

TRANSCRIPT – KOTAK SECURITIES LIMITED

SYLVIA

Sir you're on mute.

SASI K

You said we should start the meeting.

SYLVIA

Oh, yes. If we can just begin the meeting. You know, few one or two people would be joining in a bit later. But at least we can begin the meeting. We have right now Mr. Balachandra Shinde from Kotak Life insurance. So, we can begin with it. And we have one or two guest joining in a bit. So instead of waiting, we can at least start with opening remarks.

ANIL J

You can make the presentation. Please start the presentation first.

SASI K

Okay, I'll start with the presentations.

Whether the PPT is visible?

BHAL

Ya it's visible

SASI K

This is a disclaimer.

This slide shows the evolution of products of BEML from the time of inception in 1964 till now, when we have introduced major products in the market.

The company was Incepted in 1964, May on 11th and it started with rail coach manufacturing unit at Bangalore. Then we moved onto earth moving equipment Division at "KGF" Kolar Gold Fields in 1967 and in 1986 we have ventured into manufacturing of high mobility vehicles in collaboration with Tatra of Czech Republic.

In the year 1987, we started manufacturing BMP transmission. In 2000, Armoured recovery vehicles ARVs and in 2003 we started the manufacture of first metro cars for Delhi Metro Corporation in consortium with ROTEM of Korea. In 2014, some of the Missiles aggregates we have started and in 2019 India's biggest mining equipment 1800 Ton Excavators and 205 Ton Dumpers we have introduced in the market, in 2020 some of the AI features we have incorporated on our Equipment and in 2021 driverless metro which we are supplying to Mumbai metro.

We started a project on UAV in tie-up with IIT Kanpur in 2022 and in 2023 Rail Grinding Machines we have supplied to LORAM U.S.A. for delivering to Indian Railways that project is in progress.

Then this is BEML's Network all over India. You can see the four manufacturing units on the map. We have four manufacture units, three in Karnataka and one in Kerala.

In Karnataka, we have one in KGF, one in Mysuru and the other in Bengaluru, and the fourth one is in Palakkad, which is in Kerala, we have 12 regional offices all over India and 15 district offices and two different Spares Division and have got seven activities centres.

As you can see, it is spread all over India.

These are our business verticals.

There are three business verticals Mining and Construction, which contributes around 50% of our turnover, Rail & Metro vertical, 27% of our turnover in last year came from Rail & Metro and Défense and Aerospace which contributed 23% percentage of our turnover in FY23.

Equity we have 54% holding by government of India and 46% by others. We are a Mini Ratna category one company and we serve the core sectors of economy.

BHALCHANDRA

So, one question I but it is really quite a few things like that. seriously client What you have to explain

What will be orderbook

SASI K

We will come to order books later sir Can I go through my presentation?

BHALCHANDRA

Yeah, Sure – Sure, Yeah,

SASI K

Thanks. These are the major products which we are manufacturing, some of them are High Mobility Vehicles, passenger coaches and treasury vans, which are supplied to Indian Railways.

These are the major accomplishments of BEML. In Defence vertical till now we have supplied 8800 High Mobility Vehicles, 350 ARVs that is Armoured Recovery Vehicles, 3200 Trailers and Military Wagons and six sets of Pontoon Bridge we have supplied till date.

In Rail & Metro segment we have supplied 18,000 Rail coaches and 900 Electrical Multiple Units and 8082 Metro Cars in India. Mining and construction segment has supplied 33,000 mining and construction equipment as of date and 28,000 engines. Engines we manufacture for fitting in to our equipment. These Engines are manufactured at Engine factory in Mysuru. In export front, we have exported to 70 countries' totalling to 5950 crores, which includes deemed exports which we have supplying to some of the projects approved as deemed export projects in India.

These are our global presence. We have exported till date to 70 countries. You can see mostly in all continents we are there except Australia. Export turnover in last four years is given in the table below. In 19-20 we were at Rs 62 crores. In 22-23, our export figure has gone up to Rs 830 crores Including deemed exports.

This is our Indigenisation initiative.

