

## Bharat Heavy Electricals Limited

June 17, 2025

Facilities/Instruments	Amount (₹ crore)	Rating <sup>1</sup>	Rating Action
Long-term bank facilities	9,500.00 (Enhanced from 9,000.00)	CARE AA-; Stable	Reaffirmed
Long-term / Short-term bank facilities	70,500.00 (Enhanced from 51,000.00)	CARE AA-; Stable / CARE A1+	Reaffirmed
Commercial paper	5,000.00	CARE A1+	Reaffirmed

Details of instruments/facilities in Annexure-1.

### Rationale and key rating drivers

Reaffirmation of ratings assigned to Bharat Heavy Electricals Limited's (BHEL) bank facilities and short-term instruments considers robust inflow of orders from the thermal power sector, totalling 14.6 GW and overall addition of ₹92,535 crore including industrial segment received in FY25 (referring to April 01 to March 31). BHEL reported growth of 19% in its revenue in FY25, led by accelerated execution on the back of strong revenue visibility. Its profitability improved in FY25, largely led by improvements in industry segment, while margins of power segment moderated mainly due to cost overruns. Majority new orders follow a milestone-based payment structure, contrasting with back-ended payment structure prevalent in legacy contracts. As a result, going forward CARE Ratings Limited (CareEdge Ratings) expects strengthened order book to drive growth in scale of operations and improvement in profitability, considering substantial completion of legacy projects as articulated by the management. Ratings continue to factor BHEL's strong position in the power equipment market, particularly its extensive presence among government sector entities and its majority ownership by the Government of India (GoI; 63.17%).

With significant mobilisation advances received in FY25, the company's net cash position improved, however, it continues to remain negative. The net cash position improved from (-) ₹2,545 crore as on March 2024 to (-) ₹568 crore in March 2025. Total outside liabilities to total net worth (TOL/TNW) increased from 1.43x as on March 31, 2024, to 1.73x as on March 31, 2025, primarily led by increase in mobilisation advances.

Ratings continue to be tempered by elongated gross current asset (GCA) days due to substantial contract assets from rear-ended payment terms in legacy orders and non-current receivables (including contract assets) formed 69% of TNW as on March 31, 2025. Utilisation level of working capital limit increased for trailing 12 months and it is expected to remain high due to increase in working capital requirement anticipated as the scale grows. Ratings are also constrained by moderate profitability and weak financial profile of state power utilities. Going forward, significant improvement in the current asset days and profitability shall be key rating monitorable.

### Rating sensitivities: Factors likely to lead to rating actions

#### Positive factors

- Reducing average collection days (including contract assets) to 300 days on a sustained basis.
- Higher-than-envisaged order execution and significant increase in operating profit margin beyond 8%.

#### Negative factors

- Inability to scale up operating income and improve operating profitability
- Increase in debt levels leading to increase in TOL /TNW over 2.0x on a sustained basis.
- Reducing GoI shareholding in BHEL to below 51%.

**Analytical approach:** Standalone; factoring parent notch up due to majority shareholding by GoI and further considering equity investments in underlying subsidiaries / joint ventures (JVs). BHEL has a JV under development with Coal India Limited, which shall entail investment commitment over a few years, while other subsidiaries / JVs neither have substantial business nor have significant investment commitment in the near term.

<sup>1</sup>Complete definition of ratings assigned are available at [www.careratings.com](http://www.careratings.com) and other CARE Ratings Limited's publications.

## Outlook: Stable

The outlook for BHEL is expected to be stable in the medium term, considering a strong order inflow from the thermal power segment, indicating a likely improvement in execution, resulting in improved profitability and liquidity. Continuation of majority ownership by GoI provides financial flexibility.

## Detailed description of key rating drivers:

### Key strengths

#### Established position in power and industrial equipment segments

BHEL has played a pivotal role in developing India's heavy electrical equipment manufacturing capabilities for nearly five decades. BHEL's contributions span power generation, transmission, floating solar engineering, procurement and construction (EPC), and railway traction. It maintains a substantial market share in supplying equipment for thermal projects across the country. Supported by cutting-edge technology and a robust resource base, BHEL is poised to sustain its position and further expand its market presence.

