PL Capital
PRABHUDAS LILLADHER

November 13, 2024

Q2FY25 Result Update

☑ Change in Estimates | ☑ Target | ■ Reco

Change in Estimates

	Current		Previous	
	FY26E	FY27E	FY26E	FY27E
Rating	ACCUMULATE		ACCUMULATE	
Target Price	4,332		4,484	
Sales (Rs. m)	56,627	68,978	57,196	69,627
% Chng.	*(1.0)*	*(0.9)*		
EBITDA (Rs. m)	7,616	9,933	7,836	10,131
% Chng.	*(2.8)*	*(2.0)*		
EPS (Rs.)	124.4	164.4	128.1	167.7
% Chng.	*(2.9)*	*(1.9)*		

Key Financials - Consolidated

Y/e Mar	FY24	FY25E	FY26E	FY27E
Sales (Rs. m)	40,543	45,222	56,627	68,978
EBITDA (Rs. m)	4,422	5,404	7,616	9,933
Margin (%)	*10.9*	*12.0*	*13.5*	*14.4*
PAT (Rs. m)	2,818	3,490	5,179	6,847
EPS (Rs.)	67.7	83.8	124.4	164.4
Gr. (%)	*78.4*	*23.9*	*48.4*	*32.2*
DPS (Rs.)	20.5	21.0	31.1	41.1
Yield (%)	*0.5*	*0.5*	*0.8*	*1.1*
RoE (%)	*11.1*	*12.5*	*16.5*	*18.9*
RoCE (%)	*11.2*	*12.6*	*16.3*	*18.5*
EV/Sales (x)	3.9	3.6	2.9	2.4
EV/EBITDA (x)	36.0	30.1	21.4	16.5
PE (x)	56.3	45.5	30.6	23.2
P/BV (x)	5.9	5.4	4.7	4.1

Key Data	**BEML.BO | BEML IN**
52-W High / Low	Rs.5,489 / Rs.2,176
Sensex / Nifty	77,691 / 23,559
Market Cap	Rs.159bn/ $ 1,881m
Shares Outstanding	42m
3M Avg. Daily Value	Rs.1617.26m

Shareholding Pattern (%)

Promoter's	54.03
Foreign	5.66
Domestic Institution	18.51
Public & Others	21.80
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	0.5	3.7	72.3
Relative	5.3	(2.9)	44.0

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BEML (BEML IN)

Rating: ACCUMULATE | CMP: Rs3,812 | TP: Rs4,332

Soft Q2; execution & order intake in focus

Quick Pointers:

- Order book as on 1st Nov'24 stood at ~Rs123bn, with the company securing an order worth ~Rs8.7bn in Oct'24.
- Management expects ~Rs90bn order intake during the remainder of FY25.

We revise our FY25/26E EPS by -11.2%/-2.9%, factoring in weaker execution. BEML reported revenue decline of 6.2% YoY and 204bps YoY improvement in EBITDA margin. Management maintained FY25 guidance of ~20% revenue driven by higher execution in defense and steady growth in mining. However, rail and metro segment revenue is likely to be subdued this year as major orders booked last year are still in early stages of execution; we expect it to ramp up from FY26. BEML secured ~Rs8.7bn order for high-speed trains and is reportedly L1 for ~Rs30bn Chennai metro rolling stock order. However, key tenders of 100 aluminum push-pull trains worth ~Rs360bn and rolling stock for Mumbai metro line 4, 5 and 6 worth ~Rs50bn, have been pushed to next year; hence, the order book Is likely to close at ~Rs180bn, below management's previous guidance of Rs200-300bn.

We believe BEML's long-term prospects remain strong on the back of 1) healthy order prospects in the modernization of defense vehicles, 2) expansion into higher value defense segments such as engines and aerospace, 3) large tender pipeline for rail & metro rolling stock, and 4) large capacity expansion leading to a ramp-up in execution and, thereby, margins. The stock is currently trading at a P/E of 45.5x/30.6x/23.2x on FY25/26/27E earnings. We maintain 'Accumulate' rating with a revised TP of Rs4,332 (Rs4,484 earlier), valuing the stock at a P/E of 30x Sep'26E (35x FY26E earlier), given delays in execution and order intake.

