

Bharat Heavy Electricals Limited

CMP : Rs 71.65

July 25, 2018

Sale up 6%, PAT up 93%

Bharat Heavy Electricals has registered 6% growth in revenue for the quarter ended June 2018 to Rs 5935.49 crore. But its net profit (total comprehensive income) jumped up by strong 85% to Rs 154.60 crore. Sharp jump at bottom-line is largely due higher sales together with 120 bps expansion in operating profit margin to 4.8%, higher other income, lower interest and depreciation cost as proportion to operating profit. But for higher tax rate and Rs 3.65 crore swing in other comprehensive expenses, the growth at bottom-line would have been much steeper than reported.

- Expansion in OPM by 120 bps was largely due to lower material and staff expenses. Material cost as proportion to sales net of stocks was down by 20 bps to 58.2%. And the staff cost was lower by 250 bps to 23.1%. However the OE was up by 170 bps to 14.0%. As the increase in OE could not fully offset the gain in material and staff cost the OPM expanded.
- PBIT was up by 5% to Rs 546.26 crore driven largely by higher profit in power segment. The segment profit of power was up by 11% (to Rs 487.80 crore) and that of Industry was down by sharp 27% to Rs 58.46 crore. The segment margin of power expanded by 40 bps and that of industry was down by sharp 120 bps to 10.5% and 5.1% respectively.
- Other income was up by just 4% to Rs 178.61 crore hit by lower customer advances as advanced by some customers comes with interest. The interest cost was down by 3% (to Rs 63.90 crore) and the depreciation was down by 12% (to Rs 176.10 crore). However the interest and depreciation cost as proportion to Operating profit stood lower at 22.2% and 61.3% respectively compared to 32.4% and 98.6% in corresponding previous period. Thus spurred by lower interest and depreciation the PBT more than doubled (up 109%) to Rs 225.86 crore.
- EO income for the quarter and corresponding previous period was nil. The taxation jumped up by 158% to Rs 70.27 crore. Thus hit by higher tax provision, the growth at PAT was restricted at 93% (to Rs 155.58 crore).
- The other comprehensive expense was at Rs 0.98 crore compared to an income of Rs 2.67 crore in corresponding previous period. Thus the total comprehensive income was up by 85% to Rs 154.60 crore.

Yearly performance

Standalone sales were higher by 2% to Rs 28925.71 crore. Further with OPM expand by 300 bps to 6.7%, the operating profit leaped by 82% to Rs 1932.89 crore. After accounting for lower other income, lower interest (as % of OP) and lower depreciation (as % of OP), the PBT was up by 152% to Rs 1584.99 crore. Taxation was up by 490% to Rs 778.39 crore and thus the PAT was up by 63% to Rs 806.60 crore. PPA was nil for the quarter as well as corresponding previous period. Thus the PAT after PPA was up by 63% to Rs 806.60 crore. The other comprehensive income was up at Rs 83.33 crore compared to an expense of Rs 29.00 crore in corresponding previous period. And thus the total comprehensive income was up by 91% to Rs 889.93 crore.

Consolidated sales net of excise was up by 2% to Rs 28940.2 crore but with 310 bps expansion in OPM powered OP to leap by 86% to Rs 1970.11 crore. After accounting for lower OI, lower interest and depreciation, the PBT was up by 164% to Rs 1605.63 crore. The share of profit from JV/associates was a loss of Rs 390.76 crore compared to a loss of just Rs 23.56 crore. Thus hit, the PBT after share of profit from JV was Rs 1214.87 crore, a jump of 107%. After accounting for higher taxation (up 496% to Rs 776.68 crore), the PAT was down by 4% to Rs 438.19 crore. Eventually the net profit (total comprehensive income attributable to owners) was up by 22% to Rs 524.63 crore gained by higher other comprehensive income.

