



BEML Limited

| Instruments | Amounts | Rating Action |
|--------------------------------|---------------------------|---------------------------------|
| | (Rs. Crore [*]) | August 2015 |
| Fund based facilities | 1,000.0 | [ICRA]A+ (Stable) / Re-affirmed |
| Non-fund based facilities – BG | 1,200.0 | |
| Non-fund based facilities – LC | 550.0 | [ICRA]A1+ / Re-affirmed |
| Non Convertible Debentures | 300.0 | [ICRA]A+ (Stable) / Re-affirmed |

ICRA has reaffirmed the long-term rating of [ICRA]A+ (pronounced ICRA A plus)[†] to the Rs.1,000.00 crore fund based facilities, the Rs.1,200.00 crore non-fund based facilities and the Rs.300.00 crore non-convertible debentures programme of BEML Limited (“BEML”/ “the Company”). The outlook on the long term rating is stable. ICRA has also re-affirmed the [ICRA]A1+ (pronounced ICRA A One plus) rating to the Rs.550.00 crore non-fund based facilities of BEML.

The reaffirmation of the ratings takes into account BEML’s parentage (54.03% held by the Government of India), the Company’s diversified business profile providing revenue stability and its established market position across segments supporting business growth. The Company continues to hold healthy market shares, especially in the heavy tonnage earth moving (EM) equipment, aided by its long term association and strong relationship with key customers. During 2014-15, the Company reported healthy 12.9% growth in the EM division, driven by up-tick in volumes from existing customers as well as traction in the export markets. However, this was offset by steep 24.6% decline in revenues from railways and metro (R&M) division, leading to overall 3.5% drop in revenues of the Company. Further, owing to sub-optimal capacity utilizations and higher employee expenses, the Company’s operating margins at 2.7% continued to be under pressure during 2014-15. However, ICRA notes that with supplies having commenced under certain large contracts in the R&M division and with the defence vertical set to post healthy rebound supported by the large order book for Tatra trucks, BEML’s overall performance is expected to revive over the near term. Currently, the Company has a combined order book size of Rs.6,310.0 crore to be executed over the next two-three years.

BEML’s working capital intensity – although improving – continues to be strained at 64.3% owing to high inventory holding period which stood at 284 days for 2014-15 (308 days in 2013-14). However, ICRA takes note of the Company’s continued efforts towards lowering inventory levels which has also aided in reducing utilizations of its fund based working capital facilities over the last few months as reflected by lower average utilization of 26.9% in Q4 2014-15 (down from 43.1% in Q1 2014-15). This together with lower capital expenditure has aided BEML in trimming its debt levels thereby improving its capital structure. The Company’s gearing stood at 0.3x as on March 31, 2015 – down from 0.5x as on March 31, 2014. However, despite reduced interest outgo, BEML’s coverage metrics were impacted on account of weak profit margins.

The ratings continue to favorably factor BEML’s strengthening presence in the high-growth metro rail business and positive long term outlook for the Indian mining and construction equipment (MCE) industry which is likely to drive business growth going forward. Increasing competition is likely to exert pressure on BEML’s growth to some extent; however, the same is expected to be mitigated to an extent by its strong service and support network enabling the Company in maintaining its strong position in the MCE industry. Going forward, the Company’s ability to liquidate its large finished goods inventory over the immediate term, improve its working capital intensity and revive revenue growth and margins while maintaining a healthy capital structure would remain key rating sensitivities.

^{*} 100 lakhs = 1 crore = 10 millions

[†] For complete rating scale and definitions, please refer ICRA’s website (www.icra.in) or other ICRA Rating Publications



Company Profile

BEML Limited (BEML), erstwhile Bharat Earth Movers Limited, which started as a division of Hindustan Aeronautics Limited, was spun off as a separate entity in 1964. BEML was fully owned by the GoI until 1992, when the government divested 25% of holdings in the Company. BEML is now a Public Sector Undertaking head quartered in Bangalore, with the Government holding 54.03% stake in the Company. Structured into three main divisions, the Company manufactures a wide range of heavy earthmoving equipment catering to the mining and construction industry, equipments and vehicles for the Defence Forces and coaches for the Metro and Indian Railways. In addition to design & development of new products/aggregates by in house R&D team, the Company has entered into arrangements with M/s Rotem, South Korea, M/s Bumar Labedy, Poland etc. for specific products in the areas of Rail & Metro, Defence business. During 2014-15, around 58% of BEML's gross sales were contributed by mining and construction division, about 37% by railways and metro and the balance being accounted by Defence and others.

Recent Results (Consolidated)

During 2014-15, the Company posted net profit of Rs.5.9 crore on operating income of Rs.2,802.1 crore as against net profit of Rs.6.1 crore on operating income of Rs.2,903.7 crore during 2013-14.

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