Execution remains weak, but margins improve: Consolidated revenue declined by 6.2% YoY to Rs8.6bn (PLe: Rs11.2bn). Gross margin expanded by 426bps YoY to 50.3% (PLe: 47.5%). EBITDA rose by 23.5% YoY to Rs730mn (PLe: Rs954mn). EBITDA margin improved by 204bps YoY to 8.5% (PLe: 8.5%) as gross margin expansion was partly offset by relatively higher operating costs. PBT rose 29.8% YoY to Rs547mn (PLe: Rs759mn) due to better operating profitability. PAT declined by 1.4% YoY to Rs510mn (PLe: Rs759mn) given the negative tax rate in Q2FY24. Inventory level also rose to Rs26.7bn (240 days) vs Rs21.5bn (200 days) in Q2FY24. **H1FY25** consolidated revenue came in flat YoY at Rs14.9bn. Gross margin expanded by 379bps YoY to 50.6%. EBITDA rose 167.2% YoY to Rs228mn, EBITDA margin improved by 96bps YoY as gross margin expansion was offset by higher other expenses (+15.4% YoY to Rs3.2bn). Loss after tax narrowed to Rs194mn vs Rs232mn in H1FY24 due to better operating profitability. Net working capital days increased to 256 (vs 224 YoY) led by a jump in trade receivables to Rs14.5bn (131 days) from Rs11.2bn (104 days YoY).

H1FY25 closing order book stood at Rs114.5bn (2.8x TTM revenue): Q2FY25 order inflow came in at Rs4.4bn (vs Rs38.5bn in Q2FY24). Out of the Rs114.5bn order book, Rs27.8bn is executable in H2FY25. H1FY25 order inflow came in at Rs10.6bn vs Rs56.5bn in H1FY24.

Exhibit 1: Weak execution leads to degrowth in topline, but better margins aid profitability

Y/e March (Rs mn)	Q2FY25	Q2FY24	YoY gr.	Q2FY25E	% Var.	Q1FY25	QoQ gr.	H1FY25	H1FY24	YoY gr.
Revenue	**8,598**	**9,168**	***-6.2%***	**11,227**	***-23.4%***	**6,341**	***35.6%***	**14,939**	**14,937**	***0.0%***
Gross Profit	4,322	4,218	*2.5%*	5,333	*-19.0%*	3,230	*33.8%*	7,552	6,985	*8.1%*
Margin (%)	*50.3*	*46.0*	*426*	*47.5*	*276.4*	*50.9*	*(68)*	*50.6*	*46.8*	*379*
Employee Cost	2,013	2,056	*-2.1%*	2,358	*-14.6%*	2,136	*-5.8%*	4,148	4,147	*0.0%*
as % of sales	*23.4*	*22.4*	*98*	*21.0*	*240.6*	*33.7*	*(1,027)*	*27.8*	*27.8*	*0*
Other expenditure	1,580	1,571	*0.6%*	2,021	*-21.8%*	1,596	*-1.0%*	3,176	2,753	*15.4%*
as % of sales	*18.4*	*17.1*	*124*	*18.0*	*37.3*	*25.2*	*(680)*	*21.3*	*18.4*	*283*
EBITDA	**730**	**591**	***23.5%***	**954**	***-23.5%***	**(501)**	**-**	**228**	**85**	***167.2%***
Margin (%)	*8.5*	*6.4*	*204*	*8.5*	*(1.5)*	*(7.9)*	*1,639*	*1.5*	*0.6*	*96*
Depreciation	173	158	*9.9%*	175	*-1.1%*	169	*2.7%*	342	314	*8.8%*
EBIT	**556**	**433**	***28.4%***	**779**	***-28.6%***	**(670)**	**-**	**(113)**	**(229)**	**-**
Margin (%)	*6.5*	*4.7*	*175*	*6.9*	*(46.9)*	*(10.6)*	*1,704*	*(0.8)*	*(1.5)*	*77*
Other Income	149	96	*54.8%*	80	*85.8%*	5	*2703.8%*	154	108	*42.5%*
Interest	158	108	*46.6%*	100	*57.6%*	89	*76.7%*	247	208	*18.8%*
PBT (ex. Extra-ordinaries)	**547**	**422**	***29.8%***	**759**	***-27.9%***	**(754)**	**-**	**(206)**	**(328)**	***-37.2%***
Margin (%)	*6.4*	*4.6*	*177*	*6.8*	*(39.6)*	*(11.9)*	*1,826*	*(1.4)*	*(2.2)*	*82*
Extraordinary Items	-	-		-	-	-	-	-	-	-
PBT	**547**	**422**	***29.8%***	**759**	***-27.9%***	**(754)**	**-**	**(206)**	**(328)**	**-**
Total Tax	37	(96)	-	-	-	(49)	-	(12)	(96)	-
Effective Tax Rate (%)	6.8	(22.8)	*2,956*	-	*677.6*	6.5	*26*	5.8	29.3	*(2,345)*
Reported PAT	**510**	**518**	***-1.4%***	**759**	***-32.8%***	**(705)**	**-**	**(194)**	**(232)**	**-**
Adj. PAT	**510**	**518**	***-1.4%***	**759**	***-32.8%***	**(705)**	**-**	**(194)**	**(232)**	**-**
Margin (%)	*5.9*	*5.6*	*29*	*6.8*	*(82.7)*	*(11.1)*	*1,705*	*(1.3)*	*(1.6)*	*25*
Adj. EPS	**12.3**	**12.4**	***-1.4%***	**18.2**	***-32.8%***	**(16.9)**	**-**	**(4.7)**	**(5.6)**	**-**

