

## BHEL

### Performance Highlights

(₹ cr)	3QFY12	3QFY11	% chg (yoy)	3QFY12	% chg (qoq)
<b>Revenue</b>	<b>10,743</b>	<b>9,023</b>	<b>19.1</b>	<b>10,546</b>	<b>1.9</b>
EBITDA	2,080	2,072	0.4	1,959	6.2
EBITDA margin (%)	19.4	23.0	(359)bp	18.6	79bp
<b>PAT</b>	<b>1,432</b>	<b>1,403</b>	<b>2.0</b>	<b>1,412</b>	<b>1.4</b>

Source: Company, Angel Research

BHEL's 3QFY2012 numbers were broadly in-line with our estimates. The company reported decent top-line growth and witnessed margin pressure, leading to flat growth in the bottom line. However, the shocker came at the order inflow front, as BHEL witnessed order cancellations, which led to a decline in order inflow for 9MFY2012 (₹15,273cr) vs. 1HFY2012 (₹16,777cr). The challenges outlined in the power sector (which seem far from getting resolved) coupled with the competitive landscape in the BTG space put BHEL in troubled waters. Hence, we maintain our negative stance on BHEL and our Neutral rating on the stock.

**Strong revenue offset by margin dip; PAT growth subdued at 2.0%:** Aided by strong execution, BHEL's top line grew by 19.1% yoy to ₹10,743cr, which was 1.2% lower than our estimate of ₹10,873cr. The company's EBITDAM contracted by 359bp yoy to 19.4%, in-line with our estimate. EBITDAM was mainly impacted by high raw-material cost and other expenses, which rose by 270-350bp as a percentage of sales. Led by margin dip, PAT growth was subdued at 2.0% yoy to ₹1,432cr, 2.2% lower than our (₹1,465cr) and street (₹1,485cr) estimate.

**Outlook and valuation:** Problems on the business front, envisaged in many of our earlier notes, are coming to fore for BHEL – dismal order intake, no signs of let up in competition (domestic and international) and order book growth under threat (9MFY2012 revenue exceeds 9MFY2012 order inflow), all of which put serious concerns over the company's long-term growth. **Although we believe that on the valuation front the stock is undemanding at PE multiple of <11x of its FY2013E earnings, we believe earnings would face severe strain going ahead, given the structural issues. Hence, we maintain our negative stance on BHEL.**

#### Key financials

Y/E March (₹ cr)	FY2010	FY2011	FY2012E	FY2013E
<b>Net sales</b>	<b>33,653</b>	<b>42,538</b>	<b>51,352</b>	<b>46,344</b>
% chg	24.6	26.4	20.7	(9.8)
<b>Adj. net profit</b>	<b>4,327</b>	<b>6,053</b>	<b>6,966</b>	<b>5,762</b>
% chg	38.9	39.9	15.1	(17.3)
EBITDA (%)	17.3	20.2	19.6	18.3
<b>EPS (₹)</b>	<b>17.7</b>	<b>24.7</b>	<b>28.5</b>	<b>23.5</b>
P/E (x)	14.2	10.1	8.8	10.6
P/BV (x)	3.9	3.0	2.4	2.1
RoE (%)	30.0	33.6	30.6	21.1
RoCE (%)	37.7	44.4	39.5	26.5
EV/Sales (x)	1.6	1.2	1.2	0.9
EV/EBITDA (x)	8.9	6.0	5.7	6.2

Source: Company, Angel Research

## NEUTRAL

CMP	₹251
Target Price	-

Investment Period	-
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Stock Info	
Sector	Capital Goods
Market Cap (₹ cr)	61,324
Beta	0.9
52 Week High / Low	459/225
Avg. Daily Volume	1,953,594
Face Value (₹)	2
BSE Sensex	17,194
Nifty	5,199
Reuters Code	BHEL.BO
Bloomberg Code	BHEL@IN

Shareholding Pattern (%)	
Promoters	67.7
MF / Banks / Indian Fls	12.2
FII / NRIs / OCBs	13.5
Indian Public / Others	6.5

Abs. (%)	3m	1yr	3yr
Sensex	(2.9)	(6.2)	(2.6)
BHEL	(21.2)	(43.5)	(39.3)

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**Exhibit 1: Quarterly performance**

