



DALAL & BROACHA
STOCK BROKING PVT. LTD.

Analyst/Associate – Abhilasha Satale/Tanush Mehta

022 6714 1435/6714 1441

Result update@ Dalal & Broacha

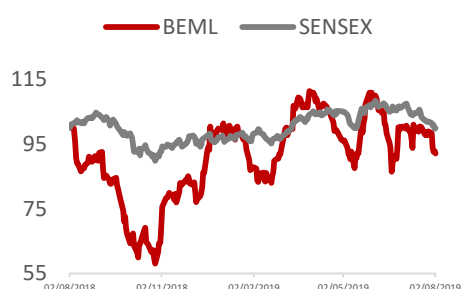
ACCUMULATE

Current Price	991
52 Week Range	1167/521
Target Price	1150
Upside %	16%

Key Share Data

Market Cap (Rs.bn)	41.77
Market Cap (US\$ mn)	596
No of o/s shares (mn)	331
Face Value	1
Monthly Avg.vol (BSE+NSE) Nos'000	1730
BSE Code	500048
NSE Code	BEML
Bloomberg	BEML:IN

Price performance



% Shareholding	Sep-19	Jun-19
Promoters	54.02	54.02
FII	4.42	4.02
DII	21.60	20.34
Others	19.96	21.61
Total	100	100

Key Financials

Year	Op Income	% Growth	EBIDTA	OPM%	PAT	% Growth	EPS	PE (x)	ROE%	ROCE%
FY17	24,942	9.4%	1,465	5.9%	848	148.0%	20.3	10.0	4%	6%
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	65.5	3%	9%
FY20E	41,378	19.1%	2,588	6.3%	1,177	86.2%	28.2	35.2	5%	10%
FY21E	50,751	22.7%	3,669	7.2%	2,068	75.7%	49.5	20.0	9%	13%

Q2FY20 Result Highlights

BEML result is below expectations. Topline for the Q2FY20, stood at Rs. 6871 mn (Exp: Rs8808mn), decline of 6% yoy. The decline in sales is due to delay in offtake in mining division on account of heavy rains and delay in execution of Kolkata Metro order. The gross margins of the company increased by 60bps yoy to 47% (Exp:42%). Employee cost increased by 8% yoy. Increase in DA expenses have led to rise in employee cost. Other expenses increased by 19% yoy. Other expenses include Rs300mn towards arbitration claim. Excluding this other expenses have gone down by 10%yoy. BEML has posted loss of Rs72mn during the quarter as against profit of Rs448mn in Q2FY19.

Other income during the quarter increased by 80% yoy to Rs76mn. As receivables have improved short term borrowings have gone down resulting into interest cost going down by 34% yoy. Receivable days have gone down from 170 days to 140 days in H1FY20.

At PAT level BEML posted loss of Rs271mn as against profit of Rs166mn Q2FY19.

Other Highlights

Delay in orders execution impacted topline growth: Heavy rains impacted offtake from mining division. Mining contributes 30% to BEML's topline and Coal India is major consumer. The supplies for this division are likely to resume to normal level in current quarter. BEML has bagged Rs9bn order from Kolkata Metro where execution has delayed. As company has manufactured 84 coaches inventory levels have increased. Management expects delivery to commence in H2FY20E.

Order inflows improved during the quarter: BEML has booked orders worth Rs13.4bn during the quarter. Major order bagged during the quarter is Kolkata Metro order worth Rs7.3bn. Current order book stands at Rs95.7bn. Management highlighted bid book is strong driven by Metro orders and overall year end order book is expected at Rs140bn.

Higher order to drive topline: In spite of lower topline during the quarter management maintained topline guidance for FY20E at Rs42bn. **Delayed orders are likely to improve revenue in H2FY20E.** However, to adjust for weak H1FY20 we reduce our topline estimate to Rs41bn in FY20E and Rs50.7bn in FY21E. Management has guided for Rs10bn revenue in mining in H2FY20E and around Rs10-12bn in Metro division. Therefore, We maintain our revenue estimate at Rs42bn for FY20E.

