



DALAL & BROACHA
STOCK BROKING PVT. LTD.

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Q1FY21 Result Update@ Dalal&Broacha

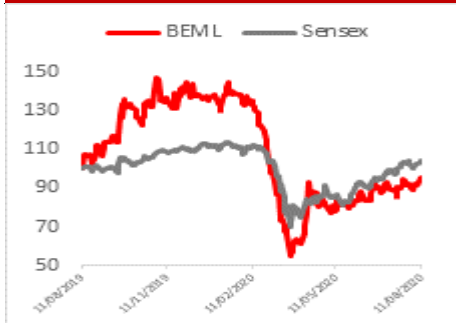
Neutral

Current Price	674
Target Price	710
Upside	5%
52 Week Range	370/1108

Key Share Data

Market Cap (Rs.Bn)	28
Market Cap (US\$ Mn)	376
No of o/s shares (Mn)	42
Face Value	10
Monthly Avg.	
Vol(BSE+NSE)'000	
BSE Code	500048
NSE Code	BEML
Bloomberg	BEML:IN

Price performance



% Shareholding

	Jun-20	Mar-20
Promoters	54.03	54.03
Institutions	25.43	24.73
Others	20.54	21.24
Total	100	100

Consolidated Financials (In INR Mn)

Year	Op Income	% Growth	EBIDTA	OPM%	PAT	% Growth	EPS	PE (x)	ROE%	ROCE%
FY18	32,391	29.9%	2,527	7.8%	1,297	53.0%	31.0	6.5	6%	10%
FY19	34,743	7.3%	2,375	6.8%	632	-51.2%	15.1	44.5	3%	9%
FY20E	30,254	-12.9%	839	2.8%	639	1.1%	15.3	44.0	3%	3%
FY21E	27,587	-8.8%	353	1.3%	(332)	-	(7.9)	(84.7)	-1%	1%
FY22E	34,742.5	25.9%	2,734.3	7.9%	1,481.7	-	35.5	19.0	6%	10%

Source: Dalal&Broacha Research

BEML Q1FY21 Results were above our expectation on account of lower than expected revenues de-growth and improved cost control

Revenue came in at INR 3904.5 mn, lower by 33% YoY and 63% QoQ, as against estimates of Rs. 2320 mn

Gross Margins stood at 46.36% v/s 38.99% in Q1FY20 and 50.72% in Q4FY20

Employee Expenses - INR 2193.2 mn, up by 8% YoY and down by 5% QoQ
Employee Expenses as a % of Sales – 56% v/s 35% in Q1FY20 and 22% in Q4FY20.

Other Expenses - (INR 798.8 mn, down by 21% YoY and 52% QoQ.

Other Expenses as a % of Sales – 20% v/s 17% in Q1FY20 and 16% in Q4FY20.

EBITDA – Rs.(1181.8) mn, +51% YoY, as against estimated of Rs. (1361.2)mn

EBITDA % – (30.67)% v/s (13.46)% in Q1FY20 and 13.38% in Q4FY20

PAT – Rs. (1340) mn, +15% YoY, as against estimated of Rs. (1539.3) mn

Order Book

The order book position of the company stands at Rs. 96,260 mn up by 7.8%YoY and down by 1.7%QoQ. The company booked order worth INR 2220 mn and executed orders worth INR 3910 mn. Under the Mining & Equipment segment (accounting for ~27.5% of the company's revenues in FY2019), BEML enjoys a dominant market share supported by a diversified product portfolio and strong relationship with Coal India. Under the Rail & Metro segment (contributing ~42.5% to revenues in FY2019), BEML order book remains very strong with Mumbai Metro being the single largest one. **The current order book converts to ~3.18x FY20 revenues.** The company faced logistics and supply chain issues during the quarter too hence order execution is slowly picking up pace.



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Order Book Details(Amount in crores)	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21
Order Book at the Beginning of the Quarter	9,125	8,918	9,569	10,035	9,795
New order booked During the Quarter	374	1,339	1,161	827	222
Orders Executed	581	688	694	1,066	391
Net Order Book Position	8,917	9,569	10,035	9,795	9,626

Other Key Highlights during the quarter –

1. The company redeemed debentures worth INR 1000mn on 18th May, 2020. BEML subsequently raised commercial paper of IR 1000mn on 24th June, 2020 for a period of 90 days. Hence, with this the Gross Debt stood at INR 4555.7mn as at 30th June, 2020
2. Due to COVID-19, operations were shut down in April 2020 and gradually resumed from May 2020.
3. Working capital – BEML's trade receivables stood at INR 14,074.1 mn and the net working capital stood at INR 24,922.1 mn
4. Inventory towards work in progress and finished goods stood at INR 3267.5 mn and INR 8462 mn, respectively.
5. Mumbai Metro – BEML has started work on Mumbai metro projects and the project progress is as per plan.
6. The company's raw material remains sensitive due to its raw material prices, product mix and forex fluctuations given that a significant portion of the company's raw materials continue to be imported.
7. Defence Ministry announcement to impose restrictions on import of 101 weapons and military platforms. - BEML's role has always been as a preferred supplier for sourcing by the Ministry of Defence (MoD) for artillery guns to Indian Army etc, underlines its strategic importance to the GOI and is expected to support its defense revenues going forward. The management highlighted that the existing order book is catching traction and new orders are expected to come in.
8. Further, absence of sales during the last 10-15 days of FY20 (which is seasonally a high-volume period for the company) flowed into this quarter revenue.
9. Mumbai Metro - In Q3FY19, BEML had bagged a big order worth Rs. 30150 mn, for supplying rolling stock for Mumbai Metro for Line 2A&2B and Line 7. The manufacturing of the same will commence in FY21. The order is likely to get executed over next two years. This will improve contribution from railways and metro segment in FY21 and FY22

