

May 15, 2024

Q4FY24 Result Update

☒ Change in Estimates | ☒ Target | ☒ Reco

Change in Estimates

	Current		Previous	
	FY25E	FY26E	FY25E	FY26E
Rating	ACCUMULATE		BUY	
Target Price	4,004		3,345	
Sales (Rs. m)	48,245	57,200	52,454	61,448
% Chng.	(8.0)	(6.9)		
EBITDA (Rs. m)	6,007	7,894	6,452	8,326
% Chng.	(6.9)	(5.2)		
EPS (Rs.)	95.2	129.2	97.8	128.7
% Chng.	(2.6)	0.4		

Key Financials - Consolidated

Y/e Mar	FY23	FY24	FY25E	FY26E
Sales (Rs. m)	38,989	40,543	48,245	57,200
EBITDA (Rs. m)	3,644	4,422	6,007	7,894
Margin (%)	9.3	10.9	12.5	13.8
PAT (Rs. m)	1,579	2,818	3,966	5,378
EPS (Rs.)	37.9	67.7	95.2	129.2
Gr. (%)	22.6	78.4	40.7	35.6
DPS (Rs.)	10.0	20.5	15.0	20.0
Yield (%)	0.3	0.5	0.4	0.5
RoE (%)	6.6	11.1	14.1	16.8
RoCE (%)	8.7	11.2	13.6	15.7
EV/Sales (x)	4.1	3.9	3.4	2.8
EV/EBITDA (x)	44.4	36.0	27.2	20.6
PE (x)	100.3	56.2	39.9	29.4
P/BV (x)	6.5	5.9	5.3	4.6

Key Data

BEML.BO | BEML IN

52-W High / Low	Rs.4,144 / Rs.1,367
Sensex / Nifty	73,105 / 22,218
Market Cap	Rs.158bn / \$ 1,896m
Shares Outstanding	42m
3M Avg. Daily Value	Rs.1587.14m

Shareholding Pattern (%)

Promoter's	54.03
Foreign	9.12
Domestic Institution	18.97
Public & Others	17.88
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	11.2	71.9	176.3
Relative	13.0	52.7	134.5

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BEML (BEML IN)

Rating: ACCUMULATE | CMP: Rs3,803 | TP: Rs4,004

Strong margin expansion; revenue disappoints

Quick Pointers:

- FY24 revenue mix came in at Mining & Construction: 43% (vs 50% in FY23), Rail & Metro: 38% (vs 27%) and Defence: 19% (vs 23%).
- FY24 EBITDA margin increased by 156bps YoY owing to better revenue mix.

We revise our FY25E EPS estimate by -2.6% factoring in execution of a lower than expected order book and downgrade the rating to 'Accumulate' from Buy with a revised TP of Rs4,004 (Rs3,345 earlier) given the sharp run up in stock price. BEML reported mixed quarterly performance with a big miss on revenue (+9.1% YoY to Rs15.1bn) and EBITDA margin expansion of 381bps YoY. Although FY24 order inflows were softer than expectations, the company has a significant opportunity pipeline in Rail & Metro worth ~Rs580bn in FY25 (Rail ~Rs440bn and Metro ~Rs140bn) and ~Rs320bn in FY26 which can boost the order book. Prospects include metro cars in Mumbai, Chennai, Patna, among others, as well as Vande Bharat rolling stock. It also has a defence order pipeline of ~Rs400bn over the next 4-5 years across HMVs, ARVS, combat engineering equipment, tank engines, etc. including ~Rs60bn in FY25 and Rs60-90bn in FY26. BEML has also tied up with Bharat Electronics to indigenously develop Train Control Management Systems for Grade of Automation 4 (driverless) metro cars. The company plans to incur capex worth 8-9% of FY24 sales (~Rs3-3.5bn) in FY25 to enhance manufacturing capabilities in defence, engines, and rolling stock.

BEML is in a sweet spot to capture long-term growth on the back of 1) strong railway & defence capex in India 2) healthy order prospects in modernization of defence vehicles (HMVs, ARVs, etc.), 3) large tender pipeline for metro & Vande Bharat rolling stock, and 4) ramp up in margins on account of scale-up in execution. The stock is currently trading at a P/E of 39.9/29.4 FY25/26E. We value the stock at a P/E of 31x FY26E (26x FY26E earlier) owing to healthy order prospects and improving margin outlook. Downgrade to 'Accumulate'.

