



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

Analyst – Abhilasha Satale/Tanush Mehta

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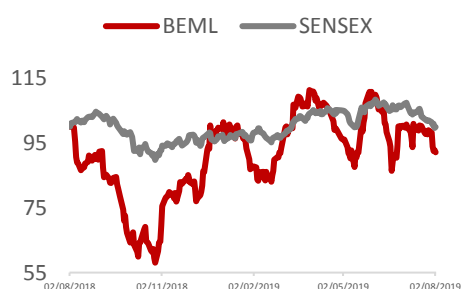
### ACCUMULATE

Current Price	822
52 Week Range	1167/521
Target Price	1060
Upside %	29%

### Key Share Data

Market Cap (Rs.bn)	34.11
Market Cap (US\$ mn)	483.75
No of o/s shares (mn)	41.64
Face Value	10
Monthly Avg.vol (BSE+NSE) Nos'000	988
BSE Code	500048
NSE Code	BEML
Bloomberg	BEML:IN

### Price performance



% Shareholding	Jun-19	Mar-19
Promoters	54.03	54.03
FII	4.02	3.71
DII	20.34	20.31
Others	21.61	21.95
<b>Total</b>	<b>100</b>	<b>100</b>

### Q1FY20 Result Highlights

BEML's Q1FY20 result is better than expectations. Topline for the Q1FY20, stood at Rs. 5810 mn (Exp: Rs5229mn), grew by 28% YoY. The gross margins of the company increased by 332bps yoy to 39% (Exp:37.35%). Employee cost increased by 3% yoy while other expenses have gone down 2%. Revenue per employee has gone up 38% yoy. As a result loss at EBITDA level has gone down from Rs1370mn to Rs772mn (Exp: -Rs1258mn).

Other income during the quarter increased by 94% yoy to Rs90mn. Interest cost is up 7% yoy to Rs117mn and depreciation is up 8% yoy to Rs183mn. Loss at PBT level has gone down from Rs1603mn to Rs982mn. PAT has gone down from Rs1603mn to Rs982mn yoy (Exp: -Rs1500mn)

### Other Highlights

**Bagged New order for Mumbai Metro:** BEML recently bagged an order worth Rs8340mn for manufacturing 126 metro coaches (average cost per coach: Rs66.2mn) for line 2 and 7. The order is extension of its previous order for line 2 and 7 which was for 378 coaches worth Rs30.15bn.

**Metro and Defence to be the growth driver** – Current order book of the company stands at Rs97bn (2.8x FY19 sales). Management expects order inflows of Rs15bn in defense, Rs18bn in mining & construction and Rs30bn in rail & metro segment during FY20E. Overall year end order book is expected at Rs140bn. Metro and defense segments are likely to be major growth drivers.

**Higher order to drive topline:** Management expects topline for FY20E to be Rs42bn which is in line with our expectations. During the quarter, BEML started executing Mumbai Metro coach order which is likely to get executed over next four quarters. Although recent coach order is bagged at lower cost management expects margin to improve once BEML hits revenue target of Rs42bn as operating leverage will be high. Employee cost to remain stable which will improve margin.

**Valuation:** Based on current order book BEML is likely to post topline CAGR of 21% over FY19-21E and bottom line to improve at a CAGR of 64% over the same Period. We expect BEML to post EPS of Rs33 and Rs53 over FY20E and FY21E. The stock is trading at 24x FY20E and 16x FY21E earnings. We value BEML on 20x FY21E earnings and recommend 'Accumulate' with target price of Rs1060 showing 29% upside.

### Key Financials

Year	Op Income	% Growth	EBIDTA	OPM%	PAT	% Growth	EPS	PE (x)	ROE%	ROCE%
FY17	24,942.2	9.4%	1,465.3	5.9%	847.6	148.0%	20.3	10	4%	6%
FY18	32,390.8	29.9%	2,527.3	7.8%	1,296.7	53.0%	31.0	7	6%	10%
FY19	34,742.5	7.3%	2,375.4	6.8%	631.5	-51.3%	15.1	54	3%	9%
FY20E	41,611.0	19.8%	3,398.8	8.2%	1,401.9	122.0%	33.6	24	6%	12%
FY21E	50,936.3	22.4%	4,784.8	9.4%	2,207.9	57.5%	52.9	16	9%	15%



