

BEML roadshow group meeting transcript

Opening remarks

Shantanu Roy:

Good afternoon to all the participants here. This is Shantanu Roy, Chairman & Managing Director of BEML. Today I am joined by Mr. Anil Jerath, Director of Finance, Mr. Ajit Srivastav, Director (Defence), Mr. Sanjay Som, Director (Mining & Construction), Mr. Debi Prasad Satpathy, Director (Human Resources) and Ms. Meera, DGM (Finance). We will begin with a brief overview of the presentation followed by the Question & Answer session.

Meera Shankar:

BEML has completed 60 years this year, incorporated in 1964, with a market share of 54% for government and 46% by others. BEML has 4 manufacturing units, 3 in Karnataka and 1 in Palakkad. It exports to over 72 countries and has exported around 1,400+ equipments. Major accomplishments in Defence include 9,150 High Mobility Vehicles, 350 Armoured Recovery vehicles and the new 1500HP engines for main battle tanks, along with 2 Armoured vehicle recovery and repair vehicles. The company has scaled up its revenue from INR 3000crores in FY20 to INR 4000crores in FY24 and INR 1500crores in September 2024. Its value of production has grown from INR 3300crores in FY20 to INR 4100crores in FY24 and INR 1600crores in September 2024. Segment wise revenues in FY24: Mining & Construction: INR 1740crores, Defence: INR 760crores, Rail & Metro: INR 1550crores. In September 2024, contribution from M&C was INR 740 crores, Defence INR 400crores, Rail & Metro INR 350 crores. The orderbook stood at INR 11900 crore as of FY24, and INR 11500 as of September 2024. Working capital stood at INR 2840 crores as of September 2024. This concludes the brief presentation overview, and we can now move to Q&A.

Questions

Rohit Natarajan, Birla Sunlife Insurance

Q: My first question is on the railway part, I understand from the last conversation we had that the railways backlog is INR 5000crores out of the INR 11000 crore orderbook, which has an execution timeline 3 years, but BEML has potential to do 350 coaches which could potentially earn INR 3500 crore revenue per annum but we have been wide off that mark from the capacity utilization perspective. First of all, what exactly is the roadmap over there? Where do they see orders coming in, and numbers piling up over a period of time?

Shantanu Roy, CMD

So in the rail and metro segment, first let us talk about the order inflow this year. The order inflow this year has been around 6000 crore out of which around 67% has come from rail and metro. The current order book is around 15800 crores, out of which around 56% is from rail and metro. Now coming to the execution.

Execution capacity of 280 cars per annum, can ramp it up to 300 cars with our existing capacity and we are building new capacity now. The new capacity that we are building is with a lot of fungibility where we can do a high speed train or a broad gauge Vande Bharat or LHB or Metro. So that is the kind of infrastructure or ecosystem that we are trying to build. Now, if you look at the contribution of Rail and Metro in 23-24, the contribution was 38%, prior to that 27%, this year it will be much lower. due to gestation period of orders in hand, with major execution starting from FY25-26. This year they are left with Mumbai metro, Kolkata metro and Vande Bharat (VB) Sleeper, which is much lesser

compared to last year. 2-3 years back, we had lost some 3-4 orders, on the trot, which is affecting the revenue. But next year onwards R&M contribution and utilization rate will grow exponentially, with FY27 being a bumper year where most of projects reach stage of execution. VB sleeper will be completed in next 5 months time which will open up more potential orders as the country needs it and other players are not there who are ready to deliver. Also, there is a lot of demand- supply gap for LHB coaches. Looking into that, trying to get into LHB coach manufacturing along with other coach manufacturing units.

Metro orders of around 900 cars, starting with Bangalore metro, by FY26 will see metro production at full capacity. Chennai metro order first prototype in January 2027, complete order by April 2029. Apart from this, bid for Bhubaneshwar metro, Mumbai metro line 4,5,6, Chennai metro 96 cars, Bangalore metro variation order, Patna metro 102 cars, Maharashtra metro 96 trainsets for Nagpur, Pune and Thane, comprising 500-600 cars, Bangalore metro phase 3 for which cabinet clearance given last Friday, which could be 400 cars more. Looking at orderbook of around 1300-1400 cars which have to deliver in coming 3-4 years. That is the kind of growth aspiration in R&M. Here, we have not considered bullet train. Bullet train development prototype has to be delivered by December 2026, started work on that. There are two big ticket tenders that came out last year, the Aluminium push pull 100 trainsets order with a value of INR 30,000-35,000 crore, and the other being Mumbai Rail Vikas Corporation (MRVC) AC EMU order for 238 trainsets with a value of INR 40,000 crore. Those 2 have not been considered in guidance. If even one of those 2 happens in coming year and BEML gets it, add to overall orderbook position and strengthen the overall position

