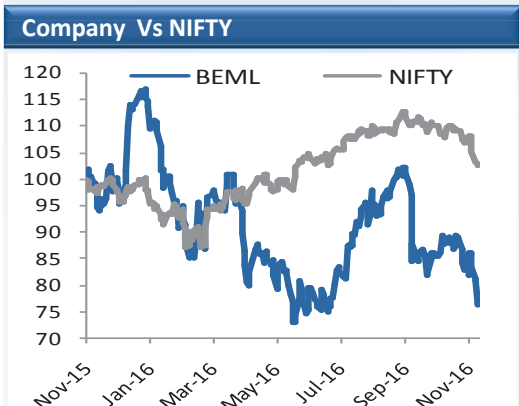


Result Update	
CMP	803
Target Price	1240
Previous Target Price	
Upside	54%
Change from Previous	-

Market Data	
BSE Code	500048
NSE Symbol	BEML
52wk Range H/L	1324.40/770.15
Mkt Capital (Rs Cr)	3,348
Av. Volume	208
Nifty	8114

Stock Performance			
	1Month	1Year	YTD
Absolute	-11.7	-42.4	-5.7
Rel.to Nifty	-4.5	-45.4	-4.2

Share Holding Pattern-%			
	2QFY17	1QFY17	4QFY16
Promoter	54.03	54.03	54.03
Public	45.97	45.97	45.97
Others	--	--	--
Total	100	100	100



Bibha Kashyap

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BEML reported Q2FY17 result which is below than our expectations. Revenue for the quarter decreased by 33% YoY to Rs 454 cr. EBITDA loss for the quarter was at Rs 0.08 cr against Rs 7.64 cr EBITDA loss during the corresponding quarter of previous year. Net loss for the quarter stood at Rs 24 cr versus Rs 30 cr net loss in Q2FY16. This was primarily driven by 14% YoY increase in other income and 11% YoY drop in finance cost.

Management highlights:

- As per the management company would be looking to double its revenue to over Rs 6000 Cr by 2020 and Rs 3500 Cr in FY17.
- Order book is roughly about Rs 6600 Cr in FY17.
- Management expects Mining segment will improve in FY18E and expects almost another Rs 800-1,000 Cr worth of mining orders.
- In Defence segment, lots of opportunities are coming. Management assures that this particular sector will take huge jump in near future. In Defence front order inflow will be double in FY17 as compare to FY16, these would all be in the vehicle space, the mine systems, the missile systems, the other vehicles, etc.
- In Metro segment company is having order book roughly about Rs 2000 Cr out of which Rs 1000 Cr will execute in FY17 and rest Rs 1000 Cr will be executing in FY18E. In FY18E company is having another order worth Rs 2400 Cr. So, total order book in Metro is Rs 3500 Cr in FY18E.

Outlook & Valuation:

As the company is having healthy order book worth Rs 6500 cr, so going forward we expect the company to register decent topline as well as bottom line. Increased road construction activity, Railway projects and work on dedicated freight corridors will drive demand growth in FY17E. With respect to defense verticals the business will be back on track. Company guided Rs 3300 cr topline for FY17E but after seeing 1st and 2nd quarter results we revised our revenue estimate from Rs 2900 cr to Rs 2500 cr and We expect decent growth in rest of the two quarters. We have positive view on this stock in long term but due to below expected sales number this quarter we maintain our "HOLD" rating to the stock. We will review target price post further clarity from management on near term business condition.

