

Result Update

CMP	900
Target Price	
Previous Target Price	
Upside	-100%
Change from Previous	-

Market Data

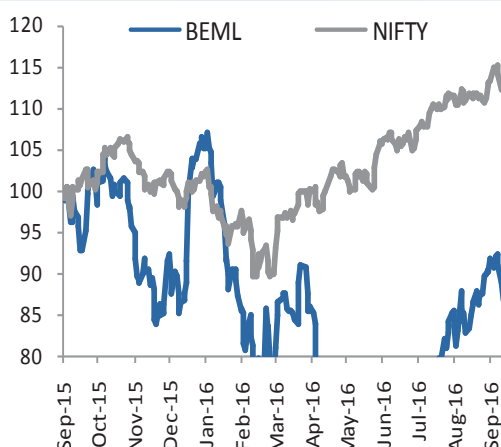
BSE Code	500048
NSE Symbol	BEML
52wk Range H/L	1609/783.80
Mkt Capital (Rs Cr)	3,749
Av. Volume	37380
Nifty	8204

Stock Performance

	1Month	1Year	YTD
Absolute	3.4	-13.6	5.4
Rel.to Nifty	2.7	-29.1	-9.3

Share Holding Pattern-%

	1QFY17	4QFY16	3QFY16
Promoter	54.03	54.03	54.03
Public	45.97	45.97	45.97
Others	--	--	--
Total	100	100	100

Company Vs NIFTY


BEML 1QFY17 result was marginally below with our estimates mainly on account of the 50% decline in revenue. Company's total net sales declined to Rs 291.93 crore for the quarter ended June, compared with Rs 581.30 crore in the year corresponding quarter of previous fiscal. Reported EBITDA and PAT are Rs -87.76 Cr (Rs -50.34 cr in 1QFY16) and Rs -107.10 cr (Rs -68.10 cr in 1QFY16). Total expenses dropped to Rs 397.84 crore for the first quarter of this financial year compared with Rs 653.89 crore reported in the year-ago period.

Outlook and Valuation:

Going forward we see good opportunities in Rail & Metro business medium/high speed coaches, Light Rail metro cars and Maintenance Equipment. Demand growth during FY17E is expected to firm up driven by increased road construction activity, execution of Railway projects and work on dedicated freight corridors. With respect to defense verticals the business will be back on track. Company expects net sales target of Rs 3300 Cr for FY17E, we revised our estimates to Rs 2900 cr sales for FY17E. Company expects orders for its Mining and Construction equipments with more projects being cleared. These make us to continue with our positive view on the stock. Though due to below expected sales numbers this quarter, we will review target price post further clarity from management on near term business condition.

Other highlights:
On the metro side, company heavily booked right up to 2018-2019

Delhi Metro is Procuring 17 New Eight-Coach Trains this news can be increase company's order book. BEML continues to strengthen its position in metro Rolling Stock market in India.

In Defence front the order backlog of ~Rs11bn-12bn from Tatra is likely to get executed in 18-24 months. which will help improve profitability of BEML's defence business for FY16 & FY17.

In Mining segment, BEML is still a strong player in spite of a little difficult situation, market conditions. Company posted a very good result in mining side because of space and services which has given a tremendous bottom line and good customer satisfaction.

Inventories are started reducing which was effected the bottom line of the company.

	Rs in Cr				
Financials	FY13	FY14	FY15	FY16	FY17E
Sales	2801	2904	2802	2978	2900
EBITDA	-49	115	70	129	122
Net Profit	-83	6	6	53	51
EBIDTA%	-1.7%	4.0%	2.5%	4.3%	4.2%
P/E	0.0	0.0	0.0	0.0	0.0

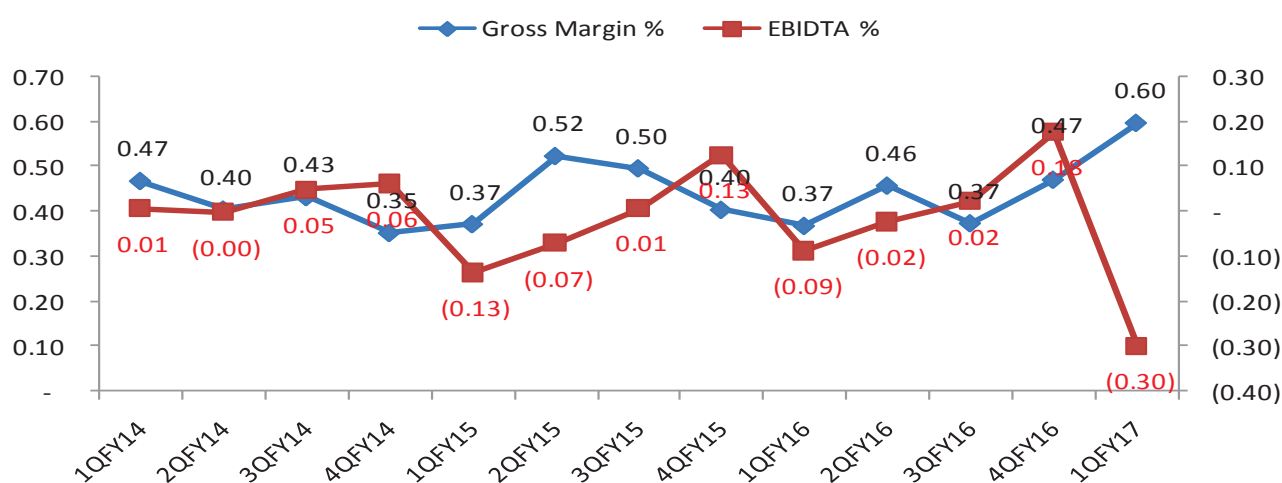
(Source: Company/Eastwind)