Rohit Natarajan:

Q: Can you quantify the prospective pipeline

Shantanu Roy

MRVC and 100 trainset Aluminium tender, along with track machines added to the tenders provide for a cumulative ticket size of INR 1 lakh crore in the coming 2 years

Sachin Maniar, 3P investments

Q: What are the terms of execution for Mumbai metro this year and next year

Shantanu Roy

Mumbai metro look to complete all 63 trains this year, Bangalore execution commence from the next year, with first prototype being handed over. Next year total order is for 318 cars, out of which look to deliver 150 cars next year. Chennai delivery by 2029. Major ramp up from 2027, not in 2026. FY27 will be the real bumper year for them

Rohit Natarajan

Q: So the augmentation facility you said of 300 coaches per year, what would be that number? and how is the realization on margin front?

Shantanu Roy

Look to grow from 300 to 450. High speed, metro, rail all have different realization. Commuter rail has better margin compared to urban transportation.

Rohit Natarajan

And per coach we get around 10crore kind of realization?

Shantanu Roy

No, no, that is not the correct number You know Metro has a different number, Vande Bharat has a different number High speed trainer has a different number, LHB has a different number So we cannot give a number just like that for all the variants. So we have to appreciate the margins part.

Sachin Maniar

Q: What is the expected timeline for the aluminium push pull train order

Shantanu Roy

It was expected last year around march then expect in Q2FY24. The company feels that it will announced this year, but don't see any movement yet. Hope that by march the tender will be published.

Sachin Maniar

Q: Any number for the VB tender?

Shantanu Roy

Cant guess a number, expect orders after we complete these 10 trains and after train commercialized. VB sleeper going for oscillation trial in a few days to place in central part of India and North India. Once it goes into commercial operations, there will be surge in demand for VB sleeper. BEML in best position to deliver more trains in coming 2-3 years while others are still building products

Vijay Sarthy, Subhkam Ventures

Q: What is the meaning of hybrid trainsets? When you talked about the hybrid between the broad gauge and the RTV, so how does the modular attitude work?

Shantanu Roy

Hybrid is said in terms of manufacturing facility, not in terms of the train. The train cant be half broad gauged and half standard. Manufacturing facility is made in such a manner that it can do both broad gauge and standard gauge. Broad gauge width is 1.67m and standard gauge is width 1.435m. You just add one more line in between so that you know a standard gauge train can also be accommodated and accordingly ramp up testing facility. Key thing is testing facility, and integration. Integration has to be modular, and versatile so that both broad and standard gauge can be accommodated. Suppose car length for high speed train 25m, whereas metro 21 meters, VB 22meters, so all accommodated in that integration shape

Sachin Maniar:

Q: Utilization levels seem to still be under-utilized, the company is expanding to 450, by when do they expect full utilization?

Shantanu Roy

It is not underutilized, we have only talked about orders on hand, not about the future orders. If we have to deliver 1400 cars in coming 3-4 years then it wont be underutilized. It all depends on when Mumbai line 4,5,6 will be finalized. Else we will utilize it by VB and LHB order. Once they have got the LHB order which will be a huge order for them, then capacities will be fully utilized.

Sachin Maniar

Q: Can the timeline be shortened for first prototype?

Shantanu Roy

No, it can't be shortened. Every project is different and is custom made. For example, the Bangalore metro: third rail 750 volt DC train. Chennai metro order is 25kV AC overhead. Every project is different, as metro signaling is different, and the contours of route are different.

Rohit Natarajan

Q: So the railway, when you see the budget, the physical coaches number that they talk about, how much is that 6000 units roughly?

Shantanu Roy

Mostly at 6000 LHB coaches. There is a huge gap in demand and supply of LHB coaches. Railway is ramping up to fulfill that requirement.

Rohit Natarajan

Q: And railway also says that achievement is almost like 5,000 every year happening. It will happen. So how much is BEML contribution to that number?

Shantanu Roy

BEML as of now not contributing, but there will be contribution soon. In the past we have supplied more than 20,000 coaches. As of now we don't have any orders. The last order which was executed was for the MEMU which has been completed.