Valuation: Based on current order book BEML is likely to post topline CAGR of 20% over FY19-21E and bottom line to improve at a CAGR of 60% over the same Period. We expect BEML to post EPS of Rs28 and Rs50 over FY20E and FY21E. The stock is trading at 35x FY20E and 20x FY21E earnings. We value BEML on 23x FY21E earnings and revise our target price to Rs1150. We recommend 'Accumulate'.



BEML Q2FY20 Results (In INR mn)					
Particulars	Q2FY20	Q2FY19	Q1FY20	YoY	QoQ
Revenue for Operations	6871.7	7341	5800	-21%	18%
COGS	3633.2	3925	3539		
Gross Profit	3238.5	3415.7	2262	-34%	43%
GP%	47%	47%	39%		
Employee Expenses	2060.9	1914	2031	6%	1%
% of Sales	30%	26%	35%		
Other expenses	1249.6	1054	1003	-5%	25%
% of Sales	18%	14%	17%		
EBITDA	-72	448	-773	NM	
EBITDA %	-1%	6%	-13%		
Depreciation	181	180	183	1%	-1%
Interest	94.3	144	117	-18%	-20%
Other Income	75.9	42	90	114%	-16%
PBT	-271.4	166	-982	NM	NM
PBT %	-4%	2%	-17%		
Tax	0%	0	0		
Tax Rate %	0%	0%	0%		
PAT	-271.4	166	-982	NM	NM
PAT%	-4%	2%	-17%		
EPS	-6.5	4.06	-23.58		



DALAL & BROACHA
STOCK BROKING PVT. LTD.