Order book position:

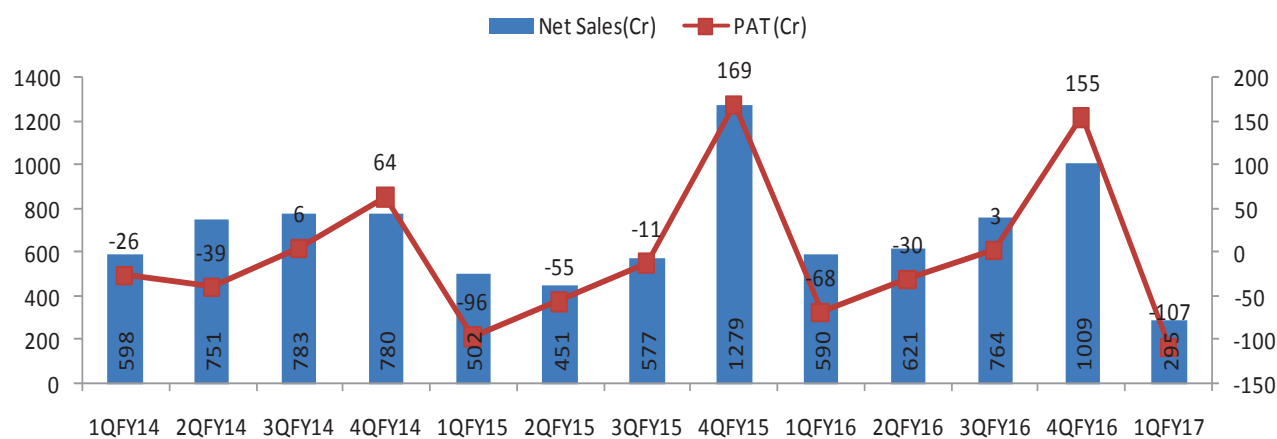
ORDER BOOK – 2015-16 - AS OF END MAY'15 (Cr)

Business Group	Carry forward orders as of 1-April-2015	Sales Target FY16(MoU)	Orders booked upto end May 2015	Sales till end May 2015	Total Orders on hand as of 1-June-2015	Orders available for execution in FY16	Orders for execution beyond FY16	Orders required to meet sales target FY16
Rail & Metro	1,641	1,575	11	203	1,448	1,189	259	182
Defence	2,484	675	60	7	2,538	507	2,031	162
Mining & Construction	1,562	1,925	339	203	1,697	590	1,107	1,132
Total	5,686	4,175	410	413	5,683	2,286	3,397	1,476

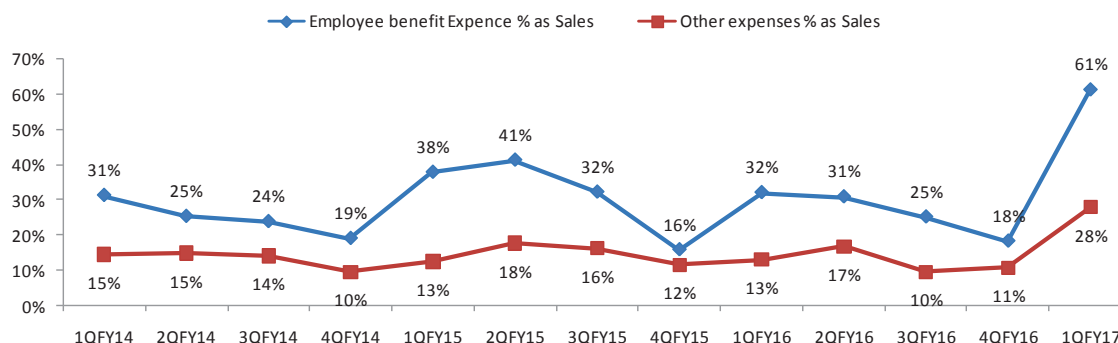
Trend of Gross margin and EBITDA margin:



Trend of Net sales and PAT:



Trend of Employee benefit and Other expenses:



Investment Arguments:

→ The approval for Tatra trucks has come through with delivery commencing from August 2015. The order backlog of ~Rs11bn-12bn from Tatra is likely to get executed in 18-24 months. which will help improve profitability of BEML's defence business for FY16 & FY17.

→ All the three segments have done well especially on the defence side it is very good. It is very satisfied and defence for the future is going to be much more exciting because of Make in India campaign where management is expecting exciting opportunities, which are already up and running. That should go very well in FY16-FY17.