#### Strong manufacturing and engineering base for executing large orders

Considering its significant business integration and wide range of products, especially in power equipment, BHEL can deliver up to 20 GW in a year. The company has the infrastructure and resources to operate in over 150 project sites in India and abroad. It has a presence across India through its 16 manufacturing units, two repair centres, and eight service centres. BHEL's strength in project execution is also driven by its large, competent and experienced workforce. BHEL has been spending sizably on research and development (R&D) – a critical area for better product design, increasing acceptance, cost reduction, and efficiency in the competitive electrical equipment EPC landscape.

#### Healthy order book position providing strong revenue visibility

BHEL reported its highest order inflow at ~₹92,535 crore (PY: ₹77,907 crore). This surge in orders can be attributed to resurgence in demand for thermal power projects in India. BHEL secured 14.6 GW from thermal power segment in FY25. In the industry segment BHEL also received a sizable order inflow in transmission sector.

The aggregate order book as of March 31, 2025, stood at ₹1,96,329 crore (PY: ₹1,31,598 crore). The executable order book for FY25 stood at 6.57x the revenue from order execution (PY: 5.41x), providing strong revenue visibility. While the order remains concentrated in terms of sector, it demonstrates diversification across clients and geographical regions. Although average execution period for orders in the book ranges from 4-5 years, CareEdge Ratings takes cognisance of challenges it might face in scaling up the operations given the large outstanding order-book. Large proportion of order book under nascent stage increases performance risk to an extent.

#### Comfortable capital structure of the company

BHEL has a substantial net worth base, which enhances its financial flexibility. The company's capital structure remains comfortable, characterised by low overall gearing (adjusted for mobilisation advances) and TOL/TNW, which stood at 0.97x and 1.73x as on March 31, 2025 (PY: 0.65x and 1.43x), respectively. The interest coverage improved in the year from 0.73x in FY24 to 1.66x in FY25, led by improved profitability. BHEL's robust financial risk profile is supported by nil requirement of long-term borrowings. Investment commitments towards implementation of a coal gasification project of ~₹1,700 crore (49% of BHEL's shareholding), jointly promoted with Coal India Limited under the JV will be met from internal cash accruals in the next 3-4 years.

#### Majority ownership by GoI

BHEL is a prominent engineering and manufacturing company in India, serving vital sectors of the economy for over five decades. GoI holds majority stake in BHEL, which maintained a 63.17% ownership as of March 31, 2025. BHEL holds the prestigious Maharatna status, granting greater autonomy to Central Public Sector Enterprises (CPSEs) in their investment and capital expenditure decisions. GoI is well-represented on BHEL's board of directors through two nominated members, who hold executive positions in relevant administrative ministries. Independent directors are carefully selected by administrative ministries.

### Key weaknesses

#### Moderate profitability

Despite improvement in BHEL's profit before interest, lease rentals, depreciation, and taxation (PBILDT) margin from 2.53% in FY24 to 4.38% in FY25, profitability remained moderate due to partial pass-through of volatile commodity prices and inadequate absorption of overheads. Cost overruns have dampened the profitability of power segment which moderated in FY25. However, overall pre-provision PBILDT margin turned positive in FY25 led by improvement in industry segment profitability. Going forward, BHEL's ability to scale up operations with timely execution of orderbook and improve profitability shall be a critical rating sensitivity.

### Working capital intensive operations and elongated current asset days

The company continues to exhibit high working capital intensity, primarily due to elongated payment terms. Gross current asset days, though improved, continues to be elevated at 659 days in FY25. The non-current receivables (including contract assets) of ₹16,713 crore formed 69% of BHEL's TNW as on March 31, 2025. Elevated receivables and contract assets are largely due to milestone-based payment structures, particularly in legacy orders, which are typically back-ended and inventory required to be maintained for working on several projects simultaneously. BHEL continues to have exposure to weaker state utilities of ₹8,650 crore in form of receivables (including contract assets) as on March 31, 2025. Credit risk associated with doubtful receivables (including contract assets) is notably mitigated by an increased share of exposure to central utilities and financially robust private entities, which together constituted 62% in FY25, up from 56% in FY24.

