

February 10, 2025

Q3FY25 Result Update

☑ Change in Estimates | ☑ Target | ■ Reco

Change in Estimates

	Current		Previous	
	FY26E	FY27E	FY26E	FY27E
Rating	ACCUMULATE		ACCUMULATE	
Target Price	3,561		4,332	
Sales (Rs. m)	49,663	63,064	56,648	68,977
% Chng.	(12.3)	(8.6)		
EBITDA (Rs. m)	6,680	9,081	7,619	9,933
% Chng.	(12.3)	(8.6)		
EPS (Rs.)	106.2	148.2	124.4	164.4
% Chng.	(14.6)	(9.9)		

Key Financials - Consolidated

Y/e Mar	FY24	FY25E	FY26E	FY27E
Sales (Rs. m)	40,543	38,927	49,663	63,064
EBITDA (Rs. m)	4,422	4,535	6,680	9,081
Margin (%)	10.9	11.7	13.5	14.4
PAT (Rs. m)	2,818	2,718	4,423	6,171
EPS (Rs.)	67.7	65.3	106.2	148.2
Gr. (%)	78.4	(3.5)	62.7	39.5
DPS (Rs.)	20.5	16.3	26.6	37.0
Yield (%)	0.7	0.5	0.8	1.2
RoE (%)	11.1	9.9	14.6	17.8
RoCE (%)	11.2	10.5	14.8	17.8
EV/Sales (x)	3.2	3.5	2.7	2.1
EV/EBITDA (x)	29.6	29.7	20.2	14.9
PE (x)	46.3	48.0	29.5	21.1
P/BV (x)	4.9	4.6	4.1	3.5

Key Data

BEML.BO | BEMLIN

52-W High / Low	Rs.5,489 / Rs.2,672
Sensex / Nifty	77,860 / 23,560
Market Cap	Rs.130bn/ \$ 1,492m
Shares Outstanding	42m
3M Avg. Daily Value	Rs.1324.92m

Shareholding Pattern (%)

Promoter's	54.03
Foreign	7.41
Domestic Institution	18.10
Public & Others	20.46
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	(18.4)	(23.1)	(15.1)
Relative	(18.0)	(21.5)	(21.3)

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Weak Q3; execution in railway and defense in focus

Quick Pointers:

- Order book as on 31st Dec'24 stood at ~Rs151bn, with the company securing orders worth ~Rs45bn in Q3FY25.
- Management expects ~Rs40-50bn order intake during the remainder of FY25.

We cut our FY26/27E EPS by -14.6%/-9.9%, factoring in weaker execution and maintaining the rating to 'Accumulate'. BEML reported revenue decline of 16.4% YoY and 204bps YoY improvement in EBITDA margin on account of lower other expenses. Management has notified Rs15.2bn as executable orders in Q4FY25 indicating a significant deferral of execution for FY25. However, revenue from the rail and metro segments is expected to remain subdued this year, as major orders secured in the previous year are still in the early stages of execution. Metro projects have a gestation period of over 2 years until the first prototype is developed, with significant ramp-up anticipated from FY26 onwards. BEML has secured an order worth approximately Rs8.7bn for high-speed trains and order worth ~Rs37bn Chennai Metro rolling stock. However, key tenders, including 100 aluminium push-pull trains valued at around Rs360bn and rolling stock for Mumbai Metro Lines 4, 5, and 6 worth approximately Rs50bn, have been deferred to next year. As a result, the order book is expected to close at Rs170-180bn, falling short of management's earlier guidance of Rs200-300bn.

We believe the pace of execution has significantly impacted FY25 revenue and will be key monitorable in the near term. However, 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 29.5x/21.1x on FY26/27E earnings. We maintain 'Accumulate' rating with a revised TP of Rs3,561 (Rs4,332 earlier), valuing the stock at a P/E of 28x Sep'26E (30x Sep'26E earlier), given delays in execution.