Rohit Natarajan

Q: In terms of competition adding capacity, some players like Titagarh are, talking about adding 350 coaches every year which will be ramped up to 900. When competition comes in, how will the margin profile be impacted?

Shantanu Roy

You are talking about a hypothetical situation, which I cant comment on.

Dhavan Shah, Alfacurate

Q: Capacity wise you have 400 coaches. Out of the total INR5000 crore orderbook, how many coaches do they have to supply?

Shantanu Roy

900 cars for metro, VB around 144, bullet train around 16. 1060 cars total orderbook to be supplied within 2 years. 29 coaches in 1 train sets, 2900 coaches for push pull train order. MRVC: 238 train sets, total coaches 238* 12 for MRVC which is in 3 phases. Around 6000 coaches will be delivered by FY30. Try to maintain market share of 50% at least, for that need to expand capacity. If required can further expand capacity. Right now, putting in one more plant, if required will expand further, take more land, build another capacity there. Parallely building capability for Aluminium trains. If have to do high speed beyond 249kmph speed, have to work on Aluminium trains.

Dhavan, Alfa

Q: To maintain market share of 50% for 3000 coaches, how much capex is needed?

Shantanu Roy

Current capex around INR 200crores for additional 150 cars per annum. If we put in more integration jigs which will entail capex of 30crores more, can ramp up from 150 to 200. If talk about 3000 coaches addition, it will entail a capex of at least 1000crores.

Dhavan, Alfa

Q: Will the new capex be at the same location?

Shantanu Roy

Location will be different, scouting for some prospective places

Dhavan, Alfa

Q: Gross margin wise many systems like propulsion systems, traction motors, if they want to add all then how is the margin profile across various segments like VB, metro, sleeper?

Shantanu Roy

Commuter rail which includes sleeper, LHB, push pull train or MRVC 3 phase EMU, gross margin in double digits. In case of metro, late single digits.

Dhavan, Alfa

Q: Is this the gross margin or EBITDA margin?

Shantanu Roy

This is the EBITDA margins not gross margins

Rohit Natarajan

Q: In your vision 2030: 10000crore revenue, 3000crore railways contribution said. Even if they expand 450 to 700 cars, will they be able to reach the contribution level of 3000crores?

Shantanu Roy

If 450 coaches per year made, we can cross 4500-5000crs revenue

Sachin Maniar

Q: Any progress on the Malaysian MoU?

Shantanu Roy

Working on some opportunities especially in ASEAN region.

Rohit Natarajan

Q: Defence orderbook is around 5000crore, what is the prospective pipeline and execution within current order backlog?

Shantanu Roy

You see, we have recently bid for 2 projects in last 1 month, with the project size around 4,000 crores. Now in Defence these days what happens is that once technical clearance received then have to field equipment. Once equipment is fielded then undergo extensive trials. Once trials are done then price will be opened and then the orders placed. Only good thing is FOPM. First order production periods will not be required, straight away go for bulk production. 2 projects bid for which expecting orders in next 1-2 years.

Rohit Natarajan

Q: Timeline for the execution of existing order backlog?

Shantanu Roy

Mostly on high mobility vehicles good order backlog, Armoured vehicles also has a good orderbook, present fleet of army of 352 T-72 tanks are all supplied by BEML, are doing overhauling for 2, balance 350 all need overhauling, which will come in batches of 20-40 per year which is challenging and good for them in topline perspective. To give you a deeper perspective on that, my Director Defence Mr. Shrivastav will further tell you about the Defence prospects.

Ajit Shrivastav, Director Defence:

Don't want product where import content is more. So everything has to be done in more or less in India. And if you're not able to do it in India, at least you have a plan to indigenize those things in India. And if you don't adapt for 2020, there's different schemes that they make one, make two. No, a lot of schemes the government has got to encourage indigenization. So that has opened tremendous opportunities. See, last year we have taken a massive indigenization plan because we are not getting support from Europe due to Ukraine war and other places due to NATO. So we never had any choice but to go for indigenization. Now geared up for 100% self reliant indigenous production. HMTV, ARRV, engine all can happen here. So that's one big achievement that we have done. Last year, yes, there was a decrease in the performance because of mid-generation, but now, expecting at least 40% YoY growth, which will continue for 4 years definitely. To tackle this thing, we have divided company into strategic business units (SBUs) of ARRV, sustenance, high mobility vehicle. Earlier 8000 high mobility plus 350 army tanks, spares requirement. Apart from that, new engine 1500 HP engine for the first time in the country which has been fired by us. So it has opened up a different avenue, where, most of the platform of Indian Army, in the future, probably will be supplied by other engines, so it is one thing. Maritime business looking at more than 15 opportunities. Aerospace also doing lots of work. Opportunity huge, growth this year will continue for next 4-5 years. 40% of order booking is from Defence, with lots of orders in the pipeline. Almost 300 orders in Defence, get some more orders by March.

