



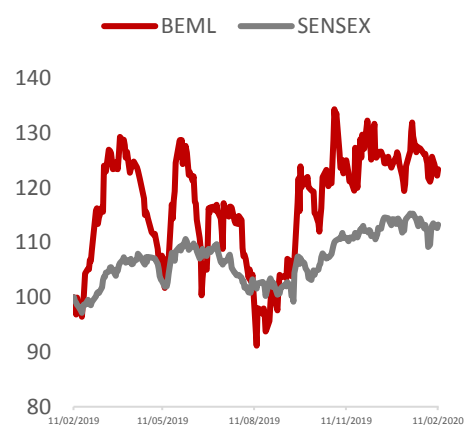
## ACCUMULATE

Current Price	952
52 Week Range	1108/644
Target Price	1064
Upside %	12%

## Key Share Data

Market Cap (Rs.bn)	39.66
Market Cap(US\$Bn)	0.56
No of o/s shares (mn)	331
Face Value	1
Monthly Avg.vol (BSE+NSE) Nos'000	470
BSE Code	500048
NSE Code	BEML
Bloomberg	BEML:IN

## Price performance



## **BEML result is below expectations, on account of lower than expected topline**

The revenue stood at Rs. 6928.5 mn, down by 25% YoY and flat QoQ (**Q2FY20**), as against estimated of Rs. 9885 mn. The gross margins stood at 49.79% v/s 41.00% in Q3FY19 and 47.13% in Q2FY20. BEML's EBITDA stood at Rs. 258.8 mn, -66% YoY, as against estimated of Rs. 940mn. The EBITDA Margins stood at 3.74% v/s 8.15% in Q3FY19 and (1.05%) in Q2FY20. The PAT stood at Rs. 42.4 mn, -91% YoY, as against estimated of Rs. 647 mn.

### Other Highlights -

**Order Book and Order inflows:** The order book position of the company stands at **Rs. 1,00,350 mn (+7.5%YoY/+5%QoQ)**. The **current order book is equivalent of 2.88x FY19 Revenues**. During the quarter, new orders worth Rs. 11610 mn (-70% YoY/ -13%QoQ) were booked and orders worth Rs. 6940 mn were executed.

**Gross Margins & Raw Material** – Gross margin for the quarter has come in at 11 quarters high of 49%. Management is confident of maintaining gross margins however, based on past record and its business segments we maintain our gross margin assumptions at 43%.

**Rolling Stock supply to Metro Projects** – 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. BEML had also been awarded an order for supplying rolling stocks to Calcutta Metro (~84coaches) for which BEML has already started supplies

**Defence and Mining** – As of FY19, Defence contributes ~5% and Mining contributes ~27% of Topline. The management is expecting a strong Q4FY20, owing to better order inflows and better execution to drive growth going ahead.

## % Shareholding

	Dec-19	Sep-19
Promoters	54.03	54.03
FII	4.28	4.02
DII	21.33	20.34
Others	19.96	21.61
<b>Total</b>	<b>100</b>	<b>100</b>

**Valuation:** Based on current order book BEML is likely to post topline CAGR of 17% over FY19-22E and bottom line to improve at a CAGR of 54% over the same Period. We expect BEML to post EPS of Rs42 and Rs56 over FY21E and FY22E. The stock is trading at 23x FY21E and 17x FY22E earnings. We value BEML on 19x FY22E earnings and revise our target price to Rs1064. We recommend '**Accumulate**'.

## Key Financials

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	62.9	3%	9%
FY20E	40,640	17.0%	2,716	6.7%	1,203	90.3%	28.8	33.1	5%	10%
FY21E	48,730	19.9%	3,166	6.5%	1,757	46.0%	42.1	22.7	7%	11%
FY22E	56,524	16.0%	3,814	6.7%	2,320	32.1%	55.6	17.2	9%	13%



BEML (IN Millions)	Q3FY20	Q3FY19	Q2FY20	% YoY	% QoQ
Net Revenue	6,929	9,208	6,871	-25%	1%
Raw Mat Consumed	3,756	5,555	4,891	-32%	-23%
Purchases	-	-	-	-	-
Changes in Inventories	-277	-172	-1,257	61%	-78%
<b>Gross Profit</b>	<b>3,450</b>	<b>3,826</b>	<b>3,238</b>	-10%	7%
<b>% Margins</b>	<b>49.79%</b>	<b>41.54%</b>	<b>47.12%</b>	<b>824 bps</b>	<b>287 bps</b>
Employee costs	2,086	1,937	2,061	8%	1%
Other Expenses	1,105	1,119	1,250	-1%	-12%
<b>EDIDTA</b>	<b>259</b>	<b>770</b>	<b>-73</b>	-66%	-456%
<b>EDIDTA Margins (%)</b>	<b>3.74%</b>	<b>8.36%</b>	<b>-1.06%</b>		
Depreciation	182	177	181	3%	0%
Finance Cost	98	183	94	-47%	4%
Other income	63	52	76	21%	-17%
Profit before tax	42	462	-272	-91%	-
<b>PBT Margins (%)</b>	<b>0.61%</b>	<b>4.99%</b>	<b>-3.92%</b>		
Exceptional Items	-	-	-		
<b>Profit before tax after share of profit</b>	<b>42</b>	<b>462</b>	<b>-272</b>	-91%	-
<b>PBT Margins (%)</b>	<b>1%</b>	<b>5%</b>	<b>-4%</b>		
Provision for tax	-	-	-		
<b>Reported PAT</b>	<b>42</b>	<b>462</b>	<b>-272</b>	-91%	-
<b>PAT Margins (%)</b>	<b>0.61%</b>	<b>4.99%</b>	<b>-3.92%</b>		
EPS	1.02	11.09	-6.53		