(₹ cr)	3QFY12	3QFY11	% chg (yoy)	2QFY12	% chg (qoq)	9MFY12	9MFY11	% chg (yoy)
<b>Net sales</b>	<b>10,548</b>	<b>8,849</b>	<b>19.2</b>	<b>10,299</b>	<b>2.4</b>	<b>27,972</b>	<b>23,657</b>	<b>18.2</b>
Other operating income	195.1	174.1	12.1	247.0	-	587.9	457.6	-
<b>Total income</b>	<b>10,743</b>	<b>9,023</b>	<b>19.1</b>	<b>10,546</b>	<b>1.9</b>	<b>28,560</b>	<b>24,115</b>	<b>18.4</b>
Stock adjustments	(474.5)	(275.9)		(447.9)		(1,353)	(794.3)	
Raw Material	6,488	5,086	27.6	6,566	(1.2)	17,635	9,292	89.8
(% of total income)	56.0	53.3		58.0		57.0	35.2	
Employee Cost	1,338	1,349	(0.8)	1,349	(0.8)	3,988	3,951	0.9
(% of total income)	12.5	14.9		12.8		14.0	16.4	
<b>Other expenses</b>	<b>1,311</b>	<b>793</b>	<b>65.3</b>	<b>1,119</b>	<b>17.2</b>	<b>3,138</b>	<b>1,912</b>	<b>64.1</b>
(% of total income)	12.2	8.8		10.6		11.0	7.9	
<b>Total expenditure</b>	<b>8,663</b>	<b>6,952</b>	<b>24.6</b>	<b>8,586</b>	<b>0.9</b>	<b>23,407</b>	<b>19,446</b>	<b>20.4</b>
<b>EBITDA</b>	<b>2,080</b>	<b>2,072</b>	<b>0.4</b>	<b>1,959</b>	<b>6.2</b>	<b>5,153</b>	<b>4,669</b>	<b>10.4</b>
(EBITDA %)	19.4	23.0		18.6		18.0	19.4	
Interest	14.5	14.5	0.2	9.6	50.4	32.9	24.2	35.9
Depreciation	186.8	144.7	29.1	188.8	(1.1)	545.5	405.7	34.5
Other income	196.0	152.9	28.2	219.9	(10.8)	664.6	478.4	38.9
<b>PBT</b>	<b>2,075</b>	<b>2,065</b>	<b>0.5</b>	<b>1,981</b>	<b>4.8</b>	<b>5,239</b>	<b>4,718</b>	<b>11.1</b>
(% of total income)	19.3	22.9		18.8		18.3	19.6	
Total tax	643.2	662.3	(2.9)	568.6	13.1	1,579	1,504	4.9
(% of PBT)	31.0	32.1		28.7		30.1	31.9	
<b>PAT (Reported)</b>	<b>1,432</b>	<b>1,403</b>	<b>2.0</b>	<b>1,412</b>	<b>1.4</b>	<b>3,660</b>	<b>3,213</b>	<b>13.9</b>
(% of total income)	13.3	15.6		13.4		12.8	13.3	
<b>EPS (₹)*</b>	<b>5.9</b>	<b>5.7</b>		<b>5.8</b>		<b>15.0</b>	<b>13.1</b>	<b>13.9</b>

Source: Company, Angel Research; \* Note: Adjusted for stock split

**Exhibit 2: Actual vs. Estimate**

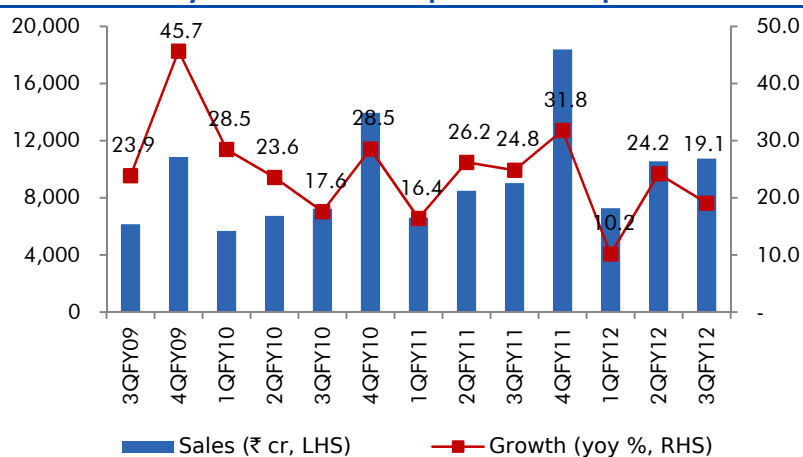
(₹ cr)	Actual	Estimates	Var. (%)
<b>Revenue</b>	<b>10,743</b>	<b>10,873</b>	<b>(1.2)</b>
EBITDA	2,080	2,175	(4.3)
Interest	14.5	10.5	38.1
Tax	643.2	705.3	(8.8)
<b>PAT</b>	<b>1,432</b>	<b>1,465</b>	<b>(2.2)</b>

Source: Company, Angel Research

## Consistent top-line growth continues on strong order book

For 3QFY2012, BHEL's revenue grew by 19.1% yoy to ₹10,743cr. Growth was largely driven by the power segment (aided by reclassification of revenue from industry to power), which posted robust growth of 58.3% yoy to ₹8,711cr and the industry segment posted a decline of 37.3% yoy to ₹2,367cr.