Analyst/Associate – Abhilasha Satale/Tanush Mehta

022 6714 1435/6714 1441

Result update@ Dalal & Broacha

BEML Ltd Financial data													
P&L (Rs mn)	FY16	FY17	FY18	FY19	FY20E	FY21E	Cash Flow St. (Rs. mn)	FY16	FY17	FY18	FY19	FY20E	FY21E
Net Sales	29,746.0	24,942.2	32,390.8	34,742.5	41,377.9	50,751.0	Net Profit	643.9	847.8	1,296.7	632.5	1,177.4	2,068.4
							Add: Dep. & Amort	565.7	628.0	653.9	707.2	571.7	715.1
							Minority Interest	(1.5)	(0.2)	(0.1)	(0.1)	(0.1)	(0.1)
Cost of sales	28,324.9	23,476.9	29,863.4	32,367.1	38,790.3	47,082.0	Cash profits	1,208.1	1,475.6	1,950.6	1,339.6	1,749.1	2,783.4
Operating Profit	1,421.2	1,465.3	2,527.3	2,375.4	2,587.5	3,669.0	(Inc)/Dec in						
Depreciation	565.7	628.0	653.9	707.2	571.7	715.1	Sundry debtors	(2,154.7)	(2,238.7)	(2,112.2)	283.0	(3,699.1)	(3,798.7)
PBIT	855.5	837.3	1,873.4	1,668.2	2,015.8	2,953.9	Inventories	2,263.6	(2,770.8)	1,722.1	976.9	5,859.7	(2,223.9)
Other income	423.1	625.9	250.4	231.1	229.9	238.2	Loans/advances	3,812.5	1.6	0.3	0.1	-	-
Interest	492.6	480.4	483.2	593.9	434.3	434.3	Current Liab and Provisions	(2,172.6)	3,744.5	(563.8)	3,546.5	906.6	5,520.9
							Other Assets	(295.5)	78.3	910.0	477.3	(240.5)	(264.5)
							Other Non Current Assets	(2,247.4)	1,177.7	(179.1)	656.1	-	-
Profit before tax	785.9	982.8	1,640.6	1,305.4	1,811.4	2,757.8	Contract Assets	-	-	-	(4,891.6)	(862.9)	(2,014.1)
Exceptional and Extra Ordinary Items	-	-	-	-	-	-	Change in working capital	(794.1)	(7.5)	(222.7)	1,048.3	1,963.9	(2,780.3)
share of profit/loss in JV	-	-	-	-	-	-	CF from Oper. activities	414.0	1,468.1	1,727.9	2,387.9	3,712.9	3.1
PBT (Post Extra Ordinary)	785.9	982.8	1,640.6	1,305.4	1,811.4	2,757.8							
Provision for tax	142.0	135.0	343.9	672.9	634.0	689.5	CF from Inv. activities	(464.2)	(722.4)	(924.2)	(1,194.7)	(358.6)	(500.0)
Reported PAT	643.9	847.8	1,296.7	632.5	1,177.4	2,068.4	CF from Fin. activities	(736.8)	(1,254.7)	(933.4)	(910.5)	(470.8)	(620.6)
MI	1.5	0.2	0.1	0.1	0.1	0.1	Cash generated/(utilised)	(787.0)	(509.1)	(129.6)	282.7	2,883.5	(1,117.5)
Adjusted PAT	642.4	847.6	1,296.7	632.4	1,177.3	2,068.3	Cash at start of the year	1,455.5	664.2	145.4	27.8	314.4	3,197.9
							Cash at end of the year	668.5	155.1	15.8	310.5	3,197.8	2,080.4
Balance Sheet	FY16	FY17	FY18	FY19	FY20E	FY21E	Ratios	FY16	FY17	FY18	FY19	FY20E	FY21E
Equity capital	417.7	417.7	417.7	417.7	417.7	417.7	OPM	4.8	5.9	7.8	6.8	6.3	7.2
Reserves	20,876.5	21,406.1	21,593.4	21,456.0	22,162.4	23,610.2	NPM	2.1	3.3	4.0	1.8	2.8	4.1
Net worth	21,294.3	21,823.8	22,011.1	21,873.7	22,580.1	24,027.9	Tax rate	18.1	13.7	21.0	51.5	35.0	25.0
Minority Interest	1.9	2.1	2.2	2.0	2.2	2.2	Growth Ratios (%)						
Non Current Liabilities	8,863.1	8,278.0	8,046.0	8,125.6	8,902.4	8,943.6	Net Sales	(0.6)	(16.1)	29.9	7.3	19.1	22.7
							Operating Profit	(45.2)	3.1	72.5	(6.0)	8.9	41.8
Current Liabilities	13,559.0	16,952.0	16,796.1	20,122.6	20,252.4	25,732.2	PBIT	(58.5)	(2.1)	123.8	(11.0)	20.8	46.5
CAPITAL EMPLOYED	43,718.3	47,055.8	46,855.4	50,123.9	51,737.1	58,705.8	PAT	883.8	31.9	53.0	(51.2)	86.2	75.7
Non Current Assets	9,940.8	8,867.5	9,304.9	8,375.6	8,162.5	7,947.4	Per Share (Rs.)						
							Net Earnings (EPS)	15.4	20.3	31.04	15.1	28.2	49.5
Fixed Assets	6,611.9	6,627.9	6,626.7	6,563.3	6,350.2	6,135.1	Cash Earnings (CPS)	1.8	5.3	15.4	(1.8)	14.5	32.4
Non Current Investments	0.0	0.0	0.0	0.0	0.0	0.0	Dividend	1.0	4.0	7.9	12.5	11.3	14.9
Long Term Loans and Advances	255.3	183.7	89.7	6.0	6.0	6.0	Book Value	509.8	522.4	526.9	523.7	540.6	575.2
Other Non Current Assets	2,038.7	942.5	1,203.7	627.5	627.5	627.5	Free Cash Flow	(1.2)	17.9	19.2	28.6	80.3	(11.9)
Goodwill	-	-	-	-	-	-	Valuation Ratios						
Deferred Tax Assets	1,035.0	1,113.4	1,384.9	1,178.8	1,178.8	1,178.8	P/E(x)	64	49	32	65	35	20
Current Assets	33,777.5	38,188.4	37,550.5	41,748.3	43,574.6	50,758.4	P/B(x)	1.9	1.9	1.9	1.9	1.8	1.7
Current investments	-	-	-	756.9	756.9	756.9	EV/EBIDTA(x)	32.3	31.1	18.1	19.0	16.3	11.8
Inventories	17,023.4	19,794.2	18,072.1	17,095.2	11,235.5	13,459.4	Div. Yield(%)	0.1	0.4	0.8	1.3	1.1	1.5
Trade Receivables	12,071.7	14,310.4	16,422.6	16,139.6	19,838.7	23,637.4	FCF Yield(%)	(0.1)	1.8	1.9	2.9	8.1	(1.2)
Cash and Bank Balances	664.2	145.4	27.8	314.4	3,197.9	2,080.5	Return Ratios (%)						
Short Term Loans and Advances	216.4	133.6	147.0	146.1	146.1	146.1	ROE	3%	4%	6%	3%	5%	9%
Other Current Assets	3,801.8	3,804.7	2,881.0	2,404.5	2,645.0	2,909.4	ROCE	5%	6%	10%	9%	10%	13%
Contract Assets	-	-	-	4,891.6	5,754.5	7,768.6							
CAPITAL DEPLOYED	43,718.3	47,055.8	46,855.4	50,123.9	51,737.1	58,705.8							