→ Coal India, in its commentary, has stated its intent to spend Rs 1500 Cr -2000Cr annually on machinery procurement including heavy equipment, dumpers, etc – segments where BEML is the market leader.

Key Risks:

- Inventory obsolescence
- Metro capex cycle recovery

About the company:

BEML Limited is an India-based company engaged in manufacture of rail coaches and spare parts and mining equipment. Its segment includes Mining & Construction, Rail & Metro and Defense. The Trading Division deals in non-Company products. The International Division exports products manufactured by all the three verticals. Under Mining and Construction business, the Company manufactures and supplies Mining & Construction equipment such as Bull Dozers, Excavators, Dumpers, Shovels, Loaders and Motor Graders to various user segments and under Rail & Metro Business, it manufactures and supplies Rail Coaches, Metro Cars, Steel and Aluminium Wagons to the rail sector.

Production Units:

- KGF COMPLEX**
 - EM DIVISION
 - H&P DIVISION
 - RAIL UNIT II
 - HEAVY FABRICATION UNIT
- MYSORE COMPLEX**
 - EQUIPMENT DIVISION
 - ENGINE DIVISION
 - AEROSPACE MANUFACTURING DIVISION
- BANGALORE COMPLEX**
 - RAILWAY PRODUCTS, METRO CARS & DEFENCE PRODUCTS
- PALAKKAD COMPLEX**
 - DEFENCE PRODUCTS & RAILWAY PRODUCTS
- VIGNYAN INDUSTRIES LTD- SUBSIDIARY OF BEML**
 - STEEL FOUNDRY

Financials Snap Shot

INCOME STATEMENT				
	FY14	FY15	FY16	FY17E
Revenue (Net of Excise D	2904	2802	2978	2900
Other Income	64	60	39	35
Total Revenue	2967	2862	3017	2934
COGS	1694	1564	1703	1531
GPM	1	1	1	1
Other Expenses	373	393	373	423
EBITDA	115	70	129	122
EBITDA Margin (%)	4%	2%	4%	4%
Depreciation	54	53	54	53
EBIT	60	17	75	70
Interest	111	71	49	42
PBT	13	6	65	62
Tax	4	0	11	11
Tax Rate (%)	29%	-8%	18%	18%
Reported PAT	6	6	53	51
Dividend Paid	12	5	36	36
No. of Shares	4	4	4	4

Source: Eastwind/Company

RATIOS				
	FY14	FY15	FY16	FY17E
EPS	1.5	1.4	12.7	12.2
Book Value	506.8	505.8	506.5	510.0
DPS	3.0	1.2	8.7	8.7
Payout (incl. Div. Tax.)	200%	82%	68%	71%
Valuation(x)				
P/E	196.6	759.6	68.8	68.2
Price / Book Value	0.6	2.2	1.7	1.6
Dividend Yield (%)	1.02%	0.11%	0.99%	1.04%
Profitability Ratios				
RoE	0%	0%	3%	2%
RoCE	2%	1%	3%	3%
Turnover Ratios				
Asset Turnover (x)	0.6	0.6	0.7	0.7
Debtors (No. of Days)	122.9	129.2	148.1	150.0
Inventory (No. of Days)	271.6	250.3	207.9	215.0
Creditors (No. of Days)	48.9	70.8	50.0	45.0
Net Debt/Equity (x)	0.22	0.20	0.17	0.16

Source: Eastwind/Company

BALANCE SHEET				
	FY14	FY15	FY16	FY17E
Share Capital	42	42	42	42
Reserves	2039	2035	2068	2082
Net Worth	2081	2077	2109	2124
Long term Debt	465	414	363	345
Short term Debt	441	178	145	142
Deferred Tax	0	0	0	0
Total Capital Employed	2546	2491	2472	2469
Net Fixed Assets	686	660	644	630
Capital WIP	135	150	0	150
Debtors	977	992	1208	1192
Cash & Bank Balances	18	145	66	657
Trade payables	389	543	408	357
Total Provisions	284	290	316	314
Net Current Assets	2420	2148	2159	2185
Total Assets	4770	4591	4323	4204

Source: Eastwind/Company

CASH FLOW STATEMENT				
	FY14	FY15	FY16	FY17E
OP/(Loss) before Tax	10	5	65	62
Depreciation	54	53	54	53
Direct Taxes Paid	(26)	12	(15)	(11)
Operating profit before w	171	151	201	157
CF from Op. Activity	394	548	84	730
Capital expenditure on fix	(43)	(41)	(24)	(38)
CF from Inv. Activity	(28)	(36)	(30)	(38)
Repayment of Long Term	(34)	(31)	(31)	(18)
Interest Paid	(109)	(67)	(45)	(42)
Divd Paid (incl Tax)	(12)	(5)	(5)	(36)
CF from Fin. Activity	(427)	(384)	(134)	(100)
Inc/(Dec) in Cash	(61)	128	(79)	592
Add: Opening Balance	78	18	146	66
Closing Balance	18	146	66	657

Source: Eastwind/Company