Source: Company, PL

Financials

Income Statement (Rs m)

Y/e Mar	FY24	FY25E	FY26E	FY27E
Net Revenues	**40,543**	**45,222**	**56,627**	**68,978**
YoY gr. (%)	*4.0*	*11.5*	*25.2*	*21.8*
Cost of Goods Sold	20,951	23,425	29,333	35,868
Gross Profit	19,593	21,797	27,294	33,109
Margin (%)	*48.3*	*48.2*	*48.2*	*48.0*
Employee Cost	8,222	8,592	10,533	12,485
Other Expenses	6,948	7,801	9,145	10,692
EBITDA	**4,422**	**5,404**	**7,616**	**9,933**
YoY gr. (%)	*21.3*	*22.2*	*40.9*	*30.4*
Margin (%)	*10.9*	*12.0*	*13.5*	*14.4*
Depreciation and Amortization	638	731	804	889
EBIT	**3,784**	**4,673**	**6,812**	**9,044**
Margin (%)	*9.3*	*10.3*	*12.0*	*13.1*
Net Interest	390	418	401	446
Other Income	422	411	513	556
Profit Before Tax	**3,816**	**4,666**	**6,924**	**9,154**
Margin (%)	*9.4*	*10.3*	*12.2*	*13.3*
Total Tax	999	1,176	1,745	2,307
Effective tax rate (%)	*26.2*	*25.2*	*25.2*	*25.2*
Profit after tax	**2,818**	**3,490**	**5,179**	**6,847**
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
Adjusted PAT	**2,818**	**3,490**	**5,179**	**6,847**
YoY gr. (%)	*78.4*	*23.9*	*48.4*	*32.2*
Margin (%)	*6.9*	*7.6*	*9.1*	*9.8*
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	**2,818**	**3,490**	**5,179**	**6,847**
YoY gr. (%)	*78.4*	*23.9*	*48.4*	*32.2*
Margin (%)	*6.9*	*7.7*	*9.1*	*9.9*
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	2,818	3,490	5,179	6,847
Equity Shares O/s (m)	**42**	**42**	**42**	**42**
EPS (Rs)	**67.7**	**83.8**	**124.4**	**164.4**