Order Book Position (In Mn)	Q1FY19	Q2FY19	Q3FY19	Q4FY19	Q1FY20	Q2FY20	Q3FY20
Opening Order Book	67,230	67,650	63,370	93,390	91,250	89,180	95,690
+ New Orders Booked	4,970	3,060	39,260	11,540	3,740	13,390	11,610
- Order Executed	4,550	7,340	9,240	13,680	5,810	6,880	6,940
Closing Order Book	67,650	63,370	93,390	91,250	89,180	95,690	<b>1,00,360</b>



BEML Ltd Financial data											
P&L (Rs mn)	FY18	FY19	FY20E	FY21E	FY22E	Cash Flow St. (Rs. mn)	FY18	FY19	FY20E	FY21E	FY22E
Net Sales	32,390.8	34,742.5	40,640.1	48,730.1	56,523.7	Net Profit	1,296.7	632.5	1,203.3	1,757.2	2,320.4
						Add: Dep. & Amort.	653.9	707.2	660.1	626.7	676.7
						Minority Interest	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)
Cost of sales	29,863.4	32,367.1	37,924.4	45,564.3	52,709.7	<b>Cash profits</b>	<b>1,950.6</b>	<b>1,339.6</b>	<b>1,863.3</b>	<b>2,383.9</b>	<b>2,997.1</b>
<b>Operating Profit</b>	<b>2,527.3</b>	<b>2,375.4</b>	<b>2,715.7</b>	<b>3,165.8</b>	<b>3,813.9</b>	<b>(Inc)/Dec in</b>					
Depreciation	653.9	707.2	660.1	626.7	676.7	Sundry debtors	(2,112.2)	283.0	(3,345.4)	(3,211.2)	(3,629.9)
PBIT	1,873.4	1,668.2	2,055.6	2,539.1	3,137.2	Inventories	1,722.1	976.9	6,211.4	(2,039.7)	(2,066.9)
Other income	250.4	231.1	229.9	238.2	391.0	Loans/advances	0.3	0.1	-	-	-
Interest	483.2	593.9	434.3	434.3	434.3	Current Liab and Provisions	(563.8)	3,546.5	584.6	5,014.0	4,345.8
						Other Assets	910.0	477.3	(240.5)	(264.5)	(290.9)
						Other Non Current Assets	(179.1)	656.1	-	-	0.9
Profit before tax	1,640.6	1,305.4	1,851.2	2,343.0	3,093.9	Contract Assets	-	(4,891.6)	(641.6)	(1,660.0)	7,193.2
Exceptional and Extra Ordinary Items	-	-	-	-	-	Change in working capital	(222.7)	1,048.3	2,568.6	(2,161.4)	5,552.1
share of profit/loss in JV	-	-	-	-	-	<b>CF from Oper. activities</b>	<b>1,727.9</b>	<b>2,387.9</b>	<b>4,431.9</b>	<b>222.4</b>	<b>8,549.2</b>
PBT ( Post Extra Ordinary)	1,640.6	1,305.4	1,851.2	2,343.0	3,093.9						
Provision for tax	343.9	672.9	647.9	585.7	773.5	<b>CF from Inv. activities</b>	<b>(924.2)</b>	<b>(1,194.7)</b>	<b>(358.6)</b>	<b>(500.0)</b>	<b>(500.0)</b>
<b>Reported PAT</b>	<b>1,296.7</b>	<b>632.5</b>	<b>1,203.3</b>	<b>1,757.2</b>	<b>2,320.4</b>						
MI	0.1	0.1	0.1	0.1	0.1	<b>CF from Fin. activities</b>	<b>(933.4)</b>	<b>(910.5)</b>	<b>(481.2)</b>	<b>(527.2)</b>	<b>(527.2)</b>
<b>Adjusted PAT</b>	<b>1,296.7</b>	<b>632.4</b>	<b>1,203.2</b>	<b>1,757.2</b>	<b>2,320.3</b>						
						<b>Cash generated/(utilised)</b>	<b>(129.6)</b>	<b>282.7</b>	<b>3,592.1</b>	<b>(804.8)</b>	<b>7,521.9</b>
						Cash at start of the year	145.4	27.8	314.4	3,906.5	3,101.8
						Cash at end of the year	15.8	310.5	3,906.4	3,101.7	10,623.7
<b>Balance Sheet</b>	<b>FY18</b>	<b>FY19</b>	<b>FY20E</b>	<b>FY21E</b>	<b>FY21E</b>	<b>Ratios</b>	<b>FY18</b>	<b>FY19</b>	<b>FY20E</b>	<b>FY21E</b>	<b>FY22E</b>