Miss on revenue cushioned by healthy margin improvement: Consolidated revenue rose 9.1% YoY to Rs15.1bn (PLe: Rs19.0bn), impacted by supply chain challenges which caused delays in material availability. Gross margin expanded by 263bps YoY to 49.5% (PLe: 46.1%) owing to execution of higher margin orders. EBITDA grew 29.1% YoY to Rs3.7bn (PLe: Rs4.1bn). EBITDA margin increased by 381bps YoY to 24.5% (PLe: 21.6%) aided by gross margin expansion and lower employee costs (down 2.6% YoY to Rs2.0bn). PAT jumped 62.8% YoY to Rs2.6bn (PLe: Rs2.8bn) led by healthy margin improvement and a significantly lower effective tax rate at 26.1% (vs 43.2% in Q4FY24).

Order book stands at Rs118.7bn (2.9x FY24 revenue): Order inflow during the quarter came in at Rs11.3bn (-6.3% YoY). FY24 order inflow came in at Rs73.0bn (vs Rs32.2bn in FY23). Major orders during the year include 1) Rs31.8bn to supply 318 cars for Bangalore Metro, 2) Rs6.75bn to supply 10 Vande Bharat sleeper trainsets, 3) Rs9.1bn for HMVs & Command Post Vehicles, and 4) Rs3.3bn for Mechanical Minefield Marking Equipment. Order book at Rs118.7bn missed guidance of Rs130-140bn, with ~Rs30bn of metro orders deferred to Q2FY25.

Exhibit 1: Lower defence execution leads to moderate top line growth, but margins see strong improvement

Rs mn	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	YoY gr. (%)	QoQ gr. (%)	FY24	FY23	YoY gr. (%)
Revenue	13,879	5,769	9,168	10,470	15,137	9.1	44.6	40,543	38,989	4.0
Total Revenues	13,879	5,769	9,168	10,470	15,137	9.1	44.6	40,543	38,989	4.0
Expenditure	11,011	6,275	8,577	9,911	11,433	3.8	15.4	36,121	35,345	2.2
as % of sales	79.3	108.8	93.6	94.7	75.5			89.1	90.7	
Consumption of RM	7,379	3,002	4,950	5,350	7,649	3.7	43.0	20,951	21,365	(1.9)
as % of sales	53.2	52.0	54.0	51.1	50.5			51.7	54.8	
Employee Cost	2,021	2,091	2,056	2,108	1,967	(2.6)	(6.7)	8,222	8,398	(2.1)
as % of sales	14.6	36.2	22.4	20.1	13.0			20.3	21.5	
Other expenditure	1,612	1,182	1,571	2,453	1,817	12.7	(25.9)	6,948	5,582	24.5
as % of sales	11.6	20.5	17.1	23.4	12.0			17.1	14.3	
EBITDA	2,868	(505)	591	559	3,704	29.1	562.8	4,422	3,644	21.3
Depreciation	160	157	158	158	167	3.9	5.6	638	641	(0.4)
EBIT	2,708	(662)	433	401	3,537	30.6	782.1	3,784	3,004	26.0
Other Income	190	12	96	343	46	(75.7)	(86.6)	422	236	79.0
Interest	122	100	108	75	107	(12.1)	42.7	390	462	(15.6)
PBT	2,775	(750)	422	668	3,476	25.3	420.0	3,816	2,777	37.4
Total Tax	1,198	-	(96)	187	908	(24.2)	386.9	999	1,198	-
(Profit)/loss from JV's/Ass/MI	-	-	-	-	-	-	-	-	0	-
PAT after MI	1,577	(750)	518	482	2,568	62.8	432.7	2,818	1,579	78.4
Extra ordinary items	-	-	-	-	-	-	-	-	-	-
Reported PAT	1,577	(750)	518	482	2,568	62.8	432.7	2,818	1,579	78.4
Adjusted PAT	1,577	(750)	518	482	2,568	62.8	432.7	2,818	1,579	78.4
Adjusted EPS	37.9	(18.0)	12.4	11.6	61.7	62.8	432.7	67.7	37.9	78.4
Margins (%)	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	bps	bps	FY24	FY23	bps
Gross	46.8	48.0	46.0	48.9	49.5	263	57	48.3	45.2	312
EBITDA	20.7	-8.8	6.4	5.3	24.5	381	1,913	10.9	9.3	156
EBIT	19.5	-11.5	4.7	3.8	23.4	386	1,954	9.3	7.7	163
EBT	20.0	-13.0	4.6	6.4	23.0	297	1,658	9.4	7.1	229
PAT	11.4	-13.0	5.6	4.6	17.0	560	1,236	7.0	4.1	290
Effective Tax rate	43.2	0.0	-22.8	27.9	26.1	(1,705)	(177)	26.2	43.1	(1,698)