	Rs in Cr				
Financials	FY13	FY14	FY15	FY16	FY17E
Sales	2801	2904	2802	2978	2521
EBITDA	-49	115	70	129	145
Net Profit	-83	6	6	53	69
EBIDTA%	-1.7%	4.0%	2.5%	4.3%	5.7%
P/E	0.0	0.0	0.0	0.0	0.0

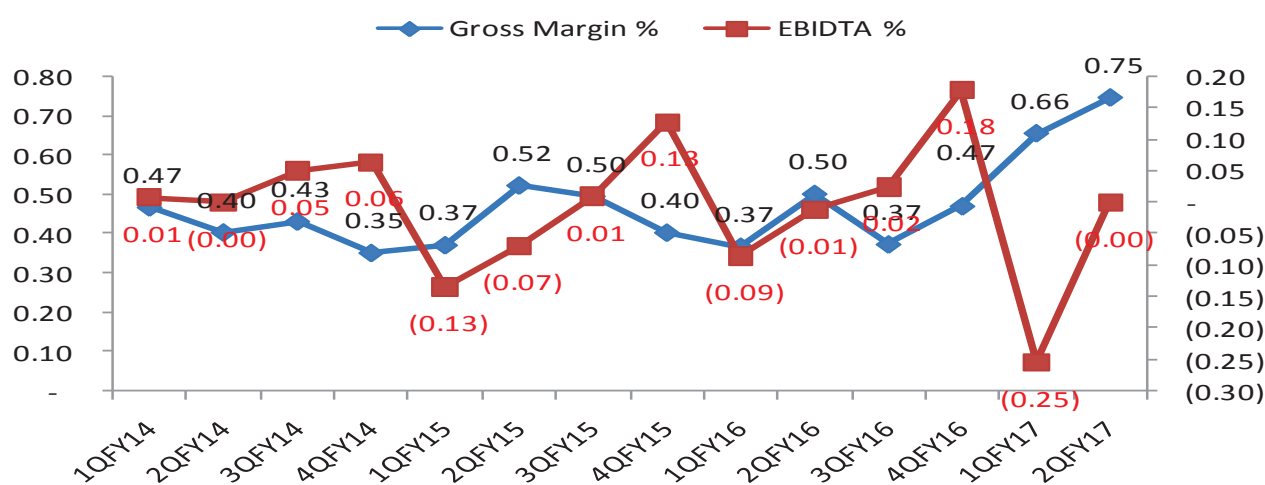
(Source: Company/Eastwind)

Order book position:

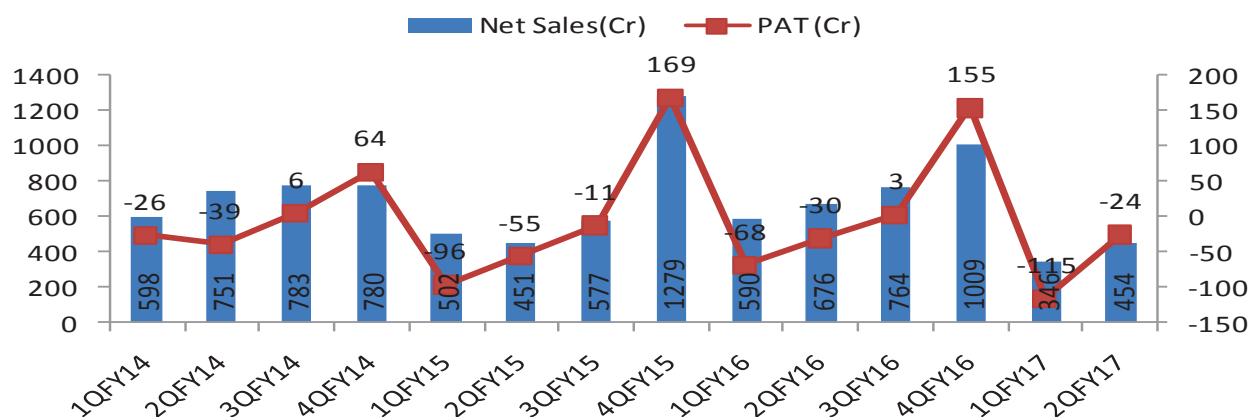
ORDER BOOK – 2015-16 - AS OF END MAY'15 (Cr)