DALAL & BROACHA
STOCK BROKING PVT. LTD.

Analyst/Associate – Abhilasha Satale/Tanush Mehta

022 6714 1435/6714 1441

Result update@ Dalal & Broacha

Disclaimer

Dalal & Broacha Stock Broking Pvt Ltd, hereinafter referred to as D& B (CIN_U67120MH1997PTC111186) was established in 1997 and is an integrated financial services player offering an extensive range of financial solutions and services to a wide spectrum of customers with varied needs ranging from equities to mutual funds to depository services.

D&B is a corporate trading member of Bombay Stock Exchange Limited (BSE), National Stock Exchange of India Limited (NSE). D&B along with its affiliates offers the most comprehensive avenues for investments and is engaged in the securities businesses including stock broking (Institutional and retail), depository participant, portfolio management and services rendered in connection with distribution of primary market issues and financial products like mutual funds, fixed deposits. Details of associates are available on our website i.e. www.dalal-broacha.com

D&B is registered as Research Analyst with SEBI bearing registration Number INH000001246 as per SEBI (Research Analysts) Regulations, 2014.

D&B hereby declares that it has not defaulted with any stock exchange nor its activities were suspended by any stock exchange with whom it is registered in any time in the past. It has not been debarred from doing business by any Stock Exchange / SEBI or any other authorities; nor has its certificate of registration been cancelled by SEBI at any point of time.

SEBI and Stock Exchanges have conducted the routine inspection and based on their observations have issued advice letters or levied minor penalty on D&B for certain operational deviations in routine course of business.

D&B offers research services to clients as well as prospects. The analyst for this report certifies that all of the views expressed in this report accurately reflect his or her personal views about the subject company or companies and its or their securities, and no part of his or her compensation was, is or will be, directly or indirectly related to specific recommendations or views expressed in this report.

Other disclosures by D&B (Research Entity) and its Research Analyst under SEBI (Research Analyst) Regulations, 2014 with reference to the subject company(s) covered in this report:-

D&B or its associates may have financial interest in the subject company.

D&B or its associates do not have any material conflict of interest in the subject company.

The Research Analyst or Research Entity (D&B) has not been engaged in market making activity for the subject company.

D&B or its associates may have actual/beneficial ownership of 1% or more securities of the subject company at the end of the month immediately preceding the date of publication of Research Report.