BEML Q1FY20 Results (In INR mn)					
Particulars	Q1FY20	Q1FY19	Q4FY19	YoY	QoQ
Revenue for Operations	5800	4533	13661	28%	-58%
COGS	3539	2910	7449		
Gross Profit	2262	1623	6212	39%	-64%
GP%	39%	36%	45%		
Employee Expenses	2031	1977	2235	3%	-9%
% of Sales	35%	44%	16%		
Other expenses	1003	1035	1429	-3%	-30%
% of Sales	17%	23%	10%		
EBITDA	-773	-1389	2547	-44%	
EBITDA %	-13%	-31%	19%		
Depreciation	183	172	178	6%	2%
Interest	117	111	158	6%	-26%
Other Income	90	47	92	94%	-1%
PBT	-982	-1626	2302	-40%	
PBT %	-17%	-36%	17%		
Tax	0	0	673		
Tax Rate %	0%	0%	29%		
PAT	-982	-1626	1629	-40%	
PAT%	-17%	-36%	12%		
EPS	-23.58	-39.04	39.12		



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BEML Ltd Financial data											
P&L (Rs mn)	FY17	FY18	FY19	FY20E	FY21E	Cash Flow St. (Rs. mn)	FY17	FY18	FY19	FY20E	FY21E
Net Sales	24,942.2	32,390.8	34,742.5	41,611.0	50,936.3	Net Profit	847.8	1,296.7	631.6	1,401.9	2,208.0
						Add: Dep. & Amort.	628.0	653.9	707.2	788.7	836.7
						Minority Interest	(0.2)	(0.1)	(0.1)	(0.1)	(0.1)
Cost of sales	23,476.9	29,863.4	32,367.1	38,212.2	46,151.5	<b>Cash profits</b>	<b>1,475.6</b>	<b>1,950.6</b>	<b>1,338.7</b>	<b>2,190.6</b>	<b>3,044.6</b>
						<b>(Inc)/Dec in</b>					
<b>Operating Profit</b>	<b>1,465.3</b>	<b>2,527.3</b>	<b>2,375.4</b>	<b>3,398.8</b>	<b>4,784.8</b>	-Sundry debtors	(2,238.7)	(2,112.2)	283.0	(3,810.9)	(3,773.3)
Depreciation	628.0	653.9	707.2	788.7	836.7	-Inventories	(2,770.8)	1,722.1	976.9	(5,526.3)	(4,530.6)
PBIT	837.3	1,873.4	1,668.2	2,610.0	3,948.1	-Loans/advances	1.6	0.3	0.1	-	-
Other income	625.9	250.4	232.4	229.9	238.2	-Current Liab and Provisions	3,744.5	(563.8)	3,546.5	1,260.5	5,323.2
Interest	480.4	483.2	596.1	683.1	789.4	- Other Assets	78.3	910.0	477.3	-	-
						- Other Non Current Assets	1,177.7	(179.1)	656.1	-	-
Profit before tax	982.8	1,640.6	1,304.5	2,156.8	3,396.9	Change in working capital	(7.5)	(222.7)	5,939.9	(8,076.6)	(2,980.6)
Exceptional and Extra Ordinary Items	-	-	-	-	-	<b>CF from Oper. activities</b>	<b>1,468.1</b>	<b>1,727.9</b>	<b>7,278.6</b>	<b>(5,886.0)</b>	<b>64.0</b>
share of profit/loss in JV	-	-	-	-	-						
PBT ( Post Extra Ordinary)	982.8	1,640.6	1,304.5	2,156.8	3,396.9	<b>CF from Inv. activities</b>	<b>(722.4)</b>	<b>(924.2)</b>	<b>(1,194.7)</b>	<b>(181.2)</b>	<b>(1,000.0)</b>
Provision for tax	135.0	343.9	672.9	754.9	1,188.9						
<b>Reported PAT</b>	<b>847.8</b>	<b>1,296.7</b>	<b>631.6</b>	<b>1,401.9</b>	<b>2,208.0</b>	<b>CF from Fin. activities</b>	<b>(1,254.7)</b>	<b>(933.4)</b>	<b>(909.6)</b>	<b>1,788.0</b>	<b>565.2</b>
MI	0.2	0.1	0.1	0.1	0.1						
<b>Adjusted PAT</b>	<b>847.6</b>	<b>1,296.7</b>	<b>631.5</b>	<b>1,401.9</b>	<b>2,207.9</b>	<b>Cash generated/(utilised)</b>	<b>(509.1)</b>	<b>(129.6)</b>	<b>5,174.3</b>	<b>(4,279.3)</b>	<b>(370.8)</b>
