

## BEML Limited

Instruments	Amounts	Rating Action
	(Rs. Crore <sup>1</sup> )	September 2016
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)<sup>2</sup> 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 ratings continue to factor BEML’s parentage (54.03% held by the Government of India), the company’s established position across business segments and its diversified revenue profile. During FY2016, BEML reported moderate 6.3% growth in revenues despite sluggishness in its earthmoving (EM); and railways & metro (R&M) divisions mainly driven by strong surge in revenues from the defense business where the company has resumed supplies of Tatra-based high mobility vehicles to the Ministry of Defence (MoD). The strong order book position – in excess of Rs.6,000.0 crore – across business divisions significantly enhances revenue visibility and supports the company’s business growth prospects. The ratings continue to factor BEML’s strong market position, especially in the heavy tonnage EM equipment, aided by its long term association with key customers and wide service network. The company’s financial profile remains healthy with sound capital structure, moderate debt protection metrics and comfortable liquidity profile. Albeit improving, the company’s operating margins at 5.1% in FY2016 remained impacted by sub-optimal capacity utilizations mainly in the earthmoving division. However, with expected improvement in volumes driven by sustained revival in the mining and construction equipment industry, together with higher share of revenues from the defense segment margin expansion is expected going forward.

Relatively long production cycles in the R&M division, finished goods inventory in the EM division and elongated receivable cycle has lead to high working capital intensity for the company (62.9% in FY2016). 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 (average utilizations at 29% in FY2016 reflecting strong liquidity). This together with lower capital expenditure has aided BEML in trimming its debt levels to Rs.561.1 crore as on March 31, 2016 from Rs.645.4 crore as on March 31, 2015.

The ratings also take into account increasing competition in the industry which is likely to exert pressure on BEML’s growth and pricing flexibility to some extent. 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.

### 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 companies like M/s Rotem, South Korea for specific products in the areas of Rail & Metro, Defence business.

<sup>1</sup> 100 lakhs = 1 crore = 10 millions

<sup>2</sup> For complete rating scale and definitions, please refer ICRA’s website ([www.icra.in](http://www.icra.in)) or other ICRA Rating Publications



**Recent Results (Consolidated)**

During FY2016, the Company posted net profit of Rs.53.1 crore on operating income of Rs.2,977.7 crore as against net profit of Rs.5.9 crore on operating income of Rs.2,802.1 crore during FY2015.

**September 2016**

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