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

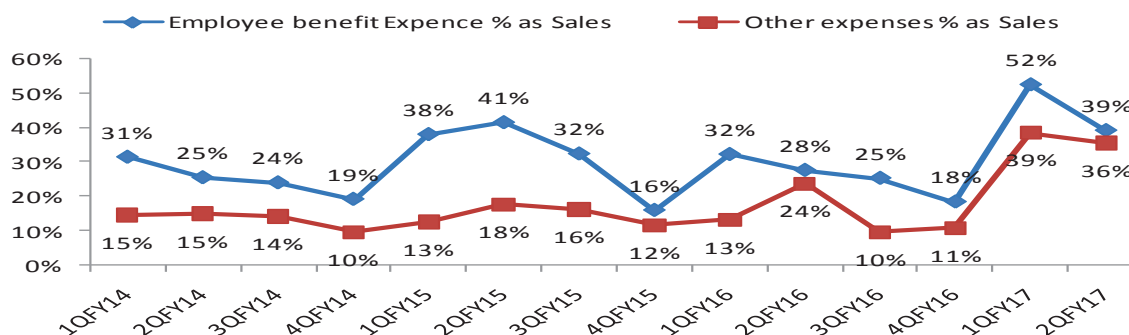
Trend of Gross margin and EBITDA margin:



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	2521
Other Income	64	60	39	26
Total Revenue	2967	2862	3017	2546
COGS	1694	1564	1703	868
GPM	1	1	1	0
Other Expenses	373	393	373	758
EBITDA	115	70	129	145
EBITDA Margin (%)	4%	2%	4%	6%
Depreciation	54	53	54	46
EBIT	60	17	75	99
Interest	111	71	49	0
PBT	13	6	65	125
Tax	4	0	11	25
Tax Rate (%)	29%	-8%	18%	20%
Reported PAT	6	6	53	69
Dividend Paid	12	5	19	19
No. of Shares	4	4	4	4

Source: Eastwind/Company

RATIOS

	FY14	FY15	FY16	FY17E
EPS	1.5	1.4	12.8	16.5
Book Value	506.8	505.8	506.6	518.5
DPS	3.0	1.2	4.7	4.7
Payout (incl. Div. Tax.)	200%	82%	37%	28%
Valuation(x)				
P/E	196.6	759.6	68.8	55.5
Price / Book Value	0.6	2.2	1.7	1.8
Dividend Yield (%)	1.02%	0.11%	0.53%	0.51%
Profitability Ratios				
RoE	0%	0%	3%	3%
RoCE	2%	1%	3%	4%
Turnover Ratios				
Asset Turnover (x)	0.6	0.6	0.7	0.6
Debtors (No. of Days)	122.9	129.2	148.1	150.0
Inventory (No. of Days)	271.6	250.3	208.7	209.5
Creditors (No. of Days)	48.9	70.8	50.5	40.0
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	2117
Net Worth	2081	2077	2110	2159
Long term Debt	465	414	363	345
Short term Debt	441	178	147	101
Deferred Tax	0	0	0	0
Total Capital Employed	2546	2491	2472	2504
Net Fixed Assets	686	660	657	694
Capital WIP	135	150	59	150
Debtors	977	992	1208	1036
Cash & Bank Balances	18	145	66	81
Trade payables	389	543	412	276
Total Provisions	284	290	317	281
Net Current Assets	2420	2148	2157	2096
Total Assets	4770	4591	4331	3961

Source: Eastwind/Company

CASH FLOW STATEMENT

	FY14	FY15	FY16	FY17E
OP/(Loss) before Tax	10	5	65	125
Depreciation	54	53	54	46
Direct Taxes Paid	(26)	12	(15)	(25)
Operating profit before w	171	151	201	170
CF from Op. Activity	394	548	84	212
Capital expenditure on fix	(43)	(41)	(24)	(83)
CF from Inv. Activity	(28)	(36)	(30)	(83)
Repayment of Long Term	(34)	(31)	(31)	(18)
Interest Paid	(109)	(67)	(45)	0
Divd Paid (incl Tax)	(12)	(5)	(5)	(19)
CF from Fin. Activity	(427)	(384)	(134)	(84)
Inc/(Dec) in Cash	(61)	128	(79)	45
Add: Opening Balance	78	18	146	66
Closing Balance	18	146	66	112

Source: Eastwind/Company