Source: Company, PL

Financials

Income Statement (Rs m)

Y/e Mar	FY23	FY24	FY25E	FY26E
Net Revenues	38,989	40,543	48,245	57,200
YoY gr. (%)	(10.1)	4.0	19.0	18.6
Cost of Goods Sold	21,365	20,951	25,570	30,145
Gross Profit	17,624	19,593	22,675	27,056
Margin (%)	45.2	48.3	47.0	47.3
Employee Cost	8,398	8,222	9,070	10,468
Other Expenses	5,582	6,948	7,599	8,694
EBITDA	3,644	4,422	6,007	7,894
YoY gr. (%)	17.6	21.3	35.8	31.4
Margin (%)	9.3	10.9	12.5	13.8
Depreciation and Amortization	641	638	733	805
EBIT	3,004	3,784	5,274	7,088
Margin (%)	7.7	9.3	10.9	12.4
Net Interest	462	390	407	413
Other Income	236	422	435	515
Profit Before Tax	2,777	3,816	5,302	7,190
Margin (%)	7.1	9.4	11.0	12.6
Total Tax	1,198	999	1,336	1,812
Effective tax rate (%)	43.1	26.2	25.2	25.2
Profit after tax	1,579	2,818	3,966	5,378
Minority interest	0	-	-	-
Share Profit from Associate	-	-	-	-
Adjusted PAT	1,579	2,818	3,966	5,378
YoY gr. (%)	22.6	78.4	40.7	35.6
Margin (%)	4.0	6.9	8.1	9.3
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	1,579	2,818	3,966	5,378
YoY gr. (%)	22.6	78.4	40.7	35.6
Margin (%)	4.1	7.0	8.2	9.4
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	1,579	2,818	3,966	5,378
Equity Shares O/s (m)	42	42	42	42
EPS (Rs)	37.9	67.7	95.2	129.2

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY23	FY24	FY25E	FY26E
Non-Current Assets				
Gross Block	9,938	10,804	12,724	13,627
Tangibles	8,996	9,680	11,540	12,413
Intangibles	941	1,124	1,184	1,214
Acc: Dep / Amortization	4,885	5,523	6,256	7,061
Tangibles	4,198	4,746	5,377	6,077
Intangibles	687	777	879	984
Net fixed assets	5,053	5,281	6,468	6,566
Tangibles	4,798	4,935	6,163	6,337
Intangibles	255	347	305	230
Capital Work In Progress	227	367	1,447	1,144
Goodwill	-	-	-	-
Non-Current Investments	10	10	11	13
Net Deferred tax assets	1,083	1,135	1,135	1,135
Other Non-Current Assets	1,183	1,192	724	801
Current Assets				
Investments	-	-	-	-
Inventories	20,614	22,559	26,436	31,186
Trade receivables	12,367	14,392	17,051	20,059
Cash & Bank Balance	393	89	127	158
Other Current Assets	2,977	2,829	2,750	3,089
Total Assets	50,098	54,453	62,975	71,673
Equity				
Equity Share Capital	418	418	418	418
Other Equity	23,797	26,262	29,270	33,920
Total Network	24,215	26,680	29,688	34,337
Non-Current Liabilities				
Long Term borrowings	98	95	2,495	1,995
Provisions	2,462	2,370	2,625	3,051
Other non current liabilities	5,453	6,434	7,237	8,580
Current Liabilities				
ST Debt / Current of LT Debt	3,717	614	2,614	2,614
Trade payables	6,783	7,596	9,385	11,127
Other current liabilities	7,363	10,658	8,927	9,962
Total Equity & Liabilities	50,098	54,454	62,975	71,673

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY23	FY24	FY25E	FY26E
PBT	2,777	3,816	5,302	7,190
Add. Depreciation	641	638	733	805
Add. Interest	462	390	407	413
Less Financial Other Income	236	422	435	515
Add. Other	(260)	359	(1)	(1)
Op. profit before WC changes	3,620	5,204	6,440	8,408
Net Changes-WC	2,885	(25)	(5,103)	(4,323)
Direct tax	(905)	(602)	(1,336)	(1,812)
Net cash from Op. activities	5,600	4,577	2	2,273
Capital expenditures	(225)	(1,007)	(3,000)	(600)
Interest / Dividend Income	4	25	1	1
Others	20	304	(7)	-
Net Cash from Invt. activities	(201)	(677)	(3,005)	(599)
Issue of share cap. / premium	-	-	-	-
Debt changes	(2,793)	-	4,400	(500)
Dividend paid	(321)	(418)	(958)	(729)
Interest paid	(462)	(390)	(407)	(413)
Others	263	(490)	-	-
Net cash from Fin. activities	(3,315)	(1,298)	3,035	(1,642)
Net change in cash	2,085	2,602	31	32
Free Cash Flow	5,174	3,565	(2,998)	1,673