Rohit Natarajan

Q: The current orderbook will be replenished within 2-3 years?

Shantanu Roy

Replenished within 3 years definitely. But here would like to add that there are around 9000 high mobility vehicles in operation. Undertaken overhauling of 2 High mobility vehicles on NCNC basis which will finish in 3 months. Once finish that then entire fleet come to them for overhauling and maintenance which is good opportunity size for them. Out of this 50% non euro fleet, 50% euro fleet. First challenge is to covert non euro to euro.

Rohit Natarajan

Q: what is the current capacity utilization for Defence and how will it look like if it is a big number?

Shantanu Roy

Big number could be around 2-2.5 times from current numbers has to contribute, which is part of 2030 guidance of 10000 crore of revenue, out of which 30-35% will be contributed by Defence. That will be led by high mobility vehicle with the strategic forces requirement coming up. Also driven by armoured SBU, under which have bid for couple of projects. FICV, future ready combat vehicle, other weaponized platform which contribute to bulk of Defence revenue in the future. Also focusing on aerospace and naval and maritime. In maritime, we are working on critical aggregates which are to be indigenized, and have identified major platforms and critical aggregates and big ticket items which will give more numbers. The gestation period is more but topline is also more.

Vijay Sarthy

Q: What is the current opportunity size in Defence

Shantanu Roy

In the coming 5 years opportunity size around Rs. 40,000-50,000 crores.

Vijay Sarthy

What is the opportunity size in sustenance?

Shantanu Roy

INR 8000-9000 crores opportunity size in sustenance

Rohit Natarajan

Q: What is the current utilization and margin? And eventually when you see more to that big number, how would it look like?

Shantanu Roy

Aspiration of 5 digit in topline , with margin in 4 digits. This is driven by commuter rail, Defence, sustenance, high end mining equipment and export

Dhavan, Alfa

Q: How is the margin profile in sustenance?

Shantanu Roy

Margin highlighted for entire R&M. For eg. 15 year for delhi metro, VB 35 year maintenance. Operations done by metro, maintenance done by BEML. If VB sleeper then Indian railway operate.

Rohit Natarajan

Q: On the mining part, you have an orderbook of INR 2500crores, out of this short cycle orders is how much?

Shantanu Roy

Entire thing done in 1 year, part of execution schedule

Rohit Natarajan

Q: Lots of mining output is currently flattish, coal flattish, what will drive the 3500crore aspiration by 2030?

Shantanu Roy

Coal growth not flattish, India has aspiration of 1.5bn ton of coal extraction for which high end mining equipment required. We have designed, developed and started supplying 21 Cu.m all electric rope shovel within a record time of 18 months. It is currently under assembly at NCL Nigahi and in the coming 2-3 months will be commissioning the equipment. Then we have the 880HP bulldozer which we have already developed. We have already developed the 190 ton dump truck. We will be rolling out the 550HP motor grader within the next 6 months. Next is the 8 ton tyre handler which will come out in another 15-16 months from now. The entire high end mining equipment portfolio which is currently being imported, we are indigenizing it and support coal extraction through that. Also I was of the opinion that mining will have flattish trajectory of 5-6% but that has changed drastically over last few days or months. Change in international scenario; Syria Assad, ceasefire in Gaza, Ukraine Russia war likely to come to an end after Trump coming in. Then comes rebuilding of Gaza, Syria, etc. which shows huge opportunity. Exported mining equipment to CIS countries, these can operate at -50 degrees. See lot of traction in mining, traditionally been very strong in mining, exported more than 1400 equipments to various countries, so healthy competition in all 3 verticals. Forming 14th SBU shortly, sustenance for R&M. Right now export only 2-3%. But once rebuilding starts, expecting export to reach 10% of revenues.

Rohit Natarajan

Q: So from a fixed expenses perspective, is it fair to assume INR 800 crore is the employee expenses that you incur right now and what is the manpower reduction that you have had in plan to reduce the cost of it?