Execution remains weak, but EBITDA improves: Consolidated revenue declined by 16.4% YoY to Rs8.8bn (PLe: Rs11.0bn). Gross margin contracted by 207bps YoY to 46.8% (PLe: 46.9%). EBITDA rose by 8.0% YoY to Rs604mn (PLe: Rs1.1bn). EBITDA margin improved by 155bps YoY to 6.9% (PLe: 10.2%) due to unfavorable gross margins being further dragged by relatively higher employee cost (+347bps YoY as % of sales). PBT dropped by 55.8% YoY to Rs296mn (PLe: Rs916mn) due to weaker operating profitability. Adj. PAT declined by 49.4% YoY to Rs244mn (PLe: Rs733mn) as lower effective tax rate (17.2% vs 27.9% in Q3FY24) was offset by lower other income (-86.8% to Rs45mn) and higher finance cost (122.1% YoY to Rs167mn). Net working capital days increased to 266 days (vs 234 days in Q3FY24) led by jump in Trade Receivables to Rs14.8bn (139 days) from Rs13.0bn (121 days in Q3FY24). Inventory level also rose to Rs26.8bn (252 days) vs Rs22.8bn (212 days) in Q3FY24.

9MFY25 closing order book stood at Rs151.4bn (3.9x TTM revenue): Q3FY25 order inflow came in at Rs45.5bn (vs Rs5.3bn in Q3FY24). Out of the Rs151.4bn order book, Rs15.2bn is executable in Q4FY25. Weak execution leads to degrowth in the topline, but better margins aid profitability

Exhibit 1: Weaker execution led to missing on estimates; lower other income further drags Adj. PAT

Y/e March (Rs mn)	Q3FY25	Q3FY24	YoY gr.	Q3FY25E	% Var.	Q2FY25	QoQ gr.	9MFY25	9MFY24	YoY gr.
Revenue	8,758	10,470	-16.4%	10,995	-20.3%	8,598	1.9%	23,697	25,407	-6.7%
Gross Profit	4,101	5,120	-19.9%	5,201	-21.1%	4,322	-5.1%	11,654	12,105	-3.7%
Margin (%)	46.8	48.9	(207)	47.3	(46.9)	50.3	(343)	49.2	47.6	153
Employee Cost	2,067	2,108	-1.9%	2,177	-5.0%	2,013	2.7%	6,215	6,255	-0.6%
as % of sales	23.6	20.1	347	19.8	380.3	23.4	20	26.2	24.6	161
Other expenditure	1,431	2,453	-41.7%	1,902	-24.8%	1,580	-9.4%	4,607	5,206	-11.5%
as % of sales	16.3	23.4	(709)	17.3	(96.5)	18.4	(204)	19.4	20.5	(105)
EBITDA	604	559	8.0%	1,121	-46.2%	730	-17.3%	832	644	29.1%
Margin (%)	6.9	5.3	155	10.2	(330.8)	8.5	(159)	3.5	2.5	97
Depreciation	186	158	17.8%	185	0.5%	173	7.4%	528	472	11.8%
EBIT	418	401	4.2%	936	-55.4%	556	-24.9%	304	172	76.5%
Margin (%)	4.8	3.8	94	8.5	(374.8)	6.5	(170)	1.3	0.7	61
Other Income	45	343	-86.8%	120	-62.4%	149	-69.7%	199	451	-55.8%
Interest	167	75	122.1%	140	19.3%	158	6.0%	414	283	46.2%
PBT (ex. Extra-ordinaries)	296	669	-55.8%	916	-67.7%	547	-46.0%	90	340	-73.7%
Margin (%)	3.4	6.4	(301)	8.3	(495.8)	6.4	(299)	0.4	1.3	(96)
Extraordinary Items	-	-	-	-	-	-	-	-	-	-
PBT	296	669	-55.8%	916	-67.7%	547	-46.0%	90	340	-73.7%
Total Tax	52	187	-72.3%	183	-71.8%	37	39.4%	40	90	-56.1%
Effective Tax Rate (%)	17.5	27.9	(1,042)	20.0	(252.2)	6.8	1,070	44.4	26.6	1,778
Reported PAT	244	482	-49.4%	733	-66.7%	510	-52.2%	50	250	-80.1%
Adj. PAT	244	482	-49.4%	733	-66.7%	510	-52.2%	50	250	-80.1%
Margin (%)	2.8	4.6	(182)	6.7	(388.1)	5.9	(315)	0.2	1.0	(77)
Adj. EPS	5.9	11.6	-49.4%	17.6	-66.7%	12.3	-52.2%	1.2	6.0	-80.1%

Source: Company, PL

Financials

Income Statement (Rs m)