Disclosures in respect of Research Analyst:

Whether Research Analyst or his/her relatives have actual/beneficial ownership of 1% or more securities of the subject company at the end of the month immediately preceding the date of publication of Research Report:	No
Whether the Research Analyst or his/her relative's financial interest in the subject company.	No
Whether the research Analyst has served as officer, director or employee of the subject company	No
Whether the Research Analyst has received any compensation from the subject company in the past twelve months	No
Whether the Research Analyst has managed or co-managed public offering of securities for the subject company in the past twelve months	No
Whether the Research Analyst has received any compensation for investment banking or merchant banking or brokerage services from the subject company in the past twelve months	No
Whether the Research Analyst has received any compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company in the past twelve months	No
Whether the Research Analyst has received any compensation or other benefits from the subject company or third party in connection with the research report	No

D&B and/or its affiliates may seek investment banking or other business from the company or companies that are the subject of this material. Our salespeople, traders, and other professionals may provide oral or written market commentary or trading strategies to our clients that reflect opinions that are contrary to the opinions expressed herein, and our proprietary trading and investing businesses may make investment decisions that may be inconsistent with the recommendations expressed herein.

In reviewing these materials, you should be aware that any or all of the foregoing, among other things, may give rise to real or potential conflicts of interest including but not limited to those stated herein. Additionally, other important information regarding our relationships with the company or companies that are the subject of this material is provided herein. This report is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation or which would subject D&B or its group companies to any registration or licensing requirement within such jurisdiction. Specifically, this document does not constitute an offer to or solicitation to any U.S. person for the purchase or sale of any financial instrument or as an official confirmation of any transaction to any U.S. person. Unless otherwise stated, this message should not be construed as official confirmation of any transaction. No part of this document may be distributed in Canada or used by private customers in United Kingdom. All material presented in this report, unless specifically indicated otherwise, is under copyright to D&B. None of the material, nor its content, nor any

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

Analyst/Associate – Abhilasha Satale/Tanush Mehta

022 6714 1435/6714 1441

Result update@ Dalal & Broacha

copy of it, may be altered in any way, transmitted to, copied or distributed to any other party, without the prior express written permission of D&B . All trademarks, service marks and logos used in this report are trademarks or registered trademarks of D&B or its Group Companies. The information contained herein is not intended for publication or distribution or circulation in any manner whatsoever and any unauthorized reading, dissemination, distribution or copying of this communication is prohibited unless otherwise expressly authorized. Please ensure that you have read "Risk Disclosure Document for Capital Market and Derivatives Segments" as prescribed by Securities and Exchange Board of India before investing in Indian Securities Market. In so far as this report includes current or historic information, it is believed to be reliable, although its accuracy and completeness cannot be guaranteed.

Contact	Email ID	Contact No.	Sector
Mr. Kunal Bhatia	kunal.bhatia@dalal-broacha.com	022 67141442	Auto, Auto Ancillary, FMCG
Mrs.Charulata Gaidhani	charulata.gaidhani@dalal-broacha.com	022 67141446	Pharma /Healthcare
Mrs.Abhilasha Satale	Abhilasha.satale@dalal-broacha.com	022 67141438	Mid- cap senior analyst
Mr. Mayank Babla	mayank.babladalal-broacha.com	022 67141412	I.T/Telecom/Media
Mr. Avinash Tanawade	avinash.tanawade@dalal-broacha.com	022 67141449	BFSI
Mr. Suraj Nandu	suraj.nandu@dalal-broacha.com	022 67141438	Associate
Ms. Nidhi Babaria	nidhi.babaria@dalal-broacha.com	022 67141450	Associate
Mr. Tanush Mehta	tanush.mehta@dalal-broacha.com	022 67141441	Associate

Address: - 508, Maker Chambers V, 221 Nariman Point, Mumbai 400 021 Tel: 91-22- 2282 2992, 2287 6173, Fax: 91-22-2287 0092 E-mail: research@dalalbroachaindia.com