"BEML Limited

Q1 FY27 Earnings Conference Call"

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MANAGEMENT: **MR. SHANTANU ROY – CHAIRMAN AND MANAGING DIRECTOR – BEML LIMITED CONFERENCE CALL**
MR. ANIL JERATH – DIRECTOR, FINANCE – BEML LIMITED CONFERENCE CALL
MR. DEBI PRASAD SATPATHY – DIRECTOR, HUMAN RESOURCES – BEML LIMITED CONFERENCE CALL
MR. SANJAY SOM – DIRECTOR, MINING AND CONSTRUCTION BUSINESS – BEML LIMITED CONFERENCE CALL
MR. RAJEEV KUMAR GUPTA – DIRECTOR, RAIL AND METRO – BEML LIMITED CONFERENCE CALL
MR. SACHIN DIGHDE – DIRECTOR, DEFENSE AND AEROSPACE – BEML LIMITED CONFERENCE CALL

MODERATOR: **MR. HARSHIT KAPADIA – ELARA SECURITIES**

Moderator: Ladies and gentlemen, good day, and welcome to the BEML Q1 FY27 Earnings Conference Call. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star, then zero on your touch-tone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Harshit Kapadia from Elara Securities. Thank you, and over to you, sir.

Harshit Kapadia: Thank you, Steve. Good afternoon, everyone. On behalf of Elara Securities, we welcome you all for the Q1 FY27 conference call of BEML Limited. I take this opportunity to welcome the management of BEML, represented by Mr. Shantanu Roy, Chairman and Managing Director; Mr. Anil Jerath, Director, Finance; Mr. Debi Prasad Satpathy, Director, Human Resources; Mr. Sanjay Som, Director, Mining and Construction; and Mr. Rajeev Kumar Gupta, Rail and Metro; and Mr. Sachin Dighde, Director, Defense and Aerospace. We will begin the call with a brief overview by the management followed by a Q&A session.

I will now hand over the call to Shantanu sir for his opening remarks. Over to you, sir.

Shantanu Roy: Good afternoon. Are you able to hear me, Harshit?

Harshit Kapadia: Yes, sir. We can hear you, sir. Please go ahead.

Shantanu Roy: Good afternoon all our investors. Thank you again for remaining invested. The last quarter has been quite an improvement, probably the best first quarter we have had in the last decade or so with a top line growth of 29%. This growth was led by a tremendous turnaround in the Rail and Metro segment which grew by 178%. And mining was muted, it went down by 14%, mainly because some of the projects where we are already L1, the contract finalization has got deferred. And in defense overall, we did a 25% improvement over the first quarter of the last financial year.

The first time probably again we have hit a positive EBITDA ever and the overall loss has gone down by almost 50%. The overall working capital also has improved and the value added per employee also has gone up by around 8%. So these, I'm sure you already have worked out these numbers. I need not repeat all this.

We are currently sitting at an order book of around INR16,000 crores, a little more than INR16,000 crores. We are looking at an opportunity size of INR35,000 crores to INR40,000 crores, mainly led by the Metro and the Rail. And of course Defense and Mining, as I talked to you, currently we are L1 around INR900 crores value of tenders.

And we have a very healthy export order book currently at around USD115 million and we should end the year with an export order book of around USD200 million. So looking at the performance of the first quarter, I expect a similar or better growth in the second quarter and the quarters thereafter. So now we are ready to take any questions that you have.

Moderator: Thank you, sir. We will now begin the question-and-answer session. Our first question comes from the line of Parin Parikh with Shree Capital. Please go ahead.

Parin Parikh: Hi, good afternoon. Am I audible?

Management: Yes, sir. You are audible.

Parin Parikh: Yes, good afternoon once again and thanks for this opportunity. Congratulations on a good set of numbers. I have one simple question. Sir, basically a couple of years back we had demerged surplus assets of our company into a different company and now in the previous year you have taken some 300 acres of Mysore and some 36 acres of Bengaluru land back on lease from the same company. So can you please explain as to what is the rationale of that, for what duration have we taken and what kind of plans do we have for that asset?

