



DALAL & BROACHA
STOCK BROKING PVT. LTD.

Analyst – Abhilasha Satale/Tanush Mehta

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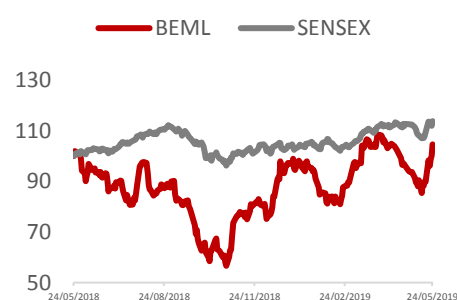
ACCUMULATE

Current Price	1002
52 Week Range	1167/521
Target Price	1162
Upside %	16%

Key Share Data

Market Cap (Rs.bn)	41.71
Market Cap (US\$ mn)	599.73
No of o/s shares (mn)	41.64
Face Value	10
Monthly Avg.vol (BSE+NSE) Nos'000	1418
BSE Code	500048
NSE Code	BEML
Bloomberg	BEML:IN

Price performance



% Shareholding

	Mar-19	Dec-18
Promoters	54.03	54.03
FII	3.71	3.01
DII	20.31	20.10
Others	21.95	22.86
Total	100	100

BEML's Topline for the Q4FY19, stood at Rs. 13680 mn, grew by 9.25% YoY. The gross margins of the company were low by 215 bps, at 45.06% v/s 47.21% in Q4FY18. Further, the EBITDA grew by 6% YoY to Rs. 2537.3 mn and the EBITDA Margins stood at 18.5% (-60 bps YoY). The Interest cost stood at Rs 157.6 mn, increased by 24% YoY. The PAT stood at Rs. 1622.4, down by 13.5% YoY. The margins stood at 11.78%, -306 bps YoY. The PAT was low due to high Tax Rate of 29% v/s 15% in Q4FY18. EPS for the quarter was at Rs 38 v/s 45 in Q4FY18. The EPS for the quarter was at Rs 38 v/s 45 in Q4FY18

BEML's Topline for the full year FY19, stood at Rs. 34742 mn, up by 10%. The gross margins stood at 43.38% as compared to 45.55% in FY18. Further, the EBITDA stood at Rs. 2375 mn, increasing by 32% over last year. The EBITDA Margins stood at 6.84%, thereby increasing by 113 bps as compared to FY18. The interest cost had risen by 23% during the year to Rs. 596.1mn. The PAT stood at Rs. 575 mn increasing by 10% over last year, keeping the margins flat at 1.80%. The PAT was low due to high Tax Rate of 52% v/s 37% in FY18. The EPS for the quarter was at Rs 15 v/s 31 in FY18

Metro and Defence to be the growth driver – The company ended the year with a robust order book of Rs. 91250 mn, as compared to Rs. 68820 mn in FY18. The growth was driven by order received for rolling stock from various Metro Lines. Further, during the quarter, the company bagged orders worth Rs. 11640 mn and executed orders worth Rs. 13680 mn. Therefore currently the company has **order book worth 2.65x FY19 sales**. Further, we believe growth in Rolling stock orders from under construction metro line and Defence will be the growth drivers. Further, we expect the overall topline growth of 18% in FY20E and 23% in FY21E, having an overall CAGR of 20% over the next 2 years.

Reduction in Debtors Days - The Company has net trade receivable of Rs. 16,139 mn after providing for impairment of Rs. 1,900.31 mn. The debtor days stood at 170 as against 186 days in FY18, thereby improving the working capital cycle on the company.

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 64% over the same Period. We expect BEML to post EPS of Rs33 and Rs53 over FY20E and FY21E. The stock is trading at 26x FY20E and 17x FY21E earnings. We value BEML of 19x FY21E earnings and recommend '**Accumulate**' with target price of Rs1162 showing 16% 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	10.0	4%	6%
FY18	31,669.3	27.0%	1,805.9	5.7%	575.2	-32.1%	13.8	14.7	3%	7%
FY19	34,742.5	9.7%	2,375.4	6.8%	631.5	9.8%	15.1	66.3	3%	9%
FY20E	40,929.2	17.8%	3,433.4	8.4%	1,419.3	124.8%	34.0	29.5	6%	12%
FY21E	50,234.1	22.7%	4,868.2	9.7%	2,223.5	56.7%	53.2	18.8	9%	15%