The elevated receivable days, including contract assets, have led to fund-based working capital utilisation consistently exceeding 94% for 12-months ending April 30, 2025. With a substantial order backlog, working capital requirements are expected to rise in line with the anticipated increase in turnover. However, the projected improvement in operating margins, significant realisation of contract assets from legacy orders, and favourable payment terms in new contracts—resulting in lower levels of contract assets—are expected to support these increased requirements. Timely execution of orders and enhanced collections, particularly the realisation of legacy contract assets, will be critical in reducing working capital intensity and shall remain a key rating monitorable.

### Structural bottlenecks in the power sector impacting timely execution

The power sector in India has been marred by structural impediments, including delays in land acquisition, environmental and statutory clearances, and weak financial health of several state power utilities. BHEL continues to derive a significant portion of its revenues from the power segment, exposing it to sector-specific vulnerabilities, which adversely affected the pace of project execution over the years.

### Liquidity: Adequate

Adequate liquidity is characterised by nil long-term bank borrowings and presence of cash and bank balance of ₹7,612 crore as of March 31, 2025. However, average utilisation of fund-based limits was high at ~94% for 12 months ended April 2025. The commercial paper outstanding as on April 30, 2025, was ₹2,650 crore, covered by adequate liquidity. Improved collection efficiency, profitability and realisation of contract assets of legacy orders shall be crucial to bring liquidity to meeting working capital requirements going forward.

### Assumptions/Covenants: Not applicable

### Environment, social, and governance (ESG) risks

ESG factors affecting the sector include environmental aspects such as material selection, power consumption, carbon emissions, method of construction, waste management; social aspects such as workmen safety, community impact and accessibility, and governance aspects such as stakeholder engagement, supply chain management and business ethics. CareEdge Ratings expects BHEL's commitment to ESG will support its credit profile. Highlights of the impact of company's key ESG initiatives are as follows:

#### Environment:

- Focussing on creating products that are long lasting, efficient, use less quantum of natural resources in their operation, reducing their carbon footprint.
- Sustainable use of energy at the company's premises. The company has also undertaken Energy Management System certification (ISO 15001) through third-party audits.
- BHEL has capital solar photovoltaic plants of 35 MW for its plants.
- BHEL launched its net zero by 2047 target initiative in FY24 by the name 'Harit BHEL'.
- BHEL has set up Miyawaki forests in three units with cumulative coverage of 15,500+ square metres.

#### Social:

- BHEL continued with its program for supporting Educated India, Healthy India and Inclusive India under its CSR programme.

#### Governance:

- The board of BHEL comprises two government nominee directors and three independent directors.
- The company has a Board approved 'Code of Business Conduct & Ethics' for all Board Members and Senior Management personnel in compliance with requirements of Department of public enterprises (DPE) Guidelines on Corporate Governance for CPSEs and SEBI's Listing Regulations.

In business dealings with vendors and customers, BHEL has signed MoU with Transparency International India (TII) to adopt 'Integrity Pact' to make procurement and contracting more transparent by binding both parties to ethical conduct.

## Applicable criteria

[Definition of Default](#)  
[Factoring Linkages Government Support](#)  
[Factoring Linkages Parent Sub JV Group](#)  
[Liquidity Analysis of Non-financial sector entities](#)  
[Rating Outlook and Rating Watch](#)  
[Manufacturing Companies](#)  
[Financial Ratios – Non financial Sector](#)  
[Construction Sector](#)  
[Short Term Instruments](#)

## About the company and industry

### Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Industrials	Capital goods	Electrical equipment	Heavy electrical equipment

BHEL is an integrated power plant equipment manufacturer and one of the largest engineering and manufacturing companies in India. The company is engaged in design, engineering, manufacture, construction, testing, commissioning, and servicing a wide range of products and services for core sectors of the economy. BHEL has played an important role in India's heavy electrical equipment industry since its incorporation in 1964.