You can see in the giant wheel, that water sprinklers we are at 97% percentage Indigenisation level. Dumpers 95%, in Excavators it is 92% and the lowest is in metro cars which is at 66%. The lowest in metro is because of the propulsion which we continue to import from Japan.

This is the shareholding pattern. As on 31st March Government of India held 54 percentage, mutual funds 17.75% and it goes on.

These are the few few highlights of BEML in FY23 compared to previous three years. The net worth if you can see in 19-20, we were at Rs 2257 Crs and in 2023 we were at 2395 crores. That is Rs 88 crores more than the last year.

On Working Capital front, we have brought it down in last year because we had better collection in last year compared to previous years. Manpower wise, we are at 5197 numbers which was 6602 in 19-20. There is considerable reduction, it is mainly because of normal separation which happens in our company due to superannuation.

EBTIDA wise we are at 10.13% percentage last year we were at 7.75% percentage. there is a growth of EBTIDA in last year.

Then coming down, through competition mode, we sell around 73% of products. CSR as percentage of average PBT is more than the threshold limit of 2 percentage and 91% of energy requirement is met through the Green energy generated by us through our own Wind Mills.

I'll go to next slide. This is the revenue from sale of products and services last year in comparison with previous year. We had a turnover of Rs 3839 crores. The break up is 50% came from MNC i.e., is Mining & Construction segment, 23 percentage came from Defence segment and 27% came from Rail and Metro segment.

This is the value of production. Value of production in FY 23 is Rs 3802 crores less than FY22 because, value production goes commensurate with the value of sales. Reason for sales reduction will be covered during discussions.

This is the order book position as on 31st March 23. We had an order book of Rs 8570 crores, which has gone up substantially subsequently. which we will cover during the interaction.

Gross Margin and PAT. We had a growth of 21% in Gross margin in FY23 compared to FY22. And in PAT, we have grown by 18% percentage in 22- 23.

This is VOP Per Employee & Manpower Strength. Our VOP Per Employee in lakhs is 73 lakhs and manpower wise we are at 5197, that is 7% reduction compared to previous year. In 20-21 had a strength of 6053.

Collection wise we did the collection of 4656 crores during last year. The Debtors have come down substantially which was at 1861 crores on 31st Mar 2023 has come down to 1237 crores. That is a main reason for reduction in working capital requirement.

This shows the inventory, Employee and Finance Cost. Inventory is Rs 2061 crores, Employee cost 840 Crs that is around 22% of the VOP. Finance Cost is 46 crores which is less by 3 crores comparing to 21-22.

That's all in my presentation.

Thank you.

BHALCHANDRA

Right on the prospects, especially on Vande Bharat, High Speed Rail and other Metro Rail. How much is in pipeline wise for next 2- 3 years and how we see the pipeline and what kind of a market share we will have.

ANIL J

See with regard to Vande Bharat recently we got order of ten train sets from ICF. ICF will provide us some aggregate free of cost and we have to design and manufacture or assemble the Vande Bharat 10 train sets, we will supply in another 12 to 13 months, the order we got recently.

ANIL J

And with regard to further orders, further orders are in pipeline. Around 200-train set tender is expected soon from railway board. So, there we will participate, which we have participated earlier also. But in earlier tender, we were L-3. This time we are expecting that we may positively get some order of Vande Bharat Train sets.

Orders will come on regular intervals from Railways as they have to replace their existing coaches with Vande Bharat coaches. So, those things are in pipeline. And with regard to Metro, recently we got Bangalore metro order of 318 cars, roughly about 3170 Crores of value.

BHALCHANDRA

Hello

ANIL J

Yeah, tell me.

BHALCHANDRA

Yeah, Before going to Metro order sir, In Vande Bharat as you mentioned 10 to 15 trains, 10 to 100 trains can you give the value how much will be the value, of the order or how much pipeline value what will be, in Vande Bharat.

ANIL J

In last tender of 200 cars, which already won by RVNL and one Russian firm and BHEL with Titagarh Wagons, the value of that contract is 120 crores order per train set. In the order what we got, ICF will supply some aggregates to us. The value of that 10 train sets order s what we got is approximately Rs 675 crores.

BHALCHANDRA

Okay. Okay, okay. Okay. Done

We can continue with the Metro. Okay.