**Exhibit 3: Quarterly revenue trend depicts a stable picture**



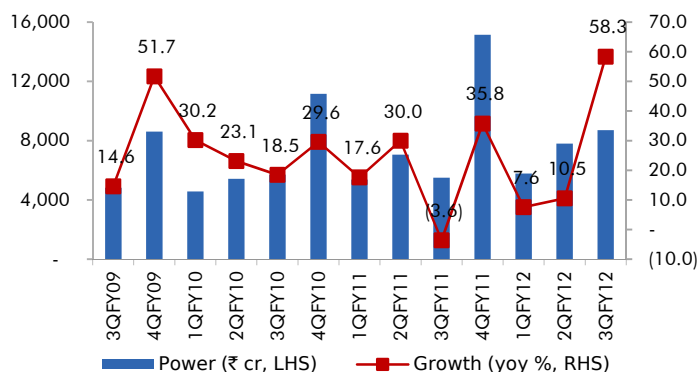
Source: Company, Angel Research

**Exhibit 4: Segment-wise performance**

Y/E March (₹ cr)	3QFY12	3QFY11	% chg (yoy)	2QFY11	% chg (qoq)	9MFY12	9MFY11	% chg (yoy)
<b>Revenue</b>								
Power	8,711	5,502	58.3	7,797	11.7	22,289	17,930	24.3
Industry	2,367	3,778	(37.3)	2,960	(20.0)	6,980	6,826	2.3
<b>Total revenue</b>	<b>11,078</b>	<b>9,280</b>	<b>19.4</b>	<b>10,758</b>	<b>3.0</b>	<b>29,269</b>	<b>24,757</b>	<b>18.2</b>
<b>EBIT</b>								
Power	1,656	1,713	(3.3)	1,316	25.8	3,924	4,203	(6.6)
Industry	748.6	373.0	100.7	800.4	(6.5)	1,922	903	112.9
<b>Total EBIT</b>	<b>2,405</b>	<b>2,086</b>	<b>15.3</b>	<b>2,116</b>	<b>13.6</b>	<b>5,846</b>	<b>5,106</b>	<b>14.5</b>
<b>Revenue mix (%)</b>								
Power	78.6	59.3		72.5		76.2	72.4	
Industry	21.4	40.7		27.5		23.8	27.6	
<b>EBIT margin (%)</b>								
Power	19.0	31.1		16.9		17.6	23.4	
Industry	31.6	9.9		27.0		27.5	13.2	
<b>Total</b>	<b>21.7</b>	<b>22.5</b>		<b>19.7</b>		<b>20.0</b>	<b>20.6</b>	

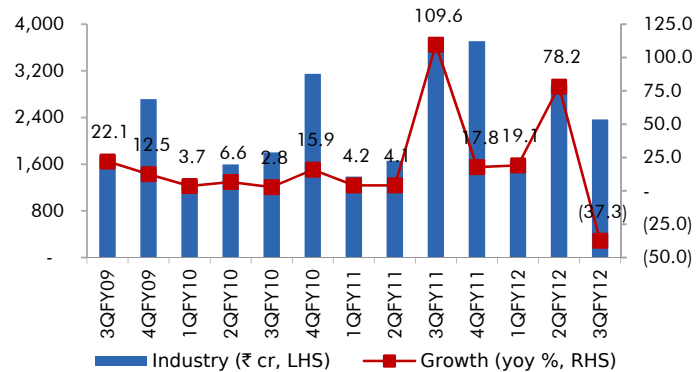
Source: Company, Angel Research

**Exhibit 5: Power segment posts stable growth**



Source: Company, Angel Research

**Exhibit 6: Industry segment retreats...**



Source: Company, Angel Research

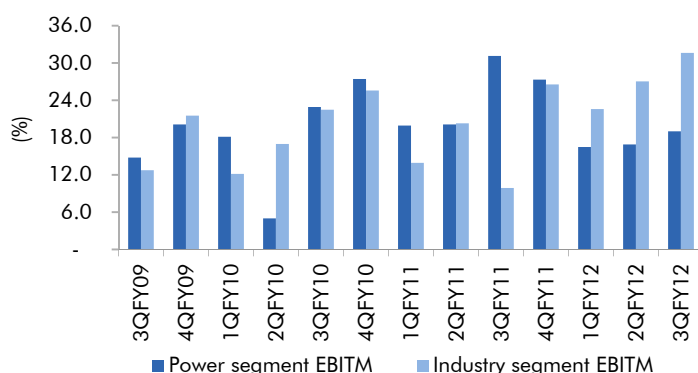
### Margins witness a sharp contraction

On an absolute basis, the company's EBITDAM contracted by 359bp yoy to 19.4%, in-line with our estimate. EBITDAM was mainly impacted by high raw-material cost and other expenses. As a percentage of sales, raw-material cost rose by ~270bp yoy to 56%, while other expenses shot up by ~340bp yoy to 12.2% (mainly accounted by higher power, fuel, freight and transportation cost, amongst others).