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY24	FY25E	FY26E	FY27E
Non-Current Assets				
Gross Block	**10,785**	**12,795**	**13,620**	**15,207**
Tangibles	9,664	11,614	12,409	13,956
Intangibles	1,121	1,181	1,211	1,251
Acc: Dep / Amortization	**5,504**	**6,235**	**7,039**	**7,928**
Tangibles	4,729	5,363	6,066	6,850
Intangibles	774	872	974	1,078
Net fixed assets	**5,281**	**6,560**	**6,580**	**7,279**
Tangibles	4,935	6,251	6,343	7,107
Intangibles	347	309	237	173
Capital Work In Progress	367	1,357	1,133	345
Goodwill	-	-	-	-
Non-Current Investments	10	10	13	16
Net Deferred tax assets	1,135	1,135	1,135	1,135
Other Non-Current Assets	1,192	678	793	966
Current Assets				
Investments	-	-	-	-
Inventories	22,559	24,903	30,563	36,851
Trade receivables	14,392	15,983	19,858	24,000
Cash & Bank Balance	89	120	200	313
Other Current Assets	2,829	2,713	3,058	3,656
Total Assets	**54,453**	**59,859**	**70,778**	**83,286**
Equity				
Equity Share Capital	418	418	418	418
Other Equity	26,262	28,857	33,080	38,549
Total Networth	**26,680**	**29,274**	**33,498**	**38,967**
Non-Current Liabilities				
Long Term borrowings	95	95	95	95
Provisions	2,370	2,480	3,057	3,650
Other non current liabilities	6,434	6,783	8,381	10,071
Current Liabilities				
ST Debt / Current of LT Debt	614	4,114	4,614	5,114
Trade payables	7,596	8,549	10,705	13,229
Other current liabilities	10,658	8,558	10,422	12,152
Total Equity & Liabilities	**54,454**	**59,859**	**70,778**	**83,286**

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY24	FY25E	FY26E	FY27E
PBT	3,816	4,666	6,924	9,154
Add. Depreciation	638	731	804	889
Add. Interest	390	418	401	446
Less Financial Other Income	422	411	513	556
Add. Other	359	(2)	(1)	(1)
Op. profit before WC changes	5,204	5,813	8,129	10,488
Net Changes-WC	(25)	(3,794)	(4,848)	(5,944)
Direct tax	(602)	(1,176)	(1,745)	(2,307)
Net cash from Op. activities	**4,577**	**843**	**1,536**	**2,237**
Capital expenditures	(1,007)	(3,000)	(600)	(800)
Interest / Dividend Income	25	2	1	1
Others	304	(2)	-	-
Net Cash from Invt. activities	**(677)**	**(3,000)**	**(599)**	**(799)**
Issue of share cap. / premium	-	-	-	-
Debt changes	-	3,500	500	500
Dividend paid	(418)	(895)	(956)	(1,378)
Interest paid	(390)	(418)	(401)	(446)
Others	(490)	-	-	-
Net cash from Fin. activities	**(1,298)**	**2,187**	**(857)**	**(1,324)**
Net change in cash	**2,602**	**30**	**80**	**113**
Free Cash Flow	3,565	(2,157)	936	1,437

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q3FY24	Q4FY24	Q1FY25	Q2FY25
Net Revenue	**10,470**	**15,137**	**6,341**	**8,598**
YoY gr. (%)	*1.0*	*9.1*	*9.9*	*(6.2)*
Raw Material Expenses	5,350	7,649	3,110	4,277
Gross Profit	5,120	7,488	3,230	4,322
Margin (%)	*48.9*	*49.5*	*50.9*	*50.3*
EBITDA	**559**	**3,704**	**(501)**	**730**
YoY gr. (%)	*(39.0)*	*29.1*	*(0.8)*	*23.5*
Margin (%)	*5.3*	*24.5*	*(7.9)*	*8.5*
Depreciation / Depletion	158	167	169	173
EBIT	**401**	**3,537**	**(670)**	**556**
Margin (%)	*3.8*	*23.4*	*(10.6)*	*6.5*
Net Interest	75	107	89	158
Other Income	343	46	5	149
Profit before Tax	**668**	**3,476**	**(754)**	**547**
Margin (%)	*6.4*	*23.0*	*(11.9)*	*6.4*
Total Tax	187	908	(49)	8
Effective tax rate (%)	*27.9*	*26.1*	*6.5*	*1.5*
Profit after Tax	**482**	**2,568**	**(705)**	**539**
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
Adjusted PAT	**482**	**2,568**	**(705)**	**539**
YoY gr. (%)	*(27.3)*	*62.8*	*(6.1)*	*4.1*
Margin (%)	*4.6*	*17.0*	*(11.1)*	*6.3*
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	**482**	**2,568**	**(705)**	**539**
YoY gr. (%)	*(27.3)*	*62.8*	*(6.1)*	*4.1*
Margin (%)	*4.6*	*17.0*	*(11.1)*	*6.3*
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	**482**	**2,568**	**(705)**	**539**
Avg. Shares O/s (m)	42	42	42	42
EPS (Rs)	**11.6**	**61.7**	**(16.9)**	**13.0**