Y/e Mar	FY24	FY25E	FY26E	FY27E
Net Revenues	40,543	38,927	49,663	63,064
YoY gr. (%)	4.0	(4.0)	27.6	27.0
Cost of Goods Sold	20,951	19,736	25,725	32,793
Gross Profit	19,593	19,191	23,937	30,271
Margin (%)	48.3	49.3	48.2	48.0
Employee Cost	8,222	8,253	9,237	11,415
Other Expenses	6,948	6,403	8,020	9,775
EBITDA	4,422	4,535	6,680	9,081
YoY gr. (%)	21.3	2.5	47.3	36.0
Margin (%)	10.9	11.7	13.5	14.4
Depreciation and Amortization	638	737	814	894
EBIT	3,784	3,798	5,866	8,188
Margin (%)	9.3	9.8	11.8	13.0
Net Interest	390	516	401	446
Other Income	422	352	449	508
Profit Before Tax	3,816	3,634	5,913	8,250
Margin (%)	9.4	9.3	11.9	13.1
Total Tax	999	916	1,490	2,079
Effective tax rate (%)	26.2	25.2	25.2	25.2
Profit after tax	2,818	2,718	4,423	6,171
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
Adjusted PAT	2,818	2,718	4,423	6,171
YoY gr. (%)	78.4	(3.5)	62.7	39.5
Margin (%)	6.9	6.9	8.8	9.7
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	2,818	2,718	4,423	6,171
YoY gr. (%)	78.4	(3.5)	62.7	39.5
Margin (%)	6.9	7.0	8.9	9.8
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	2,818	2,718	4,423	6,171
Equity Shares O/s (m)	42	42	42	42
EPS (Rs)	67.7	65.3	106.2	148.2

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY24	FY25E	FY26E	FY27E
Non-Current Assets				
Gross Block	10,785	12,984	13,759	15,237
Tangibles	9,664	11,803	12,548	13,986
Intangibles	1,121	1,181	1,211	1,251
Acc: Dep / Amortization	5,504	6,241	7,055	7,948
Tangibles	4,729	5,369	6,081	6,870
Intangibles	774	872	974	1,078
Net fixed assets	5,281	6,744	6,704	7,289
Tangibles	4,935	6,435	6,467	7,116
Intangibles	347	309	237	173
Capital Work In Progress	367	1,168	993	315
Goodwill	-	-	-	-
Non-Current Investments	10	9	11	15
Net Deferred tax assets	1,135	1,135	1,135	1,135
Other Non-Current Assets	1,192	1,168	1,490	1,892
Current Assets				
Investments	-	-	-	-
Inventories	22,559	22,610	26,804	33,692
Trade receivables	14,392	14,398	18,232	21,943
Cash & Bank Balance	89	188	333	353
Other Current Assets	2,829	2,822	3,551	4,446
Total Assets	54,453	56,527	66,381	79,687
Equity				
Equity Share Capital	418	418	418	418
Other Equity	26,262	28,085	31,745	36,727
Total Networkth	26,680	28,502	32,163	37,144
Non-Current Liabilities				
Long Term borrowings	95	95	95	95
Provisions	2,370	2,319	2,681	3,337
Other non current liabilities	6,434	5,839	7,350	9,207
Current Liabilities				
ST Debt / Current of LT Debt	614	4,114	4,614	5,114
Trade payables	7,596	7,359	9,388	12,095
Other current liabilities	10,658	8,295	10,084	12,687
Total Equity & Liabilities	54,454	56,527	66,381	79,687

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY24	FY25E	FY26E	FY27E
PBT	3,816	3,634	5,913	8,250
Add. Depreciation	638	737	814	894
Add. Interest	390	516	401	446
Less Financial Other Income	422	352	449	508
Add. Other	359	(2)	(1)	(1)
Op. profit before WC changes	5,204	4,885	7,128	9,589
Net Changes-WC	(25)	(2,960)	(4,229)	(5,555)
Direct tax	(602)	(916)	(1,490)	(2,079)
Net cash from Op. activities	4,577	1,009	1,409	1,955
Capital expenditures	(1,007)	(3,000)	(600)	(800)
Interest / Dividend Income	25	2	1	1
Others	304	(2)	-	-
Net Cash from Inv. activities	(677)	(3,000)	(599)	(799)
Issue of share cap. / premium	-	-	-	-
Debt changes	-	3,500	500	500
Dividend paid	(418)	(895)	(763)	(1,189)
Interest paid	(390)	(516)	(401)	(446)
Others	(490)	-	-	-
Net cash from Fin. activities	(1,298)	2,088	(664)	(1,135)
Net change in cash	2,602	98	145	20
Free Cash Flow	3,565	(1,991)	809	1,155