Segment wise, the industry segment witnessed phenomenal EBITM expansion of more than 2,000bp yoy to 31.6% mainly due to execution of high-margin orders. On the other hand, the power segment's EBITM came off sharply by ~1,200bp yoy to 19%.

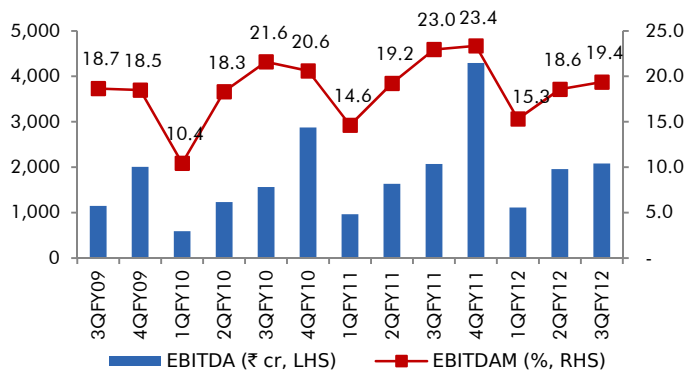
Led by margin dip, PAT growth was subdued at 2.0% yoy to ₹1,432cr, 2.2% lower than our (below street) estimate of ₹1,465cr.

**Exhibit 7: Segment EBITM trend**



Source: Company, Angel Research

**Exhibit 8: Blended EBITDA margin**



Source: Company, Angel Research

### Order book to witness a decline this year

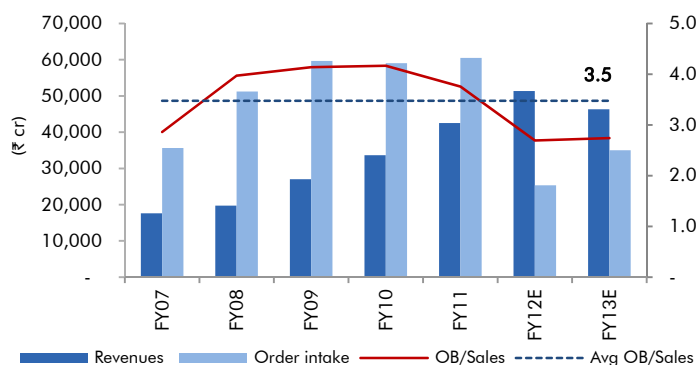
Order intake for 9MFY2012 totaled ₹15,273cr (power segment – ₹9,465cr and industry segment – ₹6,393cr), a yoy decline of ~60.0%. In addition, the company witnessed cancellation of orders worth ₹5,847cr (one large order and couple of small orders) in 3QFY2012. Dismal order intake resulted in order book slipping by 7.0% yoy to ₹1.4tn – the first decline in the past several quarters.

Declining order book (9MFY2012 revenue exceeds 9MFY2012 order inflow) puts serious concerns over the company's long-term growth.

In light of the proposed FPO, management refrained to offer any sort of guidance in order inflows. We believe the current economic landscape is still not conducive for sustained inflows on account of multiple challenges. In our view, BTG orders would post a meaningful uptick once structural issues related to coal and land acquisition get credibly resolved.

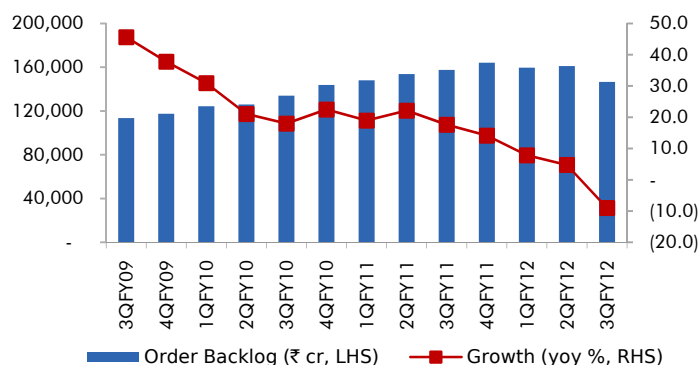
We estimate order inflows worth ₹25,324cr and ₹35,000cr for FY2012E and FY2013E, respectively.