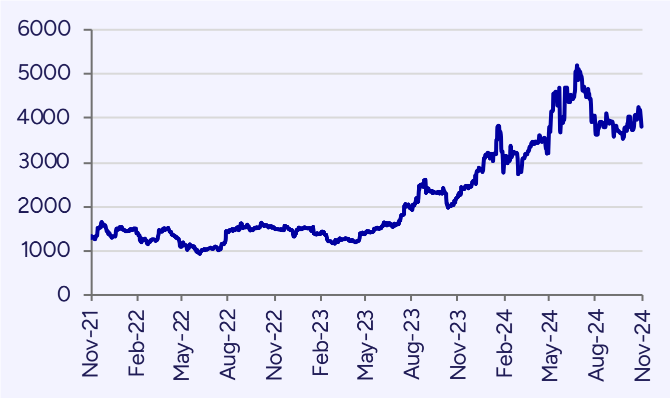
Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY24	FY25E	FY26E	FY27E
Per Share(Rs)				
EPS	67.7	83.8	124.4	164.4
CEPS	83.0	101.4	143.7	185.8
BVPS	640.7	703.0	804.4	935.7
FCF	85.6	(51.8)	22.5	34.5
DPS	20.5	21.0	31.1	41.1
Return Ratio(%)				
RoCE	11.2	12.6	16.3	18.5
ROIC	8.3	9.4	12.2	13.9
RoE	11.1	12.5	16.5	18.9
Balance Sheet				
Net Debt : Equity (x)	0.0	0.1	0.1	0.1
Net Working Capital (Days)	264	261	256	252
Valuation(x)				
PER	56.3	45.5	30.6	23.2
P/B	5.9	5.4	4.7	4.1
P/CEPS	45.9	37.6	26.5	20.5
EV/EBITDA	36.0	30.1	21.4	16.5
EV/Sales	3.9	3.6	2.9	2.4
Dividend Yield (%)	0.5	0.5	0.8	1.1

Source: Company Data, PL Research

Price Chart



Recommendation History

No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	07-Oct-24	Accumulate	4,484	3,664
2	07-Aug-24	Accumulate	4,484	3,914
3	08-Jul-24	Hold	4,520	5,060
4	24-May-24	Hold	4,520	4,549
5	15-May-24	Accumulate	4,004	3,803
6	12-Apr-24	BUY	3,345	3,465
7	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	8,133	7,133
2	Apar Industries	Accumulate	10,353	9,430
3	BEML	Accumulate	4,484	3,664
4	Bharat Electronics	BUY	341	270
5	BHEL	Accumulate	260	230
6	Carborundum Universal	Accumulate	1,601	1,401
7	Cummins India	Accumulate	4,138	3,655
8	Engineers India	BUY	247	187
9	GE Vernova T&D India	Accumulate	1,946	1,693
10	Grindwell Norton	BUY	2,528	2,151
11	Harsha Engineers International	Accumulate	561	500
12	Hindustan Aeronautics	Hold	4,515	4,257
13	Kalpataru Projects International	Accumulate	1,368	1,242
14	KEC International	Hold	997	949
15	Larsen & Toubro	BUY	4,088	3,408
16	Praj Industries	BUY	804	700
17	Siemens	Accumulate	7,374	7,247
18	Thermax	Reduce	4,186	5,193
19	Triveni Turbine	BUY	800	648
20	Voltamp Transformers	BUY	14,326	10,516

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

ANALYST CERTIFICATION

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