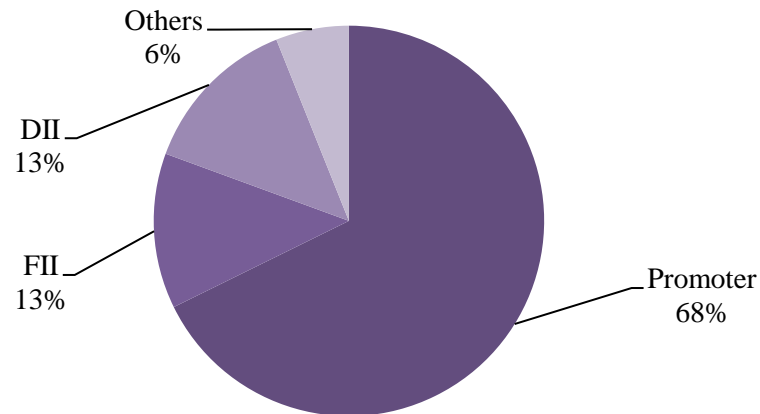




BSE Code	500103
BSE Group / Index	A / SENSEX
CMP	Rs.310.55
Market Capitalization	Rs.76,010 Cr
Face Value	Rs.2
EPS (TTM)	Rs.26.27
52 Wk High (BSE)	Rs.482.00 (16 Nov,2010)
52 Wk Low (BSE)	Rs.308.10 (15 Nov,2011)

Shareholding Pattern % as of Sep, 2011



Public holding more than 1% of the Total No. of Shares (as of Sep, 2011)

Sl. No.	Name of the Shareholder	No. of Shares	Shares as % of Total No. of Shares
1	Life Insurance Corporation of India	26,896,562	5.49
2	LIC of India Market Plus -1	5,121,001	1.05
3	Lazard Asset Management LLC A/c Lazard Emerging Markets Portfolio	7,071,092	1.44
	Total	39,088,655	7.99



Q2 FY12 – Result Highlights

Particulars (Rs. Cr)	Q2 FY12	Q2 FY11	YoY (%)	Q1 FY12	QoQ (%)	H1 FY12	H1 FY11	YoY (%)
Net Sales	10298.56	8328.41	23.66%	7125.70	44.53%	17424.24	14808.10	17.67%
Other Operating Income	246.95	162.24	52.21%	145.80	69.38%	392.73	283.59	38.49%
Total Income	10545.51	8490.65	24.20%	7271.50	45.03%	17816.97	15091.69	18.06%
Expenditure								
a) (Inc)/dec in stock-in-trade	-447.85	-393.15	13.91%	-430.60	4.01%	-878.44	-518.40	69.45%
b) Consumption of raw materials	6565.82	5357.21	22.56%	4580.60	43.34%	11146.38	9291.82	19.96%
c) Employee cost	1349.14	1264.09	6.73%	1301.00	3.70%	2650.09	2601.84	1.85%
d) Other expenditure	1119.20	630.11	77.62%	707.30	58.24%	1826.51	1119.02	63.22%
Total	8586.31	6858.26	25.20%	6158.30	39.43%	14744.54	12494.28	18.01%
EBIDTA	1959.20	1632.39	20.02%	1113.20	76.00%	3072.43	2597.41	18.29%
Depreciation	188.81	134.10	40.80%	170.90	10.48%	359.72	260.99	37.83%
Interest	9.64	5.93	62.56%	8.80	9.55%	18.44	9.76	88.93%
Other Income	219.86	161.99	35.72%	248.70	-11.60%	468.51	325.44	43.96%
PBT	1980.61	1654.35	19.72%	1182.20	67.54%	3162.78	2652.10	19.26%
Tax	568.58	512.07	11.04%	366.70	55.05%	935.24	842.17	11.05%
PAT	1412.03	1142.28	23.62%	815.50	73.15%	2227.54	1809.93	23.07%
Equity share capital (FV-Rs.2)	489.52	489.52		489.52		489.52	489.52	
EPS (Rs.)	5.77	4.67		3.33		9.10	7.39	
EBIDTA Margin (%)	18.58%	19.23%		15.31%		17.24%	17.21%	
PAT Margin (%)	13.39%	13.45%		11.22%		12.50%	11.99%	

**Sales & PAT grows at ~24% YoY**

- In Q2FY12, BHEL reported Net Sales of Rs.10,298.56Cr and PAT of Rs.1412.03Cr, an increase of 23.66% & 23.62% YoY respectively. This was in the backdrop of tough operating environment.
- However, after adjusting for one-time benefit of Rs.166Cr on account of decreased leave encashment liability, PAT stood at Rs.1290Cr, an increase of 12% YoY. The result for the quarter was negatively impacted by higher provision on liquidated damages and contractual obligations to the tune Rs.190Cr.
- In Q2FY12, EBIDTA margins declined 65bps YoY to 18.58% on account of sharp 77.62% YoY rise in other expenditure.