**Exhibit 9: OB/Sales ratio on a declining trend...**



Source: Company, Angel Research

**Exhibit 10: ...led by a drop in order backlog**



Source: Company, Angel Research

**Working capital deteriorates:** BHEL's working capital (excluding cash) stood at ~₹9,000 (82 days on an absolute basis) as of 9MFY2012, which is high compared to 57 days as of 1HFY2012 and 14 days as of FY2011. This is primarily due to high debtors (₹35,000cr as of 9MFY2012) and lower advances (amid lower order inflows), which negatively impacted the working capital cycle. Consequently, cash balance, as indicated by management, is little over ₹5,000cr, which has declined by roughly ₹3,000cr from 1HFY2012 (₹7,949cr) and nearly halved when compared to FY2011 end (₹9,706cr).

Against the backdrop of payment delays, including milestone payments (retentions money) as well as lower advances, we expect working capital to remain at elevated levels (54 days and 95 days for FY2012E and FY2013E, respectively).

## Recommendation rationale

**Deteriorating dynamics in the BTG space:** Recent trend in biddings and project wins indicate that BHEL's leadership position is under threat, thus hinting for a loss in its market share going ahead. Further, given the structural issues faced by the power sector, times look tough for BTG players in the near to medium term.

**Concerns visible beyond FY2013:** While the current operating metrics appear sound (a revenue CAGR of 24% in the past five years, strong OB/Sales of 3.8x and 20%+ EBITDA margin), we expect BHEL to face pressure going ahead. In our view, the company's growth and margins are likely to trim mainly due to 1) deceleration of order inflow growth – from a 26.2% CAGR over FY2006-11 to negative growth over FY2011-14E; and 2) a 200-250bp margin dip from FY2013 due to higher imported content of supercritical equipment. Hence, we believe earnings could face severe strain in the times to come.

**More underperformance likely:** BHEL is trading at historically low valuations of 10.6x FY2013E EPS, owing to 1) delay in big-ticket orders; 2) weak investment capex due to a high interest rate regime, which could take more time to gather momentum than earlier anticipated; and 3) changing competitive dynamics in the BTG space. We believe these concerns are far from over and, hence, expect the stock to further underperform and maintain our Neutral view on the stock.

**Outlook and valuation:** Problems on the business front, envisaged in many of our earlier notes, are coming to fore for BHEL – dismal order intake, no signs of let up in competition (domestic and international) and order book growth under threat (9MFY2012 revenue exceeds 9MFY2012 order inflow), all of which put serious concerns over the company's long-term growth. **Although we believe that on the valuation front the stock is undemanding at PE multiple of <11x of its FY2013E earnings, we believe earnings would face severe strain going ahead, given the structural issues. Hence, we maintain our negative stance on BHEL.**

**Change in estimates:** We have cut our FY2012E order inflow estimates from ₹40,500 to ₹25,324cr, factoring the dull ordering scenario in the BTG space. This cut results in ~10.3% downward revision in revenue for FY2013E. In tandem with decreased top line, earnings growth is expected to decelerate by 9.4% for FY2013.

### Exhibit 11: Change in estimates

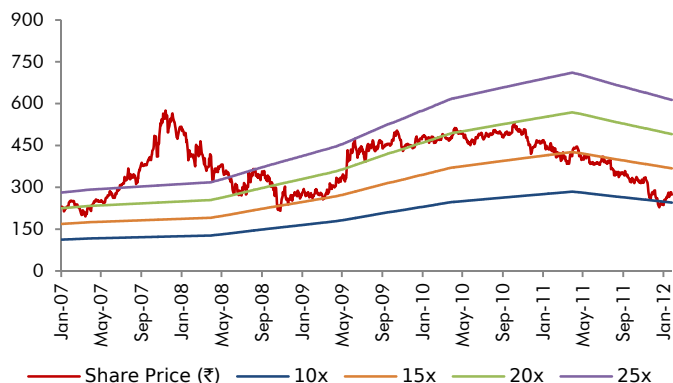
(₹ cr)	FY2012E			FY2013E		
	Earlier estimates	Revised estimates	Var. (%)	Earlier estimates	Revised estimates	Var. (%)
Revenue	51,482	51,352	(0.3)	51,689	46,344	(10.3)
EBITDA	10,193	10,068	(1.2)	9,480	8,474	(10.6)
PAT	7,015	6,966	(0.7)	6,361	5,762	(9.4)

Source: Company, Angel Research

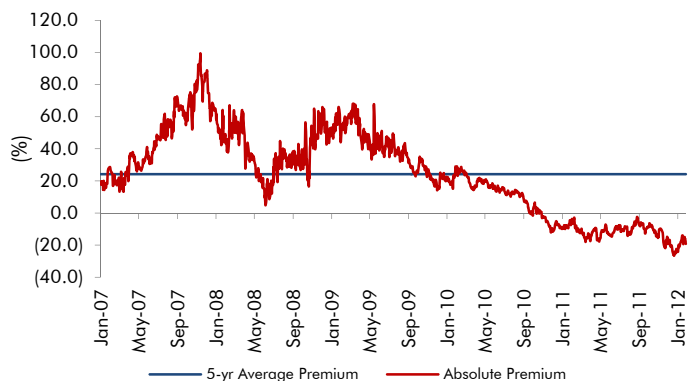
**Exhibit 12: Angel EPS forecast vs consensus**