Management: So as you rightly said, first BEML Land Assets Limited was carved out as a fully owned subsidiary and some three years back it was listed as a separate company. The land that we have decided to take on lease will be used for our production activities, some futuristic, some expansion activities as well. And for example, the land at Bangalore, we have already started utilizing for the current production of LHB coaches.

Mysore, we will be utilizing it more for aerospace. Recently we got an order just a couple of days back for the fuselage of Light Combat Helicopter from HAL. So we will be utilizing these land which were lying unutilized basically even though it is a part of BLAL. So by paying a small lease rental, we will be able to utilize that and produce the equipment and systems from these land and add to the sales revenue and the profitability of the company.

Now this lease is for, it's a 99-year lease currently but it will be reviewed after five years or even before that depending on the next course of action that comes out of the current process of BLAL. So this being a BEML con-call, so it is not correct on my part to talk about what BLAL is going to do or what BLALs plans are, but this is the precise reason we decided that let us take these land on lease till at least we start our new production unit at Bhopal and also at the same time, just a few days back you might have read that in Chhattisgarh, the cabinet has approved allocation of around 80 acres of land to us near Bilaspur in a place called Mungeli.

It is a very well located and nicely located land which is around 70 kilometers from Raipur and 50 kilometers from Bilaspur. It lies somewhere in between. It is adjoining the state highway and the nearest railhead is around 40 kilometers. So the development of these places will take some time. So in the meantime, we will be utilizing a land which is already available with BLAL and adjacent to us.

So that is the thought and once we get into more projects, for example in aerospace, we are looking at the Advanced Medium Combat Aircraft where we will be bidding shortly with our partners. So if that happens, then we will be needing more space here and the Bilaspur plant will be used for our wheeled mining equipment. The trucks, the water sprinklers, motor graders and all. And the idea is that we should be near to our customer. Our mining equipment especially 80% goes to Coal India and its subsidiaries. So that is the place which is accessible to all the customers within 24 hours to 48 hours.

And that is one of the reasons you might have heard earlier also and we have shared that Bilaspur we are going to create a hub-and-spoke model. Already the construction of the hub is almost ready. That will be used as a central place for spare parts and for servicing all our customers from there rather than doing it from our units that are a few 1,000 kilometers away, more than a 1,000 kilometers away from our customers.

Parin Parikh: Got it, sir. I think that is very helpful. Just a supplementary small follow-up on that. So basically both these places as you mentioned will be utilized for the production purpose and as you mentioned, Bengaluru, you have already initiated the production over there and Mysore you are planning to start soon. What kind of capex will be involved at both these places, sir, any understanding?

Management: Mysore, we are yet to formulate the capex, whereas at Bangalore, the last month all our esteemed investors you were here, you have seen the production has already started and I think it is almost a month now and in one month we have made great progress. So the capex, the overall capex, I mean I cannot say that for this particular tract of land what is the exact capex, it may be hardly INR3 crores-INR4 crores of capex, not more than that. But the overall capex that we have put in Aditya, it is in the range of around INR250 crores, that is for the entire high-speed train complex.

Parin Parikh: Got it, sir. Thank you so very much and all the very best.

Management: Thank you.

Moderator: Thank you. The next question comes from the line of Prateek Dugar with Intelsense. Please go ahead.

Prateek Dugar: Hello, am I audible?

Management: Yes.

Prateek Dugar: Sir, actually I wanted to ask about the Mumbai Rail Vikas Corporation tender. So is there, I mean has that tender been cancelled or what is the situation because it has been delayed for so long, sir?

Management: It has been cancelled. That is what has come to us.

Prateek Dugar: Okay. And sir, okay. And sir just some days back I heard you in an interview where you talked about a INR40,000 crores bidding pipeline.

Management: Yes.

Prateek Dugar: But sir, as per our understanding, sir, MRVC itself was supposed to be INR20,000 crores. So how come we are still expecting a INR40,000 crores bidding pipeline and if you could give that break-up of the pipeline, that would be great, sir?