Brief Financials (₹ crore)	March 31, 2024 (A)	March 31, 2025 (Abridged)
Total operating income	23,893	28,339
PBILDT	604	1,242
PAT	260	513
Overall gearing (times)	0.65	0.97
Interest coverage (times)	0.73	1.66

A: Audited UA: Unaudited; Note: these are latest available financial results

\*net provisions are considered for arriving at PBILDT

**Status of non-cooperation with previous CRA:** Not applicable

**Any other information:** Not applicable

**Rating history for last three years:** Annexure-2

**Detailed explanation of covenants of rated instrument / facility:** Annexure-3

**Complexity level of instruments rated:** Annexure-4

**Lender details:** Annexure-5

**Annexure-1: Details of instruments/facilities**

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Commercial Paper-Commercial Paper (Standalone)*	INE257A14946	11-Apr-2025	6.55% - 6.89%	27-Jun-2025	1,000.00	CARE A1+
	INE257A14938	09-Apr-2025		26-Jun-2025	1,000.00	
	INE257A14961	27-May-2025		25-Aug-2025	250.00	
	INE257A14953	25-Apr-2025		24-Jul-2025	650.00	
	Proposed				2,100.00	
Fund-based - LT-Cash Credit		-	-	-	9500.00	CARE AA-; Stable
Non-fund-based - LT/ ST-BG/LC		-	-	-	70500.00	CARE AA-; Stable / CARE A1+

\*Commercial papers outstanding as on May 31, 2025

**Annexure-2: Rating history for last three years**

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2025-2026	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023
1	Fund-based - LT-Cash Credit	LT	9500.00	CARE AA-; Stable	-	1)CARE AA-; Stable (18-Jun-24)	1)CARE AA-; Stable (19-Jun-23)	1)CARE AA-; Stable (20-Jun-22)
2	Non-fund-based - LT/ ST-BG/LC	LT/ST	70500.00	CARE AA-; Stable / CARE A1+	-	1)CARE AA-; Stable / CARE A1+ (18-Jun-24)	1)CARE AA-; Stable / CARE A1+ (19-Jun-23)	1)CARE AA-; Stable / CARE A1+ (20-Jun-22)
3	Commercial Paper-Commercial Paper (Standalone)	ST	5000.00	CARE A1+	-	1)CARE A1+ (18-Jun-24)	1)CARE A1+ (19-Jun-23)	1)CARE A1+ (20-Jun-22)
4	Commercial Paper-Commercial Paper (Carved out)	ST	-	-	-	-	1)Withdrawn (19-Jun-23)	1)CARE A1+ (20-Jun-22)

LT: Long term; ST: Short term; LT/ST: Long term/Short term

**Annexure-3: Detailed explanation of covenants of rated instruments/facilities:** Not applicable**Annexure-4: Complexity level of instruments rated**

Sr. No.	Name of the Instrument	Complexity Level
1	Commercial Paper-Commercial Paper (Standalone)	Simple
2	Fund-based - LT-Cash Credit	Simple
3	Non-fund-based - LT/ ST-BG/LC	Simple

**Annexure-5: Lender details**

To view lender-wise details of bank facilities please [click here](#)

**Note on complexity levels of rated instruments:** CareEdge Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to [care@careedge.in](mailto:care@careedge.in) for clarifications.

## Contact us

<p><b>Media Contact</b></p> <p>Mradul Mishra Director <b>CARE Ratings Limited</b> Phone: +91-22-6754 3596 E-mail: <a href="mailto:mradul.mishra@careedge.in">mradul.mishra@careedge.in</a></p> <p><b>Relationship Contact</b></p> <p>Saikat Roy Senior Director <b>CARE Ratings Limited</b> Phone: 912267543404 E-mail: <a href="mailto:saikat.roy@careedge.in">saikat.roy@careedge.in</a></p>	<p><b>Analytical Contacts</b></p> <p>Rajashree Murkute Senior Director <b>CARE Ratings Limited</b> Phone: +91-22-6837 4474 E-mail: <a href="mailto:rajashree.murkute@careedge.in">rajashree.murkute@careedge.in</a></p> <p>Maulesh Desai Director <b>CARE Ratings Limited</b> Phone: +91-79-40265605 E-mail: <a href="mailto:maulesh.desai@careedge.in">maulesh.desai@careedge.in</a></p> <p>Prasanna Krishnan Lakshmi Kumar Associate Director <b>CARE Ratings Limited</b> Phone: 91-120-4452014 E-mail: <a href="mailto:prasanna.krishnan@careedge.in">prasanna.krishnan@careedge.in</a></p>
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