ANIL J

Yeah. For Metro recently, we got one order from Bangalore, metro for 318 cars. The order value is Rs 3170 crores. Order or the contract copy we will get I think, by the end of this month.

And another 72 cars, where we stand L-1, is again from Bangalore Metro. So, these two orders already we are L-1 and others order in pipeline are from Mumbai Metro, Chennai Metro and Patna Metro. They are expecting approximately 700 cars tender. The qty in these tenders will be 700 plus Cars. The value of those tenders will be approximately 7000 crores.

They are in pipeline. So, this is the status of a rail and metro at present. And another one, I think already tender has been out from MRVC, Mumbai Rail Vikas Nigam where they require 232 train set consisting of 12 bogies or 12 cars, which is approximately Rs 17,000 crores value, which includes some maintenance as well as build-up of their two depots.

ANIL J

So, the tender just now has come. Based on the tender, will decide how to participate and with whom we have to participate. Those things we have not yet firmed up. So, these are the major tenders in Rail and Metro as on date.

BHALCHANDRA

This 7000 crores here I am checked that will come in what timeline are for the Delhi, Mumbai and all these

ANIL J

They are Mumbai Metro Chennai, Patna these three are the major cities from where these orders will come or tenders will come.

BHALCHANDRA

In how many years, like when in this year or next 1 to 2 years or 3 years' timeline, if you can? guess,

ANIL J

We are, we are expecting those tenders this year itself 2023.

BHALCHANDRA

How much timeline it will take and usually get the order. How much timeline be expected to the date for that tender of 17000 crores.

ANIL J

Just now tender has come. It looks like by the end of this financial year that is March 24 they may like to finalize the order but it's only a press report.

BHALCHANDRA

It will be shared across the all players or how you think the tender usually will except.

ANIL J

It's a International competitive bidding. Indian as well as outside player, the all player will participate, mainly in India we will participate and may be TITAGARH can also participate so players are there.

BHALCHANDRA

These orders will be given to only one player or it will be distributed amongst the players

ANIL J

As per the plain reading of the tenders, It looks like it will go to one bidder only.

Unknown

Will that be total wagons manufacturing.

ANIL J

Yes, manufacturing and supply of rolling stock, maintenance as well as build-up of two depots.

BHALCHANDRA

Okay. And how much will be the maintenance in the part of the order.

ANIL J

Not yet clear because I think two days back only tender has come.

BHALCHANDRA

Okay. Okay. Okay.

BHALCHANDRA

So, over the years strong order book currently, how much order expect over next 2 to 3 years because of the pipeline.

ANIL J

See for financial year 24, we are expecting that we will be somewhere near 16,000 Crores, because we started with 8570 crores as on 1st April 23 and by the end of the year we are expecting to reach 16,000 crores worth order and next 2 to 3 years if we are able to get 17,000 in 1 shot, it may go to plus 17,000 crores, if we get all those orders in Rail and Metro.

ANIL J

Roughly 25000 to 26000 corers orders are in pipeline. So, next 2 to 3 years, we may get some orders which will be to the tune of 5000 to 10000 may be possible. But it's a very difficult to predict at present,

BHALCHANDRA

It depends on what kind of opportunity will it be in pipeline.

ANIL J

That's what I told you, see we are expecting that we may be in one or two orders in this one, because we have to see our capacity also and timeline of delivery. So, as I told you, by the end of this financial year, we are expecting including rail and metro total order of 16,000 crores for this FY 24.

BHALCHANDRA

Yeah. Yeah, yeah. I was talking about Defence in Defence prospective what kind of pipeline do we see any influence in Defence for this year.

ANIL J

Yeah. In defence two days back, we got one order of 443 crores of high mobility vehicle and roughly 450 crores orders are in pipeline, which we may get within a month or so.

ANIL J

And further, refurbishment or overhaling of Armoured Vehicles also we are looking for. So, if we go in that area, roughly 1000- 2500 crores per annum order will increase in defence. Defence, we're expecting by the end of this year it may exceed 4000 crores.

BHALCHANDRA

So, in terms of construction and material handling, what kind of growth once can expect, uh, for next 2 to 3 years?

