

March 22, 2019

Company	Sector	CMP	Recommendation	Target	Potential Upside
BEML Ltd.	Infrastructure	988	BUY	1088	10%

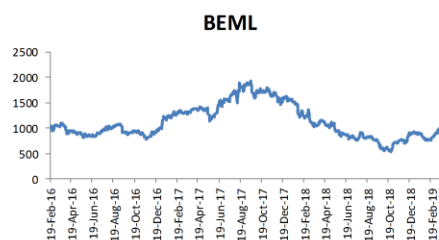
Key Stock Data

BSE Script Code	BEML
NSE Script Code	BEML
No. of shares	4.17
FV (Rs.)	10
MCAP (Rs.)	4122
MCAP (\$)	60 Crs
52 Week High	Rs. 1198
52 week Low	Rs. 521
Time Frame	6 months

Shareholding Pattern

Promoters	54.03%
DII's	25.35%
FII's	3.09%
Others	17.53%

3 years Price Chart



Source: All above data from BSE Website and Capital Line

BEML incorporated in May 1964, and commenced operations on 1 January 1965. It was wholly owned and operated by India's Ministry of Defence until 1992, when the government divested 25% of its holdings in the company. BEML is Asia's second-largest manufacturer of earth moving equipment, and it controls 70% of India's market in that sector. BEML operates under three major business verticals - viz. mining & construction, rail & metro and defence segments.

Investments Rationale**1. Strong 3QFY19 Numbers**

BEML posted strong set of 3QFY19 results both on a quarterly as well as on a yearly basis. Revenue for the quarter grew by 25% Q-o-Q and 26% Y-o-Y to Rs. 923 Crs as against Rs. 736 Crs in 3QFY18. PAT for the quarter grew by 165% Q-o-Q and 168% Y-o-Y to Rs. 45 Crs in 3QFY19 as against Rs. 17 Crs in 3QFY18.

2. Railways to aid top-line growth

Revenue growth is likely to be driven by the rail & metro (RM) segment which will grow at 20% on a higher base while the mining & construction (MC) and defence segments are likely to report revenue growth of 15% and 5% respectively in FY19.

3. Healthy Balance Sheet

BEML's cash on books grew enormously by 344% Y-o-Y to Rs.22.85 Crs in H1FY19 as against Rs. 5 Crs in H1FY18.

Outlook & Valuations

BEML had posted stupendous set of 3QFY19 numbers and historically HE has been bettr than H1. We expect the company to post robust set of Q4 on account of good order-wins and executions by the company. BEML is expected to grow at 15% on a bottom-line level on a yearly basis for FY19 which makes it a good BUY at CMP. BEML is trading at fair valuations of 24x FY20E PE and we would like to allot PE multiple of 26.5x on account of good order inflows in the railway segment on a higher base to arrive at a target price of Rs. 1088.

Key Financial

Particulars	FY16 A	FY17 A	FY18 A	Amt in Crs	
				FY19 E	FY20 E
Total Revenue	3277	2830	3298	3794	4249
EBITDA	142	146	253	303	340
PAT	79	85	130	152	170
EPS	15.46	20.36	31.14	36.33	40.69
PE	63.26	48.03	31.40	26.92	24.03

Source : BSE Website and company research

Analyst Stock Rating	
Ratings	Expected absolute returns over 6 months
BUY	10% & above
HOLD	5-9%
SELL	<5%

Note: Our target price is within 6 months perspective. Returns stated in the rating scale are our internal benchmark.

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Research Analyst: Foram Parekh, Fundamental Analyst – Equity **Email:** foram.parekh@indiabulls.com

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Indiabulls Ventures Limited : www.indiabulls.com

Corporate Office: Indiabulls Ventures Limited, Indiabulls Finance Center, Tower 1, 8th floor, Senapati Bapat Marg, Elphinstone Road (W), Mumbai – 400013.