Management: You are very right that INR40,000 crores had two components. One was MRVC, the other is the MEMU which is still alive and but apart from that, we have some six tenders which are live for the Metro and the six tenders are the Chennai Metro, Delhi Metro RS20, Delhi Metro RS21, UP Metro extension, Maha Metro that is Pune-Nagpur and there is another one -- yes, MMRDA Line 12 where we have already bid. The ordering is yet to be done. So the six Metro projects are there.

Now apart from that, it is -- the market is very dynamic. So currently we are working on export opportunities for the Metro sector. The export opportunity size is around INR15,000 crores. We are working in two export opportunities. I will not be able to share with you the country, but it is around INR15,000 crores.

Apart from that, we as you all know, we already have submitted the bid for 16 train sets for the B28, that is the 280 kilometer per hour high-speed train project. So considering all this, overall INR20,000 crores of order inflow, I am talking only about the Rail and Metro, whatever opportunity we discussed. INR20,000 crores is from the entire, for the entire company from all the business verticals.

For defense, we are looking at a number of around INR4,000 crores to INR5,000 crores which is definitely going to come to us and apart from that, mining construction INR900 crores we are L1, we are bidding for another INR500 crores to INR600 crores of tenders and we are bidding for a big export opportunity from West Asia. I hope the numbers tally, correct?

Prateek Dugar: Yes, sir. And sir, can I get one more question? It was regarding the HEMM, sir. I mean NMDC has a big capex plan forward and a large component of that is going to be the heavy earth moving machinery. So are we getting any inquiries on that front, sir, for the HEMM?

Management: You see HEMM we are already wherever there are opportunities for us, there we are bidding. So it is not only NMDC, it is Singareni Collieries, it is Coal India and its subsidiaries. So recently this month itself, we got two orders from Coal India and its subsidiaries for some mining equipment.

We also are looking at some export orders for the HEMM in the next two to three months which is apart from the tender where we are going to participate shortly. So this opportunity that I am talking about from exports is from the Middle East and it is apart from the tender that we are participating for in the West Asia.

Prateek Dugar: And sir, in the near to mid-term, anything on the Goliath crane or the cutter suction dredgers, I mean on the marine side, is there anything expected in the medium term?

Management: You see these are all developmental projects. Let me give you a, give you a picture. So looking at Tunnel Boring Machine, the design itself will take one year to one and a half years followed by the development phase and the manufacturing and it will take us at least three years to develop a Tunnel Boring Machine before that, I mean after which it will go for a bulk production.

As far as the Goliath crane is concerned, more than the Goliath crane, we are focusing on the STS, that is the ship-to-shore crane. And again the entire cycle, the process cycle, it will take us at least three to four years. So it is the, I would say nothing in the short term, but yes, medium to long term. So medium term I am taking as three years and long term is five to six years. So we can expect once the development happens and we go for the bulk production, something sizeable will come in three to five years from these two segments.

Prateek Dugar: And sir, anything on the dredgers, sir, cutter suction dredgers we had done a some tie-up we had done last time.

Management: So cutter suction already we have submitted our offer for some, for a few numbers of cutter suction dredgers and we expect that the ordering will be done in the coming two to three months. It should be done.

Prateek Dugar: Okay, sir. Thank you. Thank you so much, sir.

Moderator: Thank you. The next question comes from the line of Jyoti Gupta with Ashika Broking. Please go ahead.

Jyoti Gupta: Good evening, sir, and thank you for the opportunity. One request, if you could put the corporate presentation, quarterly presentation, whatever possible information that can be given, that would be great. Second thing I wanted to know, we had flat margins in quarter one. What are we I just wanted to have an FY27 outlook in terms of revenue.

What are you estimating a revenue growth to be, EBITDA margin for this full year and what about the revaluation results, last quarter we had a major quarter four. Do you still think there could be some impact of that because a lot of our exports are locked in. So could there be a because of foreign currency fluctuations, should you -- will that impact the financials going forward? Some light on that please?

Management: Right. So yes, so we will on a quarterly basis, we will put up our presentation, that we will do. Anyway next time we have this, it will be I think a physical meeting with all our esteemed investors. On the numbers, so as I mentioned, this the first quarter was around 29% growth and I expect a similar growth in every quarter.