Y/E March	Angel forecast	Bloomberg consensus	Var. (%)
FY2012E	28.5	26.1	9.1
FY2013E	23.5	27.1	(13.2)

Source: Company, Angel Research

**Exhibit 13: Premium/Discount to Sensex P/E**


Source: Company, Angel Research

**Exhibit 14: One-year forward P/E band**


Source: Company, Angel Research

**Exhibit 15: Peer comparison**

Company	Reco.	CMP (₹)	Tgt. price (₹)	Upside (%)	P/BV(x)		P/E(x)		FY2011-13E EPS CAGR	RoCE (%)		RoE (%)	
					FY12E	FY13E	FY12E	FY13E		FY12E	FY13E	FY12E	FY13E
ABB*	Sell	812	427	(47.4)	6.7	6.0	91.4	45.6	144.2	11.4	20.2	7.6	13.9
<b>BHEL</b>	<b>Neutral</b>	<b>251</b>	-	-	<b>2.4</b>	<b>2.1</b>	<b>8.8</b>	<b>10.6</b>	<b>(2.4)</b>	<b>39.5</b>	<b>26.5</b>	<b>30.6</b>	<b>21.1</b>
BGR Energy	Neutral	231	168	(27.4)	1.5	1.3	6.4	6.9	(13.4)	14.2	10.6	25.0	23.4
Crompton Greaves	Buy	133	158	18.7	2.4	2.0	16.5	11.0	(8.2)	16.3	20.6	15.1	20.1
Jyoti Structures	Buy	47	54	16.0	0.6	0.5	3.9	4.3	(5.3)	21.7	18.2	15.8	12.7
KEC International	Neutral	53	53	0.2	1.3	1.1	7.9	6.0	5.7	17.5	18.4	24.9	26.6
Thermax	Neutral	492	-	-	3.6	3.1	14.2	15.1	0.9	32.8	26.0	28.0	21.9

Source: Company, Angel Research

**Profit & loss statement (consolidated)**

Y/E March (₹ cr)	FY2008	FY2009	FY2010	FY2011	FY2012E	FY2013E
<b>Total Income</b>	<b>19,727</b>	<b>27,012</b>	<b>33,653</b>	<b>42,538</b>	<b>51,352</b>	<b>46,344</b>
% chg	12.0	36.9	24.6	26.4	20.7	(9.8)
Net Raw Materials	10,662	16,234	19,626	22,767	28,318	26,046
Other Mfg costs	2,754	3,593	1,612	5,744	6,825	5,839
Personnel	2,608	3,020	6,590	5,453	6,141	5,986
Other	-	-	-	-	-	-
<b>Total Expenditure</b>	<b>16,024</b>	<b>22,846</b>	<b>27,828</b>	<b>33,963</b>	<b>41,284</b>	<b>37,871</b>
<b>EBITDA</b>	<b>3,703</b>	<b>4,166</b>	<b>5,825</b>	<b>8,575</b>	<b>10,068</b>	<b>8,474</b>
% chg	3.5	12.5	39.8	47.2	17.4	(15.8)
(% of Net Sales)	18.8	15.4	17.3	20.2	19.6	18.3
Depn & Amort.	297	282	339	478	746	847
<b>EBIT</b>	<b>3,406</b>	<b>3,884</b>	<b>5,486</b>	<b>8,097</b>	<b>9,322</b>	<b>7,627</b>
% chg	3.1	14.0	41.2	47.6	15.1	(18.2)
(% of Net Sales)	17.3	14.4	16.3	19.0	18.2	16.5
Interest & other Charges	35	35	37	56	58	70
Other Income	1,023	978	1,165	1,027	920	980
(% of PBT)	23.3	20.3	17.6	11.3	9.0	11.5
Others	-	-	-	-	-	-
<b>Recurring PBT</b>	<b>4,393</b>	<b>4,827</b>	<b>6,614</b>	<b>9,067</b>	<b>10,184</b>	<b>8,537</b>
% chg	18.6	9.9	37.0	37.1	12.3	(16.2)
Extraord. Exp/(Inc.)	(37.4)	(11.2)	(7.2)	1.8	-	-
<b>PBT (reported)</b>	<b>4,430</b>	<b>4,838</b>	<b>6,621</b>	<b>9,066</b>	<b>10,184</b>	<b>8,537</b>
Tax	1,571	1,723	2,294	3,012	3,218	2,775
(% of PBT)	35.5	35.6	34.6	33.2	31.6	32.5
<b>PAT (reported)</b>	<b>2,859</b>	<b>3,115</b>	<b>4,327</b>	<b>6,053</b>	<b>6,966</b>	<b>5,762</b>
Add: earnings of associate	-	-	-	-	-	-
Less: Minority interest (MI)	-	-	-	-	-	-
Prior period items	-	-	-	-	-	-
<b>PAT after MI (reported)</b>	<b>2,859</b>	<b>3,115</b>	<b>4,327</b>	<b>6,053</b>	<b>6,966</b>	<b>5,762</b>
<b>ADJ. PAT</b>	<b>2,860</b>	<b>3,115</b>	<b>4,327</b>	<b>6,053</b>	<b>6,966</b>	<b>5,762</b>
% chg	18.5	8.9	38.9	39.9	15.1	(17.3)
(% of Net Sales)	14.5	11.5	12.9	14.2	13.6	12.4
<b>Basic EPS (₹)</b>	<b>11.7</b>	<b>12.7</b>	<b>17.7</b>	<b>24.7</b>	<b>28.5</b>	<b>23.5</b>
<b>Fully Diluted EPS (₹)</b>	<b>11.7</b>	<b>12.7</b>	<b>17.7</b>	<b>24.7</b>	<b>28.5</b>	<b>23.5</b>
% chg	18.5	8.9	38.9	39.9	15.1	(17.3)