ANIL J

Mining and construction,

BHALCHANDRA

Yeah, Yeah, mining and construction.

ANIL J

Mining, construction. At present we are expecting growth of 5 to 7% and in the years to come it may increase to 10 to 12%, in another 3 to 4 years

BHALCHANDRA

Look like in Metro and Rail what can one expect the capacity utilise into, means after having such a strong inflow? What kind of a capacity utilization improvement we see over the next 2-to-3-year.

ANIL J

Though are having capacity to build 300 cars per annum, based on looking to the orders in pipeline, we are planning to expand or to invest in another line for Metro, which will cater to rail coaches also whether it's Vande Bharat or MRVC Coaches. So, in the near future we are planning to invest for another line of rail and metro.

BHALCHANDRA

Okay. And what will be the current utilization?

BHALCHANDRA

And uh, two years down the line? How, one can see the utilization?

ANIL J

Utilization means capacity utilization?

BHALCHANDRA

Yeah, yeah, capacity utilization.

ANIL J

See, at present we are having order of Mumbai metro, so the existing capacity will be utilized for that and for the ten train sets order of Vande Bharat what we got. For additional requirement in the next coming year, maybe FY 25 we may have to invest for another line.

ANIL J

So immediately we will not go for one year, after one year. Yes, definitely Investment is required in metro business.

BHALCHANDRA

What will be the average Execution cycle for these orders which you mentioned on Metro Vande Bharat and all those things?

ANIL J

See Vande Bharat train trainset what order we got, we have to supply within 12 to 13 months.

ANIL J

And with regard to Metro, Proto takes roughly 18 months to 24 months. Once proto is cleared and accepted by the customer, then the production will be for 20 to 30 cars per month. There is our capacity at present.

BHALCHANDRA

Though it is early but in high-speed rail. Uh, also they'll be participating for rolling stock and all.

ANIL J

Who?

SASI K

He is asking whether in high speed rail project are we going to supply?.

ANIL J

High speed rail, nothing has come. It is on paper only, Once this high speed comes definitely it's a change in the technology. That time we will see with whom we have to tie up and how to participate. But yes, definitely we are looking for it and possibly will also participate.

BHALCHANDRA

Employee cost wise especially you mentioned in PPT your employee, relatively reducing so how much we can target over next 2 to 3 years, employ trained people or employee cost reduction, which is currently, I think 17% right? 17 % how much reduction we can expect?

ANIL J

Employee cost if you see in the previous year, it was approximately 22% of our VOP or sales, you can say we are expecting to reduce it and may come to approximately 15% in the coming 2 to 3 years.

BHALCHANDRA

Relatively what other operating leverage which we can expect due to this order book position. Means like is there any fixed cost. Relatively of market improvement so we can feel because of this pickup in execution. What kind of a margin improvement we can expect?

ANIL J

See, margin improvement definitely will take place once volume goes up.

ANIL J

We are expecting another 2 to 3 years. Year on year. Minimum 2% increase should be there in EBITDA which we recorded approximately 10% in the previous year. And with regard to fixed cost, yes, incremental cost will be there once our turnover and order book position grow up, but it will not be in the same ratio of getting the orders or increase in the turnover.

ANIL J

So definitely our margin based on the volume will increase over the years to the tune of 2% year on year.

BHALCHANDRA

Do you mean every year we can expect 200 bases point kind of the margin improvement because of the order book execution.

ANIL J

Yes. If our turnover increases in that ratio.

BHALCHANDRA

So, we are planning the capacity addition after one year will be the internal accruals will be sufficient to do that Capex or will need to defer.

ANIL J

This year also, we have increased our Capex. From Rs 50 to 60 crores generally we used to do. This time we projected approximately 200 crores. In the years to come, it will go up based on the order book position and the further orders in pipeline where visibility is there.

BHALCHANDRA

Until extents next 2 year we can, at least show a strong order and enclose and a even execution wise also we will be better and relatively profitability also, in improvement we can expect. Right?

ANIL J

Yes, you are right, our expectations are also in the similar line.