So overall CAGR should be I mean for this year, it should be high 20s if all goes well and it should go well because we have the executable orders now all the orders that we had, it has reached the stage of bulk production, for example the LHB, the Vande sleeper we are going to complete shortly, the high-speed also we will start delivering during this financial year.

For Bangalore Metro, yesterday we had the CRS inspection and very shortly it will be put into commercial service and this year we should expect to supply at least 20-25 trains for Bangalore. Plus, we are already L1 in many of the tenders for HEMM and for defense, there is a pipeline which is continuous.

With that in this year, I am quite bullish about the revenue. As far as the EBITDA is concerned, in '24- '25, we did around 13%-13.3% last year because of our one-off correction, it went down but this year my expectation is, we will again get back to at least 13% of EBITDA and your last question was regarding the impact that we had in the last quarter.

So whatever impact was there, we have considered it and this year when we start realizing the sales, I think I have mentioned it in one of the discussions earlier as well. Since these contracts are in foreign currency, one is a deemed export, so when we took the contract and now when we are executing, when the sales will be realized, there is at least a 50% to 60% improvement in exchange rate variation.

My guess is that the losses that we have already booked, it will get mitigated to at least 20%-25% in this financial year and maybe more in the coming years. So there will not be any impact, but there will be a positive impact once we start realizing the sales for the projects which are in foreign currency.

Jyoti Gupta: Great. One last question. What is the development on the groundbreaking ceremony which happened in Bhopal? I think from that you're expecting in 18 months a plant would be commissioned and would start producing. What's the status on that Bhopal project?

Management: You see 18 months from the start of the construction, right. Construction is yet to start. We have already completed the boundary wall. We have tendered out the civil part and we will be finalizing it, I think, in next two to three months. At the same time, we are working on arranging the debt finance for this project.

So the day the construction begins, after that 18 months of time, we will be able to roll out the first equipment and the total time which will be required for completing this project will be around 24 months. You see, we did if I give you the example of Aditya, we did the groundbreaking on 1st September and 25th of April, the plant was inaugurated. So it was ready. Bhopal will be done much faster than that.

Jyoti Gupta: Great. So could you also give me a break-up of the segment-wise break-up of revenue? We have stayed that the consolidated level, I believe defense is 35%, rail and metro is 24%, mining and construction 41%. If that stand corrected or correct me if my numbers are slightly skewed?

Management: I think your numbers are correct. I can only give you the growth vertical-wise. So rail and metro has grown by 178%, defense has grown by 25% and mining and construction that is the HEMM segment has gone down by 14%.

Jyoti Gupta: And is the proportion likely to remain...

Moderator: Ma'am sorry to interrupt, Jyoti ma'am can you please come back in the queue for further questions?

Jyoti Gupta: Yes, thank you.

Moderator: Thank you. The next question comes from the line of Basant Kumar Bansal with NBG Investments, please go ahead.

Basant Bansal: Yes, good afternoon, sir. My question was on the segmental break-up of the revenue so which my previous participant has asked. May I make one request that why don't you recognize these three segments as a segmented report than as -- on the segment reporting. So that will be very helpful in terms of revenue and the margin. And second question is how do you see this mix five years down the line?

Management: So you know we are exempted from segmental reporting, that is number one. Number two, I will be happy if instead of these three verticals, they are hived off as three separate companies and BEML becomes a holding company then it becomes easier for us right. I think you will, I hope you will agree. Then on the mix five years down the line, already the trend is there from this year itself, from '25-'26 itself.

You know HEMM average contribution to top-line has been 45%. Highest was 2016-'17 when it contributed 61% to the top-line and '25- '26, it went down to 40%. The contribution from Defense and Rail Metro was 60%. So the trend will continue and the trend should be in my opinion and it is also evident from the order book opportunities and our aspiration to grow, it should be around 65% to 70% Rail Metro and Defense and 30% HEMM. So current order book 65% is Rail Metro only. So that I think that tells a story.

Basant Bansal: And can this defense go up to 50% or more?

Management: No, I don't want to speculate but, as of now, I don't see like that. It's better that we talk about Rail Metro and Defense together. So it will be around 65% to 70%. In that Defense may go up to 50%, Rail may go down to 20%, but I don't see that possibility immediately looking at the opportunity size in Rail.