Shantanu Roy

No we don't have plan of reducing manpower. Retirement happening automatically. Mechanization and all will come later. First look at Human resources profile. Around 20-25% going to superannuate in coming 2 years, started building and acquiring, retaining talent to fill in gaps at skillsets. Secondly, there will be a huge gap at the working level. The machinist, the welder, the fitter, the crane operator, at this level. So we have a three-prong strategy. One is outsourcing. Number two is basically recruiting people at that level. Third is going for fixed tenure employment. Manpower cost has to remain at that level or further increase. But as a percentage of revenue it will go down. Currently at 20%, expect that it will go down to 16-17% in 2-3 years but in absolute amount have to go up, since, we have to pay more to retain talent. Plus we'll be looking at, you know, there is a regular increase in the DA, then in 2027, they'll be due for a wage revision. So all these things have to be considered.

Sachin Maniar

Q: Are there any slow moving orders in Defence?

Ajit Shrivastav

No slow moving orders, hiccup in one order but nothing else. Roughly 60-40. One if HMV, other is non HMV. In non HMV we have these combat engineering vehicles, mechanical minefield marking equipment, self propelled mine barrier, also having trailers for tank transportation. We are aiming at 70 ton trailer order, also looking at Arjun Armoured recovery vehicle. Trying to get over some

challenges on the power pack so that get more orders for Arjun ARR. There is also a requirement for T-90 tanks so we are also working on that

Sachin Maniar

Q: What is the outlook on the 1500HP engines?

Shantanu Roy

Entire fleet of future ready combat vehicle for new generation battle tank require new engine. It will require an indigenous engine and it is a 1500HP engine power FRCV's. Now with this 1500 HP platform, looking at indigenizing other platforms as well like the Arjun main battle tank which is currently being imported. Then we have the T-90 currently at 1000HP, plan to ramp up to 1,200HP, 1,300 HP. Then we have the light battle tank, then we have the FICV. This has 2 types, one is wheel and other track type. So there is a huge requirement in the next 3-4 years which will decide numbers, investments needed for engines. Having acquired the confidence by doing first firing. 2nd engine complete testing today, 3rd engine by tomorrow which will be put on test bench then go to UK for design calibration, after that come back to BEML for durability test, 400 hours, 600 hours, 1500 hours so that robustness of design checked, then go for bulk manufacturing. Well placed to address all engineering programs in country for land and naval and maritime where 100% engines being imported.

Alisha, Envision Capital

Q: In the current year expecting 20000-30000 crore order inflow, which big orders got spilled?

Shantanu Roy

I had given range of 20000-30000 crores, during last interaction with ET given guidance of crossing 20000crores but executing also, so we will end up there at around 17,000 to 18,000 crores. The Orders that got pushed back are 474 cars, 5000 crores of Mumbai Metro line 4,5,6, then the push pull train which I was expecting the tender will be around 30000 crores, then the MRVC 40000 crores tender. Had any one of these projects been finalized, crossed 30000 crores definitely.

Alisha:

Q: By when are we expecting orders?

Shantanu Roy

Expecting these orders to come sometime in FY26, execution start 2 years after that. FY27 will be bumper year for VB sleeper, in terms of the metro orders that will be there for us, then we have the high speed train, LHB coaches order. All put together will be bumper year for R&M and for Defence. Similarly for mining and construction.

Alisha:

Q: We have already bid for 2 projects, apart from that are there any big ticket projects that we will bid for which can help us with that?

Shantanu Roy

We have bid for some big ticket projects, which will be all executed by FY 2030 as it will take 1-1.5 years to get order itself. First have to field the equipment then undergo extensive trials, then only the price will be opened and order placed.

Dhavan, Alfa

Q: For the New metro orders next year, by when will they announce new capex?

Shantanu Roy

No new capex required now, First let the tender come. Then we will see if required we will go for a new capex. Already infusing capex in Palakkad for HMTV, KGF infusing capex for Armoured vehicle in Mysore for power pack. Next 2 years capex plan of 1000-1500crores but have a look at it, may increase or reduce it. Already apportioned capex for R&M.

Alisha

Q: Ramp up of 350 to 400 cars will happen by when?

Shantanu Roy

New facility ready by oct 2025, when civil construction will be over, and by Dec 2025 may inaugurate the new plant.

Rohit Natarajan

Q: What is the wishful EBITDA margin for the 10000 crore revenue?

Shantanu Roy

We are currently at 11.97%, hope to be at 13% in this FY. If we reach 10,000 crore revenue, EBITDA will be more than 18%.

Harshit Kapadia:

That will be the last question for the day, thank you all for coming.