



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

Analyst – Kunal Bhatia (022-67141414)

Associate - Tanush Mehta (022-67141412)

**Result Update@ Dalal & Broacha**

### Neutral

Current Price	626
52 Week Range	370/1108
Target Price	500
Downside	20%

### Key Share Data

Market Cap (Rs.bn)	26.07
Market Cap (US\$ mn)	345.44
No of o/s shares (mn)	41.64
Face Value	10
Monthly Avg. vol(BSE+NSE) Nos'000	970.53
BSE Code	500048
NSE Code	BEML
Bloomberg	BEML:IN

### Price performance



**BEML Q4FY20 Results were below expectation on account of lower revenues and higher other expenses. However tax reversal aids bottom line**

❖ **On the Revenue front**, sales were down by 22% YoY to INR. **10, 664.2 mn**, as against our estimates of Rs. 1368 mn

❖ **The Gross Margins stood at – 50.57%** v/s 45.07% in Q4FY19 and 49.79% in Q3FY20

❖ **Employee Expenses** stood INR 2292.8 mn, up by 3% YoY and 10.5% QoQ. Further, employee expenses as % of Sales stood at 21.5% as against 16.21% in Q4FY19 and 30% in Q3FY20.

❖ **Other Expenses** stood INR 1663.3 mn, up by 18% YoY and 10.5% QoQ. Further, other expenses as a % sales stood at 15.6% v/s 10.3% in Q4FY19 and 15.7% in Q3FY20.

❖ **EBITDA – Rs. 1436.7 mn, -44% YoY**, as against estimated of Rs. 2346mn

❖ **EBITDA % – 13.47%** v/s 18.68% in Q4FY19 and 3.8% in Q3FY20

❖ **Taxes - Tax reversal of RS. 443.2 mn** as against tax payment of RS. 674.7 mn in Q4FY19.

❖ **PAT – Rs. 1863.3 mn, +15% YoY**, as against estimated of Rs. 1556 mn

### Other Highlights

**Covid-19 Impact:** Overall performance was impacted due to Covid-19 pandemic. However, the company did not quantify the amount. Due to Covid 19, BEML couldn't ship the goods due to supply chain issues. Post lockdown, the company commenced its plants on 5<sup>th</sup> May, 2020 and currently all plants are functional. In most of the plant's production levels have reached pre-covid level. Management expects Q1 is likely to be weak quarter due to plant shutdown and delayed shipments.

**Order Intact:** The management has not seen any order cancellations so far and doesn't expect any order cancellation going ahead as well. However, owing to the on-going scenario, various orders could see a delay in execution. However, the Management is confident, that they would be able make up for the revenue loss in the subsequent quarters, as and when execution picks up.

**Mumbai Metro execution to commence in Q1FY21E:** In Q3FY19, BEML had bagged a big order worth Rs. 30150 mn, for supplying roiling 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.

% Shareholding	Mar-20	Dec-19
Promoters	54.03	54.03
Institutions	24.73	25.61
Others	21.24	19.96
<b>Total</b>	<b>100</b>	<b>100</b>

### 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%	1297	53%	31	20x	6%	10%
FY19	34,743	7.3%	2,375	6.8%	632	-51%	15.1	41x	3%	9%
FY20	30,254	-12.9%	839.2	2.8%	636	0.7%	15.2	41x	3%	3%
FY21E	30,481	1%	1052	3.5%	158	-75%	3.8	165x	1%	4%
FY22E	36,577	20%	2,155	5.9%	1,047	563%	25	25x	4%	8%



**Margin to improve:** Management is confident of improving the margin as and when execution picks up. The company has conversion cost of around 40%. On better delivery cycle management expects to improve margin as employee cost is likely to remain at current level.

**Receivables on track:** The Company has maintained its receivable days during the year. However, they expect receivable cycle to get normalized once execution cycle picks up

#### ❖ Order Book Status

The order book position of the company stands at **Rs. 97,950 mn up by 6.8%YoY and down by 2.4%QoQ**. **The current order book is equivalent of 3.23x FY20 revenues**. During the quarter, new orders worth Rs. 8270 mn were booked i.e down by 29% YoY and 30%QoQ and orders worth Rs. 10660 mn were executed.