Outlook & Valuation –

BEML's order books gives us immense confidence of its future revenue. However, execution remains the key which would remain lacklustre during the FY21. Due to large Mumbai metro order, we expect Rail and Metro contribution to increase significantly and contribute to the top line as well as bottom line in FY22 and onwards. Due to covid, BEML has lost significant sales of the Q1FY21, recovery of which would take some time. We believe, extension of lock down by states, would hamper supply chain going ahead as well. Further the following things that would lead to re-rating of the stock are - 1)GOI proposal for inviting private player participation into coal mining which could create incremental demand for Mining & Equipments segment, 2) Government Divestment Process and 3) BEML's opportunity in Defence sector post defence ministry imposing restrictions on 101 items. We expect BEML to post EPS of Rs (7.9) and Rs 35.5 over FY21E and FY22E. The stock is trading at 19x FY22E earnings. We value BEML on 20x FY22E earnings and revise our target price to Rs710. We have a 'Neutral' rating on the stock



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BEML (IN Millions)	Q1FY20	Q1FY19	Q4FY20	% YoY	% QoQ
Net Revenue	39,045	58,002	1,06,546	-33%	-63%
Raw Mat Consumed	24,920	35,356	66,339	-30%	-62%
Purchases	-	-	-		
Changes in Inventories	-3,977	30	-13,833	-	-71%
Gross Profit	18,102	22,616	54,040	-20%	-67%
% Margins	46.36%	38.99%	50.72%	-9%	19%
Employee costs	21,932	20,309	23,029	8%	-5%
% of Sales	56%	35%	22%	60%	160%
Other Expenses	7,988	10,116	16,755	-21%	-52%
% of Sales	20%	17%	16%	17%	30%
EBIDTA	-11,818	-7,809	14,256	51%	-
EBIDTA Margins (%)	-30.27%	-13.46%	13.38%	125%	-
Depreciation	1,815	1,827	1,785	-1%	2%
Finance Cost	1,000	1,172	981	-15%	2%
Other income	1,233	987	2,563	25%	-52%
Profit before tax	-13,400	-9,821	14,053	36%	-
PBT Margins (%)	-33.27%	-16.65%	12.88%		
Profit before tax after share of profit	-13,400	-9,821	14,053	36%	-
PBT Margins (%)	-33%	-17%	13%		
Provision for tax	-	-	-4,432		
Tax Rate	0%	0%	-32%		
Reported PAT	-13,400	-9,821	18,485	36%	-
PAT Margins (%)	-33.27%	-16.65%	16.94%		
Adjusted PAT	-13,400	-9,821	18,485	36%	-
PAT Margins (%)	-33.27%	-16.65%	16.94%		