SIDHARDHA

Yeah, Hi Sir. I'm Sidhardha from Kotak Securities. I just wanted to understand how to look at the working capital raise as a going concern.

SIDHARDHA

I can see that that the Debtors days are decreasing recently, but the inventories are still moderately at what levels they were historically. So how can we look at the working capital days as of now?

ANIL J

See working capital, if you compare with the previous year, there is a reduction of roughly 12 % comparing to previous year's level. More or less it's will be at the same level, mainly because long lead items are there in case of metro as well as defence.

ANIL J

So, we have to keep some inventory for the immediate future production requirement. Inventory, yes, we are trying for volume increase. We are trying to retain the inventory to the same level so that overall number of days will reduce. This time we have increased the collections to reduce our Receivables. It has come down drastically from Rs 1800 odd crores to 1200 odd crores. We are expecting to maintain the similar level as compared to the turnover which has come now less than 100 days.

ANIL J

Inventory, also we are trying to maintain at the same level. So, these are the two critical areas which comprises our working capital. So, the level more or less will remain the same, but the number of days will reduce as our turnover will increase year on year bases.

SIDHARDHA

Yes Sir. Also, if you can give a look at the demand from international business for the company or if possible, also in that extent the demand that can be expected in the sectors which are non-consumer in nature.

SIDHARDHA

How do we look at the demand?

ANIL J

You mean the international market?

SIDHARDHA

Yeah,

ANIL J

Exports you are talking about.

SIDHARDHA

Yeah

ANIL J

So, last year we have physical export, We have touched 175 crores and with deemed export we have come to 830 crores of our turnover. Now for the current year, there are some orders from Russia which we are implementing and further there are chances that we will get some more orders from Russia and African countries where discussions and talks are going on.

ANIL J

We are expecting now our export orders should come somewhere near 200 to 250. I'm talking about physical export. Deemed export is already there because our metro contract falls under deemed export. So, with this increase in export order, physical plus deemed export this year we are targeting that our export income will increase in another 3 to 4 years.

ANIL J

Definitely our target is to touch export somewhere near thousand crores, but it will take time 3 to 4 year or maybe five years.

GAUTAM

In your Vande Bharat order can you give us a sense of margin. Will it be different than your metro orders or whether it will be higher or lower than the Metro Car orders.

ANIL J

See Vande Bharat We are doing for the first time and design and other things we only have to finalize.

ANIL J

So, in these ten Train Sets order we got, their margin will be reasonable or slightly on a lower side because we are entering into this Vande Bharat market where some aggregates are being supplied free of cost from ICF railway board. In the coming future, yes, once design and other things stabilized and volume will increase, definitely slightly above the reasonable margin we are expecting.

GAUTAM

Okay. So, will it be safe to assume that this year the margin may be lower, but from next year it may increase.

ANIL J

Yes. This year margin will be reasonable and coming years it may be slightly above. The reasonable in the sense is what margin we are showing now and what we are expecting to increase in the coming year or so the same margin we are trying to maintain with the high volume.

GAUTAM

Ok, and what could be returned in the margin in the metro car will it remain stable or the possibility of improvement over there?

ANIL J

No, metro market is very dynamic market, international competitive bidding is there and if you analyse the quotes and the orders released in last year or last two years, huge difference is their in metro car prices, if new technology is the requirement, then margin is slightly less because all have to spend more money on design part, and where design is frozen and the repeat order are there for which already metro cars are plying in India, there margin will be slightly higher. But it's a very, very competitive market. So, we cannot expect huge margin in metro business.

GAUTAM

Ok, Thank you.

BHALCHANDRA

I'm done with the questions.

SASI K

Sylvia now can we end the session

SYLVIA

Yes Sir, any questions?

BHALCHANDRA

No, thanks I am done with my questions.

SYLVIA

okay anybody else anybody has a last question or we can wrap the session then. I think they are good to go. Mr. Jerath, thank you so much for your time today. I will send you the recording and the attendance soon.

ANIL J

Sure, ok thanks a lot

SYLVIA

Thank you, sir. Thank you so much for your time.

GAUTAM

Thank you.

SYLVIA

Thank you, all of you. Thank you.

SASI K

Thank you.

ANIL J

Thank you.