						Cash at start of the year	664.2	145.4	27.8	314.4	926.8
						Cash at end of the year	155.1	15.8	5,202.1	(3,964.9)	556.0
<b>Balance Sheet</b>	<b>FY17</b>	<b>FY18</b>	<b>FY19</b>	<b>FY20E</b>	<b>FY21E</b>	<b>Ratios</b>	<b>FY17</b>	<b>FY18</b>	<b>FY19</b>	<b>FY20E</b>	<b>FY21E</b>
Equity capital	417.7	417.7	417.7	417.7	417.7	OPM	5.9	7.8	6.8	8.2	9.4
Reserves	21,406.1	21,593.4	21,456.0	22,456.9	24,263.8	NPM	3.3	4.0	1.8	3.4	4.3
<b>Net worth</b>	<b>21,823.8</b>	<b>22,011.1</b>	<b>21,873.7</b>	<b>22,874.6</b>	<b>24,681.5</b>	Tax rate	13.7	21.0	51.6	35.0	35.0
Minority Interest	2.1	2.2	2.0	2.2	2.2	<b>Growth Ratios (%)</b>					
<b>Non Current Liabilities</b>	<b>8,278.0</b>	<b>8,046.0</b>	<b>8,125.6</b>	<b>10,025.7</b>	<b>11,562.1</b>	Net Sales	(16.1)	29.9	7.3	19.8	22.4
						Operating Profit	3.1	72.5	(6.0)	43.1	40.8
<b>Current Liabilities</b>	<b>16,952.0</b>	<b>16,796.1</b>	<b>20,122.6</b>	<b>21,671.8</b>	<b>26,424.9</b>	PBIT	(2.1)	123.8	(11.0)	56.5	51.3
						PAT	31.9	53.0	(51.3)	122.0	57.5
<b>CAPITAL EMPLOYED</b>	<b>47,055.8</b>	<b>46,855.4</b>	<b>50,123.9</b>	<b>54,574.3</b>	<b>62,670.7</b>	<b>Per Share (Rs.)</b>					
<b>Non Current Assets</b>	<b>8,867.5</b>	<b>9,304.9</b>	<b>8,375.6</b>	<b>8,525.0</b>	<b>8,688.3</b>	Net Earnings (EPS)	20.3	31.04	15.1	33.6	52.9
Fixed Assets	6,627.9	6,626.7	6,563.3	6,712.7	6,876.0	Cash Earnings (CPS)	5.3	15.4	(1.8)	14.7	32.8
Non Current Investments	0.0	0.0	0.0	0.0	0.0	Dividend	200.5	401.0	401.0	401.0	401.0
Long Term Loans and Advances	183.7	89.7	6.0	6.0	6.0	Book Value	522.4	526.9	523.7	547.6	590.9
Other Non Current Assets	942.5	1,203.7	627.5	627.5	627.5	Free Cash Flow	17.9	19.2	145.7	(145.3)	(22.4)
Goodwill	-	-	-	-	-						
Deferred Tax Assets	1,113.4	1,384.9	1,178.8	1,178.8	1,178.8	<b>Valuation Ratios</b>					
<b>Current Assets</b>	<b>38,188.4</b>	<b>37,550.5</b>	<b>36,856.7</b>	<b>46,049.3</b>	<b>53,982.4</b>	P/E(x)	<b>41</b>	<b>26</b>	<b>54</b>	<b>24</b>	<b>16</b>
<b>Current investments</b>	<b>-</b>	<b>-</b>	<b>756.9</b>	<b>-</b>	<b>-</b>	P/B(x)	1.6	1.6	1.6	1.5	1.4
Inventories	19,794.2	18,072.1	17,095.2	22,621.5	27,152.0	EV/EBIDTA(x)	26.2	15.3	16.0	11.7	8.6
Trade Receivables	14,310.4	16,422.6	16,139.6	19,950.5	23,723.8	Div. Yield(%)	24.4	48.8	48.8	48.8	48.8
Cash and Bank Balances	145.4	27.8	314.4	926.8	556.1	<b>FCF Yield(%)</b>	<b>2.2</b>	<b>2.3</b>	<b>17.7</b>	<b>(17.7)</b>	<b>(2.7)</b>
Short Term Loans and Advances	133.6	147.0	146.1	146.1	146.1						
Other Current Assets	3,804.7	2,881.0	2,404.5	2,404.5	2,404.5	<b>Return Ratios (%)</b>					
						ROE	4%	6%	3%	6%	9%
<b>CAPITAL DEPLOYED</b>	<b>47,055.8</b>	<b>46,855.4</b>	<b>45,232.3</b>	<b>54,574.3</b>	<b>62,670.7</b>	ROCE	6%	10%	9%	12%	15%



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