**Order inflows likely to remain lacklustre:** Management expects order inflows to remain lacklustre due to weak tendering by government.

Particulars (In INR Crores)	Q4FY19	Q1FY20	Q2FY20	Q3FY20	Q4FY20
Order Book at the Beginning of the Quarter	9,339	9,125	8,918	9,569	<b>10,035</b>
New order booked During the Quarter	1,154	374	1,339	1,161	<b>827</b>
Orders Executed	1,368	581	688	694	<b>1,066</b>
Net Order Book Position	9,125	8917	9569	10,035	<b>9,795</b>

#### **Outlook & Valuation:**

BEML's current order book is 3.23x FY20 sales and order book consists of orders from Earth Moving Equipment (~30% of Sales), Rail and Metro (~40% of Sales), Defence (~5-10% of Sales) and Spares Parts (~25-20% of sales). Out of the total order book, one large order from Mumbai Metro (~30% of the total order) would be growth driver for the next 2 years. We expect Rail and Metro contribution to increase significantly and contribute to the top line as well as bottom line. Due to covid, BEML has lost ~30-40 days of sales of the Q1FY21. We believe, extension of lock down by states, inter state supply chain restrictions and logistics issues could hamper execution. Hence, recovery of lost sales would depend upon the execution of pending orders in the coming few months. Further two things that would lead to re-rating of the stock are - 1) Recent announcement by the government for private player participation into coal mining which could drive growth for the earth moving equipment's segment and 2) Government stake sale. Hence, based on current order book BEML is likely to post top line CAGR of 10% over FY20-22E and bottom line to improve at a CAGR of 28% over the same Period. We expect BEML to post EPS of Rs 2.8 and Rs 25 over FY21E and FY22E. The stock is trading at 165x FY21E and 25x FY22E earnings. We value BEML on 20x FY22E earnings and revise our target price to Rs 500. We have a '**Neutral**' rating on the stock.



BEML (IN Millions)	Q4FY20	Q4FY19	Q3FY20	% YoY	% QoQ
Net Revenue	10,664	13,685	6,936	-22%	54%
Raw Mat Consumed	6,650.6	7,354.6	3,785.0	-10%	76%
Purchases	-	-	-	#DIV/0!	#DIV/0!
Changes in Inventories	-1,379.2	163.4	-279.6	-944%	393%
<b>Gross Profit</b>	<b>5,393</b>	<b>6,167</b>	<b>3,431</b>	-13%	57%
<b>% Margins</b>	<b>50.57%</b>	<b>45.06%</b>	<b>49.46%</b>		
Employee costs	2,292.8	2,218.6	2,074.3	3%	11%
Other Expenses	1,663.3	1,410.9	1,094.7	18%	52%
<b>EBIDTA</b>	<b>1,436.7</b>	<b>2,537.3</b>	<b>261.5</b>	-43%	449%
<b>EBIDTA Margins (%)</b>	<b>13.47%</b>	<b>18.54%</b>	<b>3.77%</b>	-27%	257%
Depreciation	176.00	173.10	178.90	2%	-2%
Finance Cost	97.00	157.60	97.30	-38%	0%
<b>Other income</b>	<b>256.40</b>	<b>90.50</b>	<b>62.90</b>	183%	308%
Profit before tax	1,420	2,297	48	-38%	2846%
<b>PBT Margins (%)</b>	<b>13.00%</b>	<b>16.68%</b>	<b>0.69%</b>		
Tax Paid/(Adjustment)	-443	675	-		
Tax Rate	-31%	29%	0%		
<b>Reported PAT</b>	<b>1,863</b>	<b>1,622</b>	<b>48</b>	15%	3766%
<b>PAT Margins (%)</b>	<b>17.06%</b>	<b>11.78%</b>	<b>0.69%</b>		



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

Analyst – Kunal Bhatia (022-67141414)

Associate - Tanush Mehta (022-67141412)