INDEX DETAILS

SENSEX	36858.23
NIFTY (S&P CNX)	11132.00

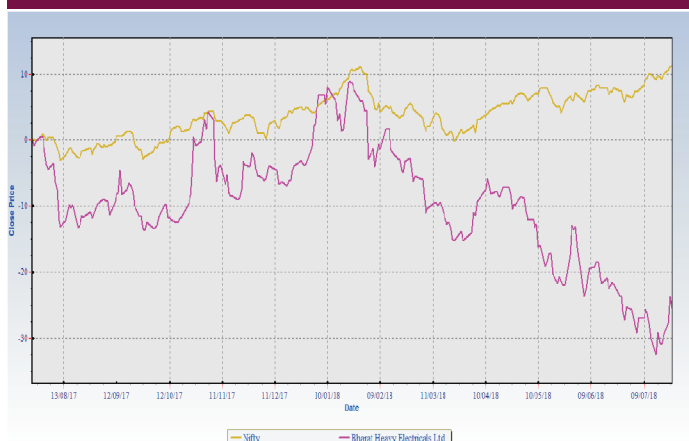
SCRIP DETAILS

Industry	Heavy Electrical Equipment
Mkt Cap (Rs in Crore)	26287.22
Book Value (Rs)	88.80
Free Float (%)	36.94
Avg Vol Weekly (NSE)	15419153
52 Week H/L (NSE)	108.00 / 64.50
Dividend Yield (%)	2.54
BSE Code	500103
NSE Code	BHEL

SHAREHOLDING PATTERN(%)

PARTICULARS	LATEST QUARTER	PREVIOUS QUARTER
Promoters	63.06	63.06
FIIIs	13.04	13.04
DIIIs	18.17	18.50
Others	5.73	5.40
Totals	100	100

Price Comparison with Sensex



Bharat Heavy Electricals: Results

Particulars	Q1FY19	Q1FY18	Var. (%)	FY18	FY17	Var.(%)
Sales	5935.49	5583.37	6	28925.71	28447.04	2
OPM (%)	4.8	3.6		6.7	3.7	
OP	287.24	202.91	42	1932.89	1061.36	82
Other inc.	178.61	170.98	4	693.05	765.92	-10
PBIDT	465.85	373.89	25	2625.94	1827.28	44
Interest	63.9	65.72	-3	254.55	350.61	-27
PBDT	401.95	308.17	30	2371.39	1476.67	61
Dep.	176.1	200.14	-12	786.4	848.84	-7
PBT	225.85	108.03	109	1584.99	627.83	152
Provn for taxation	70.27	27.21	158	778.39	131.97	490
PAT	155.58	80.82	93	806.6	495.86	63
PPA	0	0		0	0	
Net Profit	155.58	80.82	93	806.6	495.86	63
Other Comprehensive Income	-0.98	2.67	999	83.33	-29	LP
Total Comprehensive Income	154.6	83.49	85	889.93	466.86	91
EPS (Rs)*	#	#		2.2	1.4	

Bharat Heavy Electricals: Segment Results

Sales	Q1FY19	Q1FY18	Var. (%)	% to total	FY18	FY17	Var.(%)	% to total
Power	4636.18	4335.63	7	80	23064.17	22794.78	1	82
Industry	1153.9	1271.39	-9	20	5034.25	6045.64	-17	18
Total	5790.08	5607.02	3	100	28098.42	28840.42	-3	100
PBIT								
Power	487.8	438.56	11	89	2792.14	2534.58	10	94
Industry	58.46	80.18	-27	11	179.55	244.15	-26	6
PBT before tax and interest	546.26	518.74	5	100	2971.69	2778.73	7	100
Less: Interest	63.9	65.72			254.55	350.61		
Add: Other unallocable income	-256.51	-344.99			-1132.15	-1800.29		
PBT	225.85	108.03			1584.99	627.83		
Segment Assets								
Power	43093.39	37868.53	14	83	40812.18	37602.38	9	64
Industry	8707.38	8861.6	-2	17	8522.98	9188.25	-7	13
Segment Liability								
Power	23968.78	22683.86	6	82	24541.3	23250.32	6	79
Industry	5286.58	5852.04	-10	18	4799.21	5480.91	-12	15
Net Unallocated (Assets-Liabilities)	10210.28	14183.7			12606.43	14235.04		

NOTES

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