**Balance Sheet (consolidated)**

Y/E March (₹ cr)	FY2008	FY2009	FY2010	FY2011	FY2012E	FY2013E
<b>SOURCES OF FUNDS</b>						
Equity Share Capital	490	490	490	490	490	490
Preference Capital	-	-	-	-	-	-
Reserves & Surplus	10,285	12,429	15,406	19,666	24,857	28,846
<b>Shareholders' Funds</b>	<b>10,774</b>	<b>12,919</b>	<b>15,896</b>	<b>20,155</b>	<b>25,347</b>	<b>29,335</b>
Minority Interest	-	-	-	-	-	-
Total Loans	95	167	148	270	1,480	1,480
Deferred Tax Liability	(1,338)	(1,840)	(1,529)	(2,165)	(2,165)	(2,165)
<b>Total Liabilities</b>	<b>9,531</b>	<b>11,245</b>	<b>14,516</b>	<b>18,260</b>	<b>24,662</b>	<b>28,650</b>
<b>APPLICATION OF FUNDS</b>						
Gross Block	4,443	5,501	6,858	8,344	9,857	11,315
Less: Acc. Depreciation	3,462	3,836	4,249	4,734	5,480	6,327
<b>Net Block</b>	<b>981</b>	<b>1,665</b>	<b>2,609</b>	<b>3,610</b>	<b>4,377</b>	<b>4,987</b>
Capital Work-in-Progress	658	1,157	1,552	2,203	2,090	1,932
Goodwill	-	-	-	-	-	-
Investments	8	6	6	11	11	11
<b>Current Assets</b>	<b>27,906</b>	<b>36,986</b>	<b>43,002</b>	<b>51,621</b>	<b>57,187</b>	<b>54,721</b>
Cash	8,386	10,330	9,856	9,706	5,759	9,888
Loans & Advances	1,388	2,342	2,662	3,076	2,568	3,012
Other	421	350	407	310	301	230
Current liabilities	20,022	28,569	32,656	39,188	39,007	33,005
<b>Net Current Assets</b>	<b>7,884</b>	<b>8,417</b>	<b>10,346</b>	<b>12,432</b>	<b>18,180</b>	<b>21,716</b>
Mis. Exp. not written off	-	-	2	4	4	4
<b>Total Assets</b>	<b>9,531</b>	<b>11,245</b>	<b>14,516</b>	<b>18,260</b>	<b>24,662</b>	<b>28,650</b>