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BEML Ltd Financial data											
P&L (Rs mn)	FY18	FY19	FY20	FY21E	FY22E	Cash Flow St. (Rs. mn)	FY18	FY19	FY20	FY21E	FY22E
Net Sales	32,390.8	34,742.5	30,254.4	27,586.8	35,862.8	Net Profit	1,296.7	632.5	639.2	(332.0)	1,481.8
						Add: Dep. & Amort.	653.9	707.2	721.3	735.8	750.5
						Minority Interest	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)
Cost of sales	29,863.4	32,367.1	29,415.2	27,234.1	33,128.5	Cash profits	1,950.6	1,339.6	1,360.4	403.7	2,232.2
Operating Profit	2,527.3	2,375.4	839.2	352.7	2,734.3	(Inc)/Dec in					
Depreciation	653.9	707.2	721.3	735.8	750.5	Sundry debtors	(2,112.2)	283.0	1,035.9	2,255.1	(3,854.6)
PBIT	1,873.4	1,668.2	117.9	(383.1)	1,983.8	Inventories	1,722.1	976.9	(2,982.0)	8,160.3	(2,025.9)
Other income	250.4	231.1	485.5	485.5	426.4	Loans/advances	0.3	0.1	(5.8)	87.5	-
Interest	483.2	593.9	407.4	434.4	434.4	Current Liab and Provisions	(563.8)	3,546.5	1,963.4	(3,228.7)	2,723.1
						Other Assets	910.0	477.3	55.9	(235.2)	(258.7)
Profit before tax	1,640.6	1,305.4	196.0	(332.0)	1,975.7	Other Non Current Assets	(179.1)	656.1	(10.3)	-	0.9
Exceptional and Extra Ordinary Items	-	-	-	-	-	Contract Assets	-	(4,891.6)	1,853.1	(1,144.6)	4,183.1
share of profit/loss in JV	-	-	-	-	-	Change in working capital	(222.7)	1,048.3	1,910.2	5,894.4	768.0
PBT (Post Extra Ordinary)	1,640.6	1,305.4	196.0	(332.0)	1,975.7	CF from Oper. activities	1,727.9	2,387.9	3,270.6	6,298.1	3,000.2
Provision for tax	343.9	672.9	(443.2)	-	493.9	CF from Inv. activities	(924.2)	(1,194.7)	(1,297.2)	(1,062.0)	(136.4)
Reported PAT	1,296.7	632.5	639.2	(332.0)	1,481.8	CF from Fin. activities	(933.4)	(910.5)	(2,009.0)	599.5	101.3
MI	0.1	0.1	0.1	0.1	0.1	Cash generated/(utilised)	(129.6)	282.7	(35.6)	5,835.6	2,965.0
Adjusted PAT	1,296.7	632.4	639.1	(332.1)	1,481.7	Cash at start of the year	145.4	27.8	314.4	278.9	6,114.6
						Cash at end of the year	15.8	310.5	278.8	6,114.5	9,079.6
Balance Sheet	FY18	FY19	FY20	FY21E	FY22E	Ratios	FY18	FY19	FY20	FY21E	FY22E
Equity capital	417.7	417.7	417.7	417.7	417.7	OPM	7.8	6.8	2.8	1.3	7.6
Reserves	21,593.4	21,456.0	22,110.0	21,877.6	23,458.9	NPM	4.0	1.8	2.1	(1.2)	4.1
Net worth	22,011.1	21,873.7	22,527.7	22,295.3	23,876.6	Tax rate	21.0	51.5	(226.2)	-	25.0
Minority Interest	2.2	2.0	0.4	0.4	2.2	Growth Ratios (%)					
Non Current Liabilities	8,046.0	8,125.6	13,718.3	10,754.5	10,585.8	Net Sales	29.9	7.3	(12.9)	(8.8)	30.0
						Operating Profit	72.5	(6.0)	(64.7)	(58.0)	675.2
Current Liabilities	16,796.1	20,122.6	14,471.1	14,706.2	18,598.0	PBIT	123.8	(11.0)	(92.9)	(425.0)	(617.9)
CAPITAL EMPLOYED	46,855.4	50,123.9	50,717.5	47,756.3	53,062.5	PAT	53.0	(51.2)	1.1	(152.0)	(546.2)
Non Current Assets	9,304.9	8,375.6	9,003.4	9,329.6	8,714.7	Per Share (Rs.)					
Fixed Assets	6,626.7	6,563.3	6,275.6	6,601.8	5,987.8	Net Earnings (EPS)	31.04	15.1	15.3	(7.9)	35.5
Non Current Investments	0.0	0.0	0.0	0.0	0.0	Cash Earnings (CPS)	15.4	(1.8)	(2.0)	(25.6)	17.5
Long Term Loans and Advances	89.7	6.0	6.0	6.0	5.1	Dividend	7.9	12.5	6.1	(2.4)	-
Other Non Current Assets	1,203.7	627.5	637.8	637.8	637.8	Book Value	526.9	523.7	539.3	533.8	571.6
Goodwill	-	-	-	-	-	Free Cash Flow	19.2	28.6	47.2	125.4	68.6
Deferred Tax Assets	1,384.9	1,178.8	2,084.0	2,084.0	2,084.0	Valuation Ratios					
Current Assets	37,550.5	41,748.3	41,626.6	38,426.7	44,347.9	P/E(x)	22	44	44	(85)	19
Current investments	-	756.9	715.3	715.3	715.3	P/B(x)	1.3	1.3	1.2	1.3	1.2
Inventories	18,072.1	17,095.2	20,077.2	11,916.9	13,942.7	EV/EBIDTA(x)	12.9	13.4	36.0	70.6	7.7
Trade Receivables	16,422.6	16,139.6	15,103.7	12,848.6	16,703.2	Div. Yield(%)	1.2	1.9	0.9	(0.4)	-
Cash and Bank Balances	27.8	314.4	278.9	6,114.6	10,079.7	FCF Yield(%)	2.9	4.2	7.0	18.6	10.2
Short Term Loans and Advances	147.0	146.1	60.9	60.9	60.9	Return Ratios (%)					
Other Current Assets	2,881.0	2,404.5	2,352.1	2,587.3	2,846.0	ROE	6%	3%	3%	-1%	6%
Contract Assets	-	4,891.6	3,038.5	4,183.1	-	ROCE	10%	9%	3%	1%	10%
CAPITAL DEPLOYED	46,855.4	50,123.9	50,630.0	47,756.3	53,062.5						



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