Equity capital	417.7	417.7	417.7	417.7	417.7	OPM	7.8	6.8	6.7	6.5	6.7
Reserves	21,593.4	21,456.0	22,177.9	23,407.9	25,201.1	NPM	4.0	1.8	2.9	3.6	4.1
<b>Net worth</b>	<b>22,011.1</b>	<b>21,873.7</b>	<b>22,595.6</b>	<b>23,825.6</b>	<b>25,618.8</b>	Tax rate	21.0	51.5	35.0	25.0	25.0
Minority Interest	2.2	2.0	2.2	2.2	2.2	<b>Growth Ratios (%)</b>					
<b>Non Current Liabilities</b>	<b>8,046.0</b>	<b>8,125.6</b>	<b>8,828.6</b>	<b>8,741.5</b>	<b>9,704.3</b>	Net Sales	29.9	7.3	17.0	19.9	16.0
						Operating Profit	72.5	(6.0)	14.3	16.6	20.5
<b>Current Liabilities</b>	<b>16,796.1</b>	<b>20,122.6</b>	<b>20,004.1</b>	<b>25,105.2</b>	<b>29,488.1</b>	PBIT	123.8	(11.0)	23.2	23.5	23.6
<b>CAPITAL EMPLOYED</b>	<b>46,855.4</b>	<b>50,123.9</b>	<b>51,430.5</b>	<b>57,674.5</b>	<b>64,813.5</b>	PAT	53.0	(51.2)	90.3	46.0	32.1
<b>Non Current Assets</b>	<b>9,304.9</b>	<b>8,375.6</b>	<b>8,074.1</b>	<b>7,947.4</b>	<b>7,769.8</b>	<b>Per Share (Rs.)</b>					
Fixed Assets	6,626.7	6,563.3	6,261.8	6,135.1	5,958.4	Net Earnings (EPS)	31.04	15.1	28.8	42.1	55.6
Non Current Investments	0.0	0.0	0.0	0.0	0.0	Cash Earnings (CPS)	15.4	(1.8)	13.0	27.1	39.3
Long Term Loans and Advances	89.7	6.0	6.0	6.0	5.1	Dividend	7.9	12.5	11.5	12.6	12.6
Other Non Current Assets	1,203.7	627.5	627.5	627.5	627.5	Book Value	526.9	523.7	541.0	570.4	613.3
Goodwill	-	-	-	-	-	Free Cash Flow	19.2	28.6	97.5	(6.6)	192.7
Deferred Tax Assets	1,384.9	1,178.8	1,178.8	1,178.8	1,178.8	<b>Valuation Ratios</b>					
<b>Current Assets</b>	<b>37,550.5</b>	<b>41,748.3</b>	<b>43,356.4</b>	<b>49,727.1</b>	<b>57,043.7</b>	PIE(x)	31	63	33	23	17
<b>Current investments</b>	<b>-</b>	<b>756.9</b>	<b>756.9</b>	<b>756.9</b>	<b>756.9</b>	P/B(x)	1.8	1.8	1.8	1.7	1.6
Inventories	18,072.1	17,095.2	10,883.8	12,923.5	14,990.4	EV/EBIDTA(x)	17.5	18.3	14.7	12.9	8.4
Trade Receivables	16,422.6	16,139.6	19,485.0	22,696.2	26,326.1	Div. Yield(%)	0.8	1.3	1.2	1.3	1.3
Cash and Bank Balances	27.8	314.4	3,906.5	3,101.8	11,623.8	<b>FCF Yield(%)</b>	<b>2.0</b>	<b>3.0</b>	<b>10.2</b>	<b>(0.7)</b>	<b>20.2</b>
Short Term Loans and Advances	147.0	146.1	146.1	146.1	146.1	<b>Return Ratios (%)</b>					
Other Current Assets	2,881.0	2,404.5	2,645.0	2,909.4	3,200.4	ROE	6%	3%	5%	7%	9%
Contract Assets	-	4,891.6	5,533.2	7,193.2	-	ROCE	10%	9%	10%	11%	13%
<b>CAPITAL DEPLOYED</b>	<b>46,855.4</b>	<b>50,123.9</b>	<b>51,430.5</b>	<b>57,674.5</b>	<b>64,813.5</b>						



**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](http://www.dalal-broacha.com)

D&B is registered as Research Analyst with SEBI bearing registration Number INH00001246 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
<b><u>Mrs.Abhilasha Satale</u></b>	<b><u>Abhilasha.satale@dalal-broacha.com</u></b>	<b><u>022 67141438</u></b>	<b><u>Mid- cap senior analyst</u></b>
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