**Cash flow statement (consolidated)**

Y/E March (₹ cr)	FY2008	FY2009	FY2010	FY2011	FY2012E	FY2013E
Profit before tax	4,430	4,838	6,621	9,066	10,184	8,537
Depreciation	297	282	339	478	746	847
(Inc)/Dec in WC	1,336	1,411	(2,403)	(2,236)	(9,695)	593
Less: Other income	1,023	978	1,165	1,027	920	980
Direct taxes paid	1,947	2,184	2,021	3,649	3,218	2,775
Others	30	(18)	(27)	(14)	(0.2)	-
<b>Cash Flow from Operations</b>	<b>3,124</b>	<b>3,351</b>	<b>1,345</b>	<b>2,617</b>	<b>(2,903)</b>	<b>6,222</b>
(Inc.)/Dec.in Fixed Assets	(664)	(1,557)	(1,752)	(2,137)	(1,400)	(1,300)
(Inc.)/Dec. in Investments	-	2	-	(5)	-	-
Other income	1,023	978	1,165	1,027	920	980
<b>Cash Flow from Investing</b>	<b>359</b>	<b>(577)</b>	<b>(587)</b>	<b>(1,115)</b>	<b>(480)</b>	<b>(320)</b>
Issue of Equity	-	-	-	-	-	-
Inc./Dec.) in loans	6	71	(18)	122	1,210	-
Dividend Paid (Incl. Tax)	873	991	1,332	1,774	1,774	1,774
Others	(38)	90	119	0.1	-	-
<b>Cash Flow from Financing</b>	<b>(868)</b>	<b>(920)</b>	<b>(1,350)</b>	<b>(1,652)</b>	<b>(564)</b>	<b>(1,774)</b>
Inc./Dec.) in Cash	2,577	1,944	(474)	(150)	(3,947)	4,128
<b>Opening Cash balances</b>	<b>5,809</b>	<b>8,386</b>	<b>10,330</b>	<b>9,856</b>	<b>9,706</b>	<b>5,759</b>
<b>Closing Cash balances</b>	<b>8,386</b>	<b>10,330</b>	<b>9,856</b>	<b>9,706</b>	<b>5,759</b>	<b>9,888</b>

**Key Ratios**

Y/E March	FY2008	FY2009	FY2010	FY2011	FY2012E	FY2013E
<b>Valuation Ratio (x)</b>						
P/E (on FDEPS)	21.4	19.7	14.2	10.1	8.8	10.6
P/CEPS	19.4	18.1	13.1	9.4	8.0	9.3
P/BV	5.7	4.7	3.9	3.0	2.4	2.1
Dividend yield (%)	1.2	1.4	1.9	2.5	2.5	2.5
EV/Sales	2.7	1.9	1.6	1.2	1.2	0.9
EV/EBITDA	14.3	12.3	8.9	6.0	5.7	6.2
EV/Total Assets	4.9	3.9	3.2	2.5	2.1	1.7
OB/Sales	4.0	4.1	4.2	3.8	2.7	2.7
<b>Per Share Data (₹)</b>						
EPS (Basic)	11.7	12.7	17.7	24.7	28.5	23.5
EPS (fully diluted)	11.7	12.7	17.7	24.7	28.5	23.5
Cash EPS	12.9	13.9	19.1	26.7	31.5	27.0
DPS	3.1	3.5	4.7	6.2	6.2	6.2
Book Value	44.0	52.8	64.9	82.3	103.5	119.8
<b>DuPont Analysis</b>						
EBIT margin (%)	17.3	14.4	16.3	19.0	18.2	16.5
Tax retention ratio	0.6	0.6	0.7	0.7	0.7	0.7
Asset turnover (x)	7.1	10.3	7.5	5.0	3.2	2.2
ROIC (Post-tax) (%)	79.4	95.7	80.3	64.0	40.1	24.5
Cost of Debt (Post Tax) (%)	24.8	17.3	15.2	18.0	4.5	3.2
Leverage (x)	(0.8)	(0.8)	(0.6)	(0.5)	(0.2)	(0.3)
Operating RoE (%)	37.3	34.0	40.5	42.4	34.1	18.4
<b>Returns (%)</b>						
RoCE (Pre-tax)	34.5	32.4	37.7	44.4	39.5	26.5
Angel RoIC (Pre-tax)	148.9	227.9	176.3	123.3	67.9	40.2
RoE	29.2	26.3	30.0	33.6	30.6	21.1
<b>Turnover ratios (x)</b>						
Asset Turnover (Gross Block)	4.5	5.3	5.4	5.5	5.3	5.3
Inventory / Sales (days)	92	92	93	87	91	100
Receivables (days)	200	189	200	207	219	255
Payables (days)	340	343	332	345	385	384
WC cycle (ex-cash) (days)	3	(16)	(8)	14	54	95
<b>Solvency ratios (x)</b>						
Net debt to equity	(0.8)	(0.8)	(0.6)	(0.5)	(0.2)	(0.3)
Net debt to EBITDA	(2.2)	(2.4)	(1.7)	(1.1)	(0.4)	(1.0)
Int. coverage (EBIT / Int.)	96.2	110.4	149.5	143.6	160.7	109.0

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	BHEL
1. Analyst ownership of the stock	No
2. Angel and its Group companies ownership of the stock	No
3. Angel and its Group companies' Directors ownership of the stock	No
4. Broking relationship with company covered	No

Note: We have not considered any Exposure below ₹1 lakh for Angel, its Group companies and Directors.

Ratings (Returns):	Buy (> 15%)	Accumulate (5% to 15%)	Neutral (-5 to 5%)
	Reduce (-5% to 15%)	Sell (< -15%)	