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY24	FY25E	FY26E	FY27E
Per Share(Rs)				
EPS	67.7	65.3	106.2	148.2
CEPS	83.0	83.0	125.8	169.6
BVPS	640.7	684.4	772.3	891.9
FCF	85.6	(47.8)	19.4	27.7
DPS	20.5	16.3	26.6	37.0
Return Ratio(%)				
RoCE	11.2	10.5	14.8	17.8
ROIC	8.3	7.9	11.2	13.4
RoE	11.1	9.9	14.6	17.8
Balance Sheet				
Net Debt : Equity (x)	0.0	0.1	0.1	0.1
Net Working Capital (Days)	264	278	262	252
Valuation(x)				
PER	46.3	48.0	29.5	21.1
P/B	4.9	4.6	4.1	3.5
P/CEPS	37.7	37.8	24.9	18.5
EV/EBITDA	29.6	29.7	20.2	14.9
EV/Sales	3.2	3.5	2.7	2.1
Dividend Yield (%)	0.7	0.5	0.8	1.2

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q4FY24	Q1FY25	Q2FY25	Q3FY25
Net Revenue	15,137	6,341	8,598	8,758
YoY gr. (%)	9.1	9.9	(6.2)	(16.4)
Raw Material Expenses	7,649	3,110	4,277	4,656
Gross Profit	7,488	3,230	4,322	4,101
Margin (%)	49.5	50.9	50.3	46.8
EBITDA	3,704	(501)	730	604
YoY gr. (%)	29.1	(0.8)	23.5	8.0
Margin (%)	24.5	(7.9)	8.5	6.9
Depreciation / Depletion	167	169	173	186
EBIT	3,537	(670)	556	418
Margin (%)	23.4	(10.6)	6.5	4.8
Net Interest	107	89	158	167
Other Income	46	5	149	45
Profit before Tax	3,476	(754)	547	296
Margin (%)	23.0	(11.9)	6.4	3.4
Total Tax	908	(49)	8	52
Effective tax rate (%)	26.1	6.5	1.5	17.5
Profit after Tax	2,568	(705)	539	244
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
Adjusted PAT	2,568	(705)	539	244
YoY gr. (%)	62.8	(6.1)	4.1	(49.4)
Margin (%)	17.0	(11.1)	6.3	2.8
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	2,568	(705)	539	244
YoY gr. (%)	62.8	(6.1)	4.1	(49.4)
Margin (%)	17.0	(11.1)	6.3	2.8
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	2,568	(705)	539	244
Avg. Shares O/s (m)	42	42	42	42
EPS (Rs)	61.7	(16.9)	13.0	5.9

Source: Company Data, PL Research

Price Chart



Recommendation History

No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	09-Jan-25	Accumulate	4,332	3,733
2	13-Nov-24	Accumulate	4,332	3,812
3	07-Oct-24	Accumulate	4,484	3,664
4	07-Aug-24	Accumulate	4,484	3,914
5	08-Jul-24	Hold	4,520	5,060
6	24-May-24	Hold	4,520	4,549
7	15-May-24	Accumulate	4,004	3,803
8	12-Apr-24	BUY	3,345	3,465
9	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	6,657
2	Apar Industries	Accumulate	8,219	7,179
3	BEML	Accumulate	4,332	3,733
4	Bharat Electronics	BUY	340	279
5	BHEL	Accumulate	226	200
6	Carborundum Universal	Accumulate	1,583	1,245
7	Cummins India	Accumulate	4,139	3,164
8	Elgi Equipments	Accumulate	607	548
9	Engineers India	BUY	247	182
10	GE Vernova T&D India	Accumulate	1,950	1,710
11	Grindwell Norton	BUY	2,511	1,850
12	Harsha Engineers International	Accumulate	561	493
13	Hindustan Aeronautics	Accumulate	4,692	4,110
14	Ingersoll-Rand (India)	BUY	4,467	3,800
15	Kalpataru Projects International	Accumulate	1,306	1,245
16	KEC International	Accumulate	930	813
17	Kirloskar Pneumatic Company	BUY	1,564	1,013
18	Larsen & Toubro	BUY	4,025	3,421
19	Praj Industries	BUY	751	632
20	Siemens	Accumulate	7,716	6,297
21	Thermax	Reduce	4,275	3,982
22	Triveni Turbine	BUY	800	634
23	Voltamp Transformers	BUY	11,437	8,358

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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