**Result Update@ Dalal & Broacha**

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	30,481.5	36,577.8	Net Profit	1,296.7	632.5	639.2	158.5	1,047.4
						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	29,429.6	34,422.8	<b>Cash profits</b>	<b>1,950.6</b>	<b>1,339.6</b>	<b>1,360.4</b>	<b>894.2</b>	<b>1,797.8</b>
						<b>(Inc)/Dec in</b>					
<b>Operating Profit</b>	<b>2,527.3</b>	<b>2,375.4</b>	<b>839.2</b>	<b>1,051.9</b>	<b>2,155.0</b>	Sundry debtors	(2,112.2)	283.0	1,035.9	906.8	(2,839.4)
Depreciation	653.9	707.2	721.3	735.8	750.5	Inventories	1,722.1	976.9	(2,982.0)	6,909.9	(1,053.4)
PBIT	1,873.4	1,668.2	117.9	316.1	1,404.5	Loans/advances	0.3	0.1	(5.8)	87.5	-
Other income	250.4	231.1	485.5	387.6	426.4	Current Liab and Provisions	(563.8)	3,546.5	1,963.4	(1,785.0)	1,294.5
Interest	483.2	593.9	407.4	492.3	434.4	Other Assets	910.0	477.3	55.9	(235.2)	(258.7)
						Other Non Current Assets	(179.1)	656.1	(10.3)	-	0.9
Profit before tax	1,640.6	1,305.4	196.0	211.4	1,396.5	Contract Assets	-	(4,891.6)	1,853.1	(2,074.2)	5,112.7
Exceptional and Extra Ordinary Items	-	-	-	-	-	Change in working capital	(222.7)	1,048.3	1,910.2	3,809.8	2,256.5
share of profit/loss in JV	-	-	-	-	-	<b>CF from Oper. activities</b>	<b>1,727.9</b>	<b>2,387.9</b>	<b>3,270.6</b>	<b>4,704.0</b>	<b>4,054.3</b>
PBT ( Post Extra Ordinary)	1,640.6	1,305.4	196.0	211.4	1,396.5						
Provision for tax	343.9	672.9	(443.2)	52.8	349.1	<b>CF from Inv. activities</b>	<b>(924.2)</b>	<b>(1,194.7)</b>	<b>(1,297.2)</b>	<b>(1,062.0)</b>	<b>(136.4)</b>
<b>Reported PAT</b>	<b>1,296.7</b>	<b>632.5</b>	<b>639.2</b>	<b>158.5</b>	<b>1,047.4</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>(2,009.0)</b>	<b>452.4</b>	<b>(45.8)</b>
<b>Adjusted PAT</b>	<b>1,296.7</b>	<b>632.4</b>	<b>639.1</b>	<b>158.5</b>	<b>1,047.3</b>						
						<b>Cash generated/(utilised)</b>	<b>(129.6)</b>	<b>282.7</b>	<b>(35.6)</b>	<b>4,094.4</b>	<b>3,872.0</b>
						Cash at start of the year	145.4	27.8	314.4	278.9	4,373.3
						Cash at end of the year	15.8	310.5	278.8	4,373.3	8,245.4
<b>Balance Sheet</b>	<b>FY18</b>	<b>FY19</b>	<b>FY20</b>	<b>FY21E</b>	<b>FY22E</b>	<b>Ratios</b>	<b>FY18</b>	<b>FY19</b>	<b>FY20</b>	<b>FY21E</b>	<b>FY22E</b>
Equity capital	417.7	417.7	417.7	417.7	417.7	OPM	7.8	6.8	2.8	3.5	5.9
Reserves	21,593.4	21,456.0	22,110.0	22,220.9	23,220.7	NPM	4.0	1.8	2.1	0.5	2.8
<b>Net worth</b>	<b>22,011.1</b>	<b>21,873.7</b>	<b>22,527.7</b>	<b>22,638.6</b>	<b>23,638.4</b>	Tax rate	21.0	51.5	(226.2)	25.0	25.0
Minority Interest	2.2	2.0	0.4	0.4	2.2	<b>Growth Ratios (%)</b>					
<b>Non Current Liabilities</b>	<b>8,046.0</b>	<b>8,125.6</b>	<b>13,718.3</b>	<b>11,588.1</b>	<b>10,784.0</b>	Net Sales	29.9	7.3	(12.9)	0.8	20.0
						Operating Profit	72.5	(6.0)	(64.7)	25.3	104.9
<b>Current Liabilities</b>	<b>16,796.1</b>	<b>20,122.6</b>	<b>14,471.1</b>	<b>15,316.2</b>	<b>18,414.8</b>	PBIT	123.8	(11.0)	(92.9)	168.2	344.3