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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	31,669.3	34,742.5	40,929.2	50,234.1	Net Profit	643.9	847.8	575.3	631.6	1,419.4	2,223.6
Cost of sales	28,324.9	23,476.9	29,863.4	32,367.1	37,495.8	45,365.9	Add: Dep. & Amort.	565.7	628.0	653.9	707.2	788.7	836.7
Operating Profit	1,421.2	1,465.3	1,805.9	2,375.4	3,433.4	4,868.2	Minority Interest	(1.5)	(0.2)	(0.1)	(0.1)	(0.1)	(0.1)
Depreciation	565.7	628.0	653.9	707.2	788.7	836.7	Cash profits	1,208.1	1,475.6	1,229.1	1,338.7	2,208.1	3,060.2
PBIT	855.5	837.3	1,152.0	1,668.2	2,644.7	4,031.5	(Inc)/Dec in						
Other income	423.1	625.9	250.4	232.4	219.0	241.0	-Sundry debtors	(2,154.7)	(2,238.7)	(2,112.2)	283.0	(3,484.0)	(3,773.1)
Interest	492.6	480.4	483.2	596.1	680.0	851.6	-Inventories	2,263.6	(2,770.8)	1,722.1	976.9	(5,526.3)	(4,530.6)
Profit before tax	785.9	982.8	919.2	1,304.5	2,183.7	3,420.9	-Loans/advances	3,812.5	1.6	0.3	0.1	-	-
Exceptional and Extra Ordinary Items	-	-	-	-	-	-	-Current Liab and Provisions	(2,172.6)	3,744.5	(563.8)	3,546.5	1,178.3	5,277.4
share of profit/loss in JV	-	-	-	-	-	-	- Other Assets	(295.5)	78.3	910.0	477.3	-	-
PBT (Post Extra Ordinary)	785.9	982.8	919.2	1,304.5	2,183.7	3,420.9	- Other Non Current Assets	(2,247.4)	1,177.7	(179.1)	656.1	-	-
Provision for tax	142.0	135.0	343.9	672.9	764.3	1,197.3	Change in working capital	(794.1)	(7.5)	(222.7)	5,939.9	(7,832.0)	(3,026.3)
Reported PAT	643.9	847.8	575.3	631.6	1,419.4	2,223.6	CF from Oper. activities	414.0	1,468.1	1,006.5	7,278.6	(5,623.9)	34.0
MI	1.5	0.2	0.1	0.1	0.1	0.1	CF from Inv. activities	(464.2)	(722.4)	(924.2)	(1,194.7)	(181.2)	(1,000.0)
Adjusted PAT	642.4	847.6	575.2	631.5	1,419.3	2,223.5	CF from Fin. activities	(736.8)	(1,254.7)	(212.0)	(909.6)	1,753.9	1,164.2
							Cash generated/(utilised)	(787.0)	(509.1)	(129.6)	5,174.3	(4,051.2)	198.1
							Cash at start of the year	1,455.5	664.2	145.4	27.8	314.4	1,154.8
							Cash at end of the year	668.5	155.1	15.8	5,202.1	(3,736.9)	1,352.9
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	5.7	6.8	8.4	9.7
Reserves	20,876.5	21,406.1	21,593.4	21,456.0	22,474.4	24,296.9	NPM	2.1	3.3	1.8	1.8	3.4	4.4
Net worth	21,294.3	21,823.8	22,011.1	21,873.7	22,892.1	24,714.6	Tax rate	18.1	13.7	37.4	51.6	35.0	35.0
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	10,007.0	12,179.9	Net Sales	(0.6)	(16.1)	27.0	9.7	17.8	22.7
Current Liabilities	13,559.0	16,952.0	16,796.1	20,122.6	21,574.2	26,243.9	Operating Profit	(45.2)	3.1	23.2	31.5	44.5	41.8
CAPITAL EMPLOYED	43,718.3	47,055.8	46,855.4	50,123.9	54,475.4	63,140.6	PBIT	(58.5)	(2.1)	37.6	44.8	58.5	52.4
Non Current Assets	9,940.8	8,867.5	9,304.9	8,375.6	8,525.0	8,688.3	PAT	883.8	31.9	(32.1)	9.8	124.8	56.7
Fixed Assets	6,611.9	6,627.9	6,626.7	6,563.3	6,712.7	6,876.0	Per Share (Rs.)						
Non Current Investments	0.0	0.0	0.0	0.0	0.0	0.0	Net Earnings (EPS)	15.4	20.3	13.77	15.1	34.0	53.2
Long Term Loans and Advances	255.3	183.7	89.7	6.0	6.0	6.0	Cash Earnings (CPS)	1.8	5.3	(1.9)	(1.8)	15.1	33.2
Other Non Current Assets	2,038.7	942.5	1,203.7	627.5	627.5	627.5	Dividend	50.1	200.5	401.0	401.0	401.0	401.0
Goodwill	-	-	-	-	-	-	Book Value	509.8	522.4	526.9	523.7	548.1	591.7
Deferred Tax Assets	1,035.0	1,113.4	1,384.9	1,178.8	1,178.8	1,178.8	Free Cash Flow	(1.2)	17.9	2.0	145.7	(139.0)	(23.1)
Current Assets	33,777.5	38,188.4	37,550.5	36,856.7	45,950.5	54,452.3	Valuation Ratios						
Current investments	-	-	-	756.9	-	-	P/E(x)	65	49	73	66	29	19
Inventories	17,023.4	19,794.2	18,072.1	17,095.2	22,621.5	27,152.0	P/B(x)	2.0	1.9	1.9	1.9	1.8	1.7
Trade Receivables	12,071.7	14,310.4	16,422.6	16,139.6	19,623.6	23,396.7	EV/EBIDTA(x)	32.6	31.4	25.6	19.2	13.7	9.9
Cash and Bank Balances	664.2	145.4	27.8	314.4	1,154.8	1,353.0	Div. Yield(%)	5.0	20.0	40.0	40.0	40.0	40.0
Short Term Loans and Advances	216.4	133.6	147.0	146.1	146.1	146.1	FCF Yield(%)	(0.1)	1.8	0.2	14.5	(13.9)	(2.3)
Other Current Assets	3,801.8	3,804.7	2,881.0	2,404.5	2,404.5	2,404.5	Return Ratios (%)						
CAPITAL DEPLOYED	43,718.3	47,055.8	46,855.4	45,232.3	54,475.4	63,140.6	ROE	3%	4%	3%	3%	6%	9%
							ROCE	5%	6%	7%	9%	12%	15%



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