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY23	FY24	FY25E	FY26E
Per Share(Rs)				
EPS	37.9	67.7	95.2	129.2
CEPS	53.3	83.0	112.8	148.5
BVPS	581.5	640.7	712.9	824.5
FCF	124.2	85.6	(72.0)	40.2
DPS	10.0	20.5	15.0	20.0
Return Ratio(%)				
RoCE	8.7	11.2	13.6	15.7
ROIC	5.0	8.3	10.2	11.8
RoE	6.6	11.1	14.1	16.8
Balance Sheet				
Net Debt : Equity (x)	0.1	0.0	0.2	0.1
Net Working Capital (Days)	245	264	258	256
Valuation(x)				
PER	100.3	56.2	39.9	29.4
P/B	6.5	5.9	5.3	4.6
P/CEPS	71.3	45.8	33.7	25.6
EV/EBITDA	44.4	36.0	27.2	20.6
EV/Sales	4.1	3.9	3.4	2.8
Dividend Yield (%)	0.3	0.5	0.4	0.5

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q1FY24	Q2FY24	Q3FY24	Q4FY24
Net Revenue	5,769	9,168	10,470	15,137
YoY gr. (%)	(13.8)	13.9	1.0	9.1
Raw Material Expenses	3,002	4,950	5,350	7,649
Gross Profit	2,767	4,218	5,120	7,488
Margin (%)	48.0	46.0	48.9	49.5
EBITDA	(505)	591	559	3,704
YoY gr. (%)	(9.4)	41.3	(39.0)	29.1
Margin (%)	(8.8)	6.4	5.3	24.5
Depreciation / Depletion	157	158	158	167
EBIT	(662)	433	401	3,537
Margin (%)	(11.5)	4.7	3.8	23.4
Net Interest	100	108	75	107
Other Income	12	96	343	46
Profit before Tax	(750)	422	668	3,476
Margin (%)	(13.0)	4.6	6.4	23.0
Total Tax	-	(96)	187	908
Effective tax rate (%)	-	(22.8)	27.9	26.1
Profit after Tax	(750)	518	482	2,568
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
Adjusted PAT	(750)	518	482	2,568
YoY gr. (%)	(8.9)	218.5	(27.3)	62.8
Margin (%)	(13.0)	5.6	4.6	17.0
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	(750)	518	482	2,568
YoY gr. (%)	(8.9)	218.5	(27.3)	62.8
Margin (%)	(13.0)	5.6	4.6	17.0
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	(750)	518	482	2,568
Avg. Shares O/s (m)	42	42	42	42
EPS (Rs)	(18.0)	12.4	11.6	61.7

Source: Company Data, PL Research

Price Chart
Recommendation History


No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	12-Apr-24	BUY	3,345	3,465
2	19-Mar-24	BUY	3,345	2,875

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	ABB India	Accumulate	8,400	7,984
2	Apar Industries	Accumulate	6,564	7,153
3	BEML	BUY	3,345	3,465
4	Bharat Electronics	Hold	182	229
5	BHEL	UR	-	263
6	Carborundum Universal	Accumulate	1,631	1,516
7	Cummins India	Hold	2,480	3,001
8	Engineers India	Hold	257	223
9	GE T&D India	UR	-	930
10	Grindwell Norton	Accumulate	2,512	2,196
11	Harsha Engineers International	Accumulate	441	412
12	Hindustan Aeronautics	Hold	2,787	3,565
13	Kalpataru Projects International	Hold	1,211	1,188
14	KEC International	Hold	750	737
15	Larsen & Toubro	BUY	4,047	3,487
16	Praj Industries	BUY	636	520
17	Siemens	Accumulate	4,617	5,570
18	Thermax	Reduce	3,923	4,609
19	Triveni Turbine	BUY	532	555
20	Voltamp Transformers	Hold	10,018	9,985

PL's Recommendation Nomenclature (Absolute Performance)

Buy	: > 15%
Accumulate	: 5% to 15%
Hold	: +5% to -5%
Reduce	: -5% to -15%
Sell	: < -15%
Not Rated (NR)	: No specific call on the stock
Under Review (UR)	: Rating likely to change shortly

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