						PAT	53.0	(51.2)	1.1	(75.2)	560.9
<b>CAPITAL EMPLOYED</b>	<b>46,855.4</b>	<b>50,123.9</b>	<b>50,717.5</b>	<b>49,543.4</b>	<b>52,839.3</b>	<b>Per Share (Rs.)</b>					
						Net Earnings (EPS)	31.04	15.1	15.3	3.8	25.1
<b>Non Current Assets</b>	<b>9,304.9</b>	<b>8,375.6</b>	<b>9,003.4</b>	<b>9,329.6</b>	<b>8,714.7</b>	Cash Earnings (CPS)	15.4	(1.8)	(2.0)	(13.8)	7.1
						Dividend	7.9	12.5	6.1	1.1	-
Fixed Assets	6,626.7	6,563.3	6,275.6	6,601.8	5,987.8	Book Value	526.9	523.7	539.3	542.0	565.9
Non Current Investments	0.0	0.0	0.0	0.0	0.0	Free Cash Flow	19.2	28.6	47.2	87.2	93.8
Long Term Loans and Advances	89.7	6.0	6.0	6.0	5.1						
Other Non Current Assets	1,203.7	627.5	637.8	637.8	637.8	<b>Valuation Ratios</b>					
Goodwill	-	-	-	-	-	PIE(x)	<b>20</b>	<b>41</b>	<b>41</b>	<b>165</b>	<b>25</b>
Deferred Tax Assets	1,384.9	1,178.8	2,084.0	2,084.0	2,084.0	P/B(x)	1.2	1.2	1.2	1.2	1.1
						EV/EBIDT A(x)	12.1	12.6	33.7	23.5	9.2
<b>Current Assets</b>	<b>37,550.5</b>	<b>41,748.3</b>	<b>41,626.6</b>	<b>40,213.7</b>	<b>44,124.7</b>	Div. Yield(%)	1.3	2.0	1.0	0.2	-
						<b>FCF Yield(%)</b>	<b>3.1</b>	<b>4.6</b>	<b>7.5</b>	<b>13.9</b>	<b>15.0</b>
<b>Current investments</b>	<b>-</b>	<b>756.9</b>	<b>715.3</b>	<b>715.3</b>	<b>715.3</b>	<b>Return Ratios (%)</b>					
Inventories	18,072.1	17,095.2	20,077.2	13,167.3	14,220.7	ROE	6%	3%	3%	1%	4%
Trade Receivables	16,422.6	16,139.6	15,103.7	14,196.9	17,036.2	ROCE	10%	9%	3%	4%	8%
Cash and Bank Balances	27.8	314.4	278.9	4,373.3	9,245.5						
Short Term Loans and Advances	147.0	146.1	60.9	60.9	60.9						
Other Current Assets	2,881.0	2,404.5	2,352.1	2,587.3	2,846.0						
Contract Assets	-	4,891.6	3,038.5	5,112.7	-						
<b>CAPITAL DEPLOYED</b>	<b>46,855.4</b>	<b>50,123.9</b>	<b>50,630.0</b>	<b>49,543.4</b>	<b>52,839.3</b>						



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

**Analyst – Kunal Bhatia (022-67141414)**

**Associate - Tanush Mehta (022-67141412)**

***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 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



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

**Analyst – Kunal Bhatia (022-67141414)**

**Associate - Tanush Mehta (022-67141412)**

***Result Update@ Dalal & Broacha***

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 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
<b>Mr. Kunal Bhatia</b>	<b>kunal.bhatia@dalal-broacha.com</b>	<b>022 67141442</b>	<b>Auto, Auto Ancillary, FMCG</b>
Mrs.Charulata Gaidhani	charulata.gaidhani@dalal-broacha.com	022 67141446	Pharma /Healthcare
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. Akshay Ashok	akshay.ashok@dalal-broacha.com	022 67141486	BFSI
Mr. Suraj Nandu	suraj.nandu@dalal-broacha.com	022 67141438	Associate
<b>Mr. Tanush Mehta</b>	<b>tanush.mehta@dalal-broacha.com</b>	<b>022 67141441</b>	<b>Associate</b>

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: equity.research@dalal-broacha.com