Segmental Performance

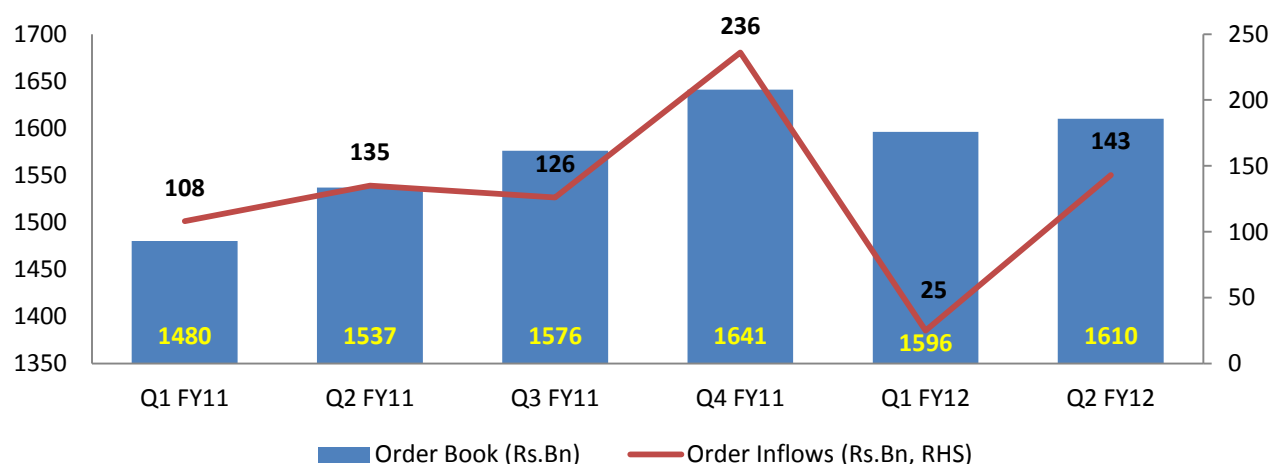
Particulars (Rs. Cr)	Q2 FY12	Q2 FY11	YoY (%)	Q1 FY12	QoQ (%)	H1 FY12	H1 FY11	YoY (%)
Revenues								
Power	7797.30	7054.66	10.53%	5780.30	34.89%	13577.61	12428.02	9.25%
Industry	2960.27	1660.80	78.24%	1652.90	79.10%	4613.16	3048.67	51.32%
EBIT								
Power	1315.89	1418.53	-7.24%	951.80	38.25%	2267.70	2489.17	-8.90%
Industry	800.41	336.82	137.64%	373.30	114.41%	1173.69	529.99	121.46%
Revenue Mix (%)								
Power	72.48%	80.94%		77.76%		74.64%	80.30%	
Industry	27.52%	19.06%		22.24%		25.36%	19.70%	
EBIT Margin (%)								
Power	16.88%	20.11%		16.47%		16.70%	20.03%	
Industry	27.04%	20.28%		22.58%		25.44%	17.38%	



Industrial segment reported highest margins but Power segments disappoints

- Strong performance in Industrial segment was key highlight of the quarter. The Industrial segment grew by 78.24% YoY to Rs.2960.27Cr. It also earned highest-ever margins at 27.52%, an increase of 846 bps YoY. Consequently, EBIT grew by 137.64% YoY to Rs.800.41Cr.
- Whereas, EBIT margins in Power segment decline 323 bps YoY to 16.88% and EBIT declined 7.24% YoY to Rs.1315.89Cr.

Order Book Status



- BHEL reported order inflows of Rs.143Bn in the quarter. There were two large orders in ‘Power’ segment received by BHEL (1) 2X660 MW – Singraini Coalfields valued at Rs.40.1Bn and (2) 2X660 MW – Dainik Bhaskar Group valued at Rs.37.8Bn.
- Early in the year, BHEL had guided for 10% growth in order inflows at Rs.667Bn for FY12. Management refused to guide for order inflow target for the year in light of upcoming FPO and SEBI rules.
- We believe that it would be a tough task to meet its guidance of 10% growth in order inflow due to multiple issues like delay in award of coal linkage, delay in financial closures amidst high interest rates etc.



Outlook

There are some concerns on BHEL on back of (1) lack of domestic coal linkage from Coal India leading to project finalization delays (2) SEB losses leading to funding freeze (3) Pressure on margins due to intensified competition (4) upcoming FPO at discount.

However few positives could unfold like

- (1) Imposing duties and restriction on imported BTG equipments**
- (2) Announcement of special dividend, considering Rs.7949Cr of cash in books – yielding upsides to the stock which is trading at 11.82x TTM EPS of Rs.26.27.**

**Disclaimer:**

Analyst Holding: Yes
Recommended to Clients: Yes
Relationship with Management: No

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