QoQ(%)
Net Sales	98,365	98,319	0.0%	71,157	38.2%
Other operational income	4,607	3,151	46.2%	2,207	108.7%
Net revenues	102,972	101,469	1.5%	73,364	40.4%
(Inc)/Dec in WIP	-	(4,182)	-100.0%	4,905	-100.0%
Raw material consumption	(58,400)	(47,107)	24.0%	(50,713)	15.2%
Staff cost	(19,809)	(18,805)	5.3%	(13,015)	52.2%
Other items	(10,811)	(19,060)	-43.3%	(12,354)	-12.5%
Total Expenditure	(89,019)	(89,154)	-0.2%	(71,177)	25.1%
EBIDTA	13,952	12,316	13.3%	2,187	538.0%
Other income	1,209	1,979	-38.9%	2,265	-46.6%
EBIDT	15,161	14,295	6.1%	4,452	
Interest	(964)	(726)	32.9%	(577)	67.1%
Depreciation	(1,342)	(2,171)	-38.2%	(1,124)	19.4%
PBT	12,854	11,399	12.8%	2,751	367.3%
Tax	(6,027)	(6,827)	-11.7%	(831)	625.0%
PAT	6,827	4,572	49.3%	1,919	255.7%
<b>Key ratios</b>					
Sales as % of opening order backlog					
Raw Material to Sales	57	51		62	
Staff Cost to sales	19	19		18	
Other exp to sales	10	19		17	
OPM	13.5	12.1		3	
Effective tax rate	47	60		30	
Gross margin	45	51		36	
EPS	1.86	1.25		0.52	



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Profit & Loss (Rs Mn)	FY17	FY18	FY19	FY20E	FY21E
Net Sales	282,854	289,257	303,677	335,621	354,410
Raw Materials	(171,100)	(161,435)	(177,780)	(177,879)	(187,837)
Employee Cost	(53,999)	(60,265)	(62,690)	(66,641)	(70,350)
Other Expenses	(46,746)	(48,229)	(41,829)	(66,130)	(69,569)
Cost of Sales	(271,845)	(269,928)	(282,298)	(310,650)	(327,757)
<b>Operating Profit</b>	<b>11,009</b>	<b>19,329</b>	<b>21,379</b>	<b>24,971</b>	<b>26,653</b>
Depreciation	(8,488)	(7,864)	(4,757)	(8,372)	(8,757)
PBIT	2,520	11,465	16,621	16,600	17,896
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	22,348	23,313
Provision for Tax	(1,320)	(7,784)	(8,409)	(9,163)	(8,859)
<b>PAT</b>	<b>4,958</b>	<b>8,066</b>	<b>10,091</b>	<b>13,185</b>	<b>14,455</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>13,185</b>	<b>14,456</b>

Cash Flow Statement (l)	FY17	FY18	FY19	FY20E	FY21E
Pre tax Profit	6278	15850	18501	22348	23312
Add: Dep. & Amortizati	8488	7864	4757	8372	8757
Total tax paid	(1320)	(7784)	(8409)	(9163)	(8859)
Other Adjsutments	11730	12256	59091	(320)	(454596)
<b>Cash Profit</b>	<b>25177</b>	<b>28186</b>	<b>73939</b>	<b>21237</b>	<b>(431386)</b>
(Inc) / Dec in					
Sundry Debtors	1163	18765	(3124)	(4218)	80817
Inventories	11136	(20611)	(8752)	(5147)	97099
Loans & Advances	(145)	(30966)	(3501)	(2059)	38839
Current liabilities &	(27717)	14633	(6092)	(12316)	228025
<b>Change in Working Cap</b>	<b>(15563)</b>	<b>(18179)</b>	<b>(21468)</b>	<b>(23740)</b>	<b>444779</b>
<b>CF from Operating Acti</b>	<b>9614</b>	<b>10008</b>	<b>52471</b>	<b>(2503)</b>	<b>13394</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>(10345)</b>	<b>(10450)</b>
Cash Generated (Utilise)	8469	5636	44098	(11880)	3950
Cash at the start of yea	100860	104918	112912	157010	145130
Cash at the end of year	104918	112912	157010	145130	149080

Balance Sheet (Rs Mn)	FY17	FY18	FY19	FY20E	FY21E
Equity Capital	4,895	7,343	6,964	6,964	6,964
Reserves	318,049	318,289	301,760	307,783	314,386
<b>Net Worth</b>	<b>322,944</b>	<b>325,632</b>	<b>308,724</b>	<b>314,747</b>	<b>321,350</b>
Long term borrowings	0	0	0	0	0
Short term borrowings	896	572	0	0	0
Total Debt	896	572	0	0	0
<b>Capital Employed</b>	<b>323,840</b>	<b>326,204</b>	<b>308,724</b>	<b>314,747</b>	<b>321,350</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	91,951	97,099
Sundry debtors	318,633	354,935	249,597	266,658	281,586
Cash & bank	104,918	112,912	157,010	145,130	149,080
Loans & advances and Oth	2,169	2,314	33,280	36,780	38,839
Other current assets	30,188	29,261	29,261	29,261	29,261
Trade Payables	(93,403)	(92,240)	(73,475)	(76,599)	(80,817)
Current Liabilities	(103,130)	(132,010)	(136,142)	(139,110)	(147,208)
Provisions	(91,929)	(87,059)	(89,288)	(94,199)	(99,616)
Working Capital	241,170	250,701	253,442	259,873	268,224
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>314,747</b>	<b>321,350</b>

Ratios	FY17	FY18	FY19	FY20E	FY21E
OPM	3.9	6.7	7.0	7.4	7.5
NPM	1.8	2.8	3.3	3.9	4.1
Tax Rate %	(21.0)	(49.1)	(45.5)	(41.0)	(38.0)
<b>Growth Ratio (%)</b>					
Net Sales	10.4	2.3	5.0	10.5	5.6
Operating Profit	(180.6)	75.6	10.6	16.8	6.7
PAT	(169.9)	62.7	25.1	30.7	9.6
<b>Per Share</b>					
Earning Per Share (EPS)	1.4	2.3	2.9	3.8	4.2
Cash Earnings (CPS)	3.9	4.6	4.3	6.2	6.7
Dividend	0.4	1.0	1.3	1.8	1.9
Book Value	92.7	93.5	88.7	90.4	92.3
Free Cash flow	6,291	6,248	45,462	(9,512)	6,385
<b>Valuation Ratios</b>					
P/E (x)	49.2	30.2	24.2	18.5	16.9
P/B (x)	0.6	0.6	0.7	0.7	0.7
EV / Sales	0.5	0.0	0.0	0.0	0.0
EV / EBITDA	12.5	7.1	6.4	5.5	5.2
Div. Yield (%)	0.7	1.7	2.2	2.9	3.2
FCF Yield (%)	2.4	3.0	21.8	-4.6	3.1
<b>Return Ratios (%)</b>					
ROE	1.5	2.5	3.3	4.2	4.5
ROCE*	3.0	5.6	7.5	7.8	8.1
* includes other income					



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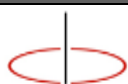
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