Basant Bansal: Yes, and sir one last thing from my side that which vertical has a high margin potential?

Management: Sir, all verticals have a high margin potential. Again, if you look at the biggest margin contributors, it is number one, the sustenance, that is the spare parts and services. The second highest contributor to margin is exports.

Basant Bansal: Okay, okay. Okay. Not in terms of defense, railway or mining, construction.

Management: It is applicable for all.

Basant Bansal: Okay.

Management: You know sustenance has the highest margin and exports follows it very closely.

Basant Bansal: Okay, sir. Okay. Okay. Thank you. I think this is very helpful.

Moderator: Thank you. The next question comes from the line of Sagar Gandhi with Invesco Mutual Fund, please go ahead.

Sagar Gandhi: Good afternoon, sir. Am I audible?

Management: Yes, yes. Good afternoon. You are very much audible.

Sagar Gandhi: Yes, thank you so much, sir. Sir, if you can highlight the size of the opportunity that we can capitalize on specifically from the high-speed rail project, which is the Mumbai-Ahmedabad bullet train project, if my understanding is correct, you are the prime rolling stock manufacturer for this program. So given that government has very keen to operationalize this project over the next one year or so, how large an opportunity it can open for us?

Management: You see the Mumbai-Ahmedabad corridor already the number of trains is fixed. We are mandated to build two trains of 280 kilometer per hour. And after that, what is in the public domain is we have submitted an offer for 16 trains. Now when it happens, how much it happens, only time will tell. But yes, once we deliver these two trains and they undergo all the tests and all, it will open up a huge opportunity for us for the upcoming seven corridors.

And in my opinion, the upcoming seven corridors will require at least 600 trains and 600 trains it can open up around 50% of that market for us because I don't think one single company will be able to cater to these many number of trains. So there will be two companies at least who will be supplying the rolling stock for the forthcoming high-speed train projects. But it is in the next 10 years, it's a 10 year pipeline, 10 years to 10 years to 15 year pipeline. But it's a huge opportunity. It's not only about the domestic seven high-speed train corridors, but it also opens up the export market.

Wherever there is a high-speed train requirement, at least we can learn from global markets, and we will. India, as a country and BEML, as a company, we will be at a different level. So that is the biggest gain from the rolling stock being manufactured, designed, developed, everything done here in the country.

Sagar Gandhi: Perfect, sir. So on the two train sets which you are already building, the prototype one, where is it in the execution stage? I mean, is it done? Is it certified, where is it exactly?

Management: I don't know how it can be certified so quickly. We have just started the production. I guess you were not there when with the other esteemed investors who visited. So we started the production sometime in April and when our investors visited in June, July, so we had started building some modules and all.

Now we are reaching the level of the completing shell with the car body, what we call it a car body shell we call it, right. Since it's a clean sheet design, every stage has lot of checks, balances, design validation, then some tests are to be carried out and once we deliver the train which we expect four months to five months from now, maybe five months from now, the first train, then it has to undergo extensive testing at depot and the main line.

And before the train goes out from our factory, it will also undergo extensive tests at the car level, at the basic unit level. So basic unit is four cars make one basic unit and the complete rake level or the train level has two basic units. So only after this testing is done, which may happen around this time of the next year. Then only we can say that yes. So it is too early. It is too early in the day. But we are quite confident, we are quite confident, we are on the right path.

Sagar Gandhi: Okay. Thank you so much, sir. Thank you.

Moderator: Thank you. The next question comes from the line of Amit Anwani with PL Capital, please go ahead.

Amit Anwani: Hi, sir. Good afternoon.

Management: Good afternoon.

Amit Anwani: Sir, my first question again a follow-up on high-speed rail. And we said that probably by next year we'll be done with the testing. So just wanted to understand what is the kind of per coach cost of production and what is our scope in that? And once the testing is done, if I take just probably just two-three years view, any expectations on what kind of HSR order which can come to you and you highlighted the long pipeline, but anything in near term we expect that probably can come since there are lot of corridors and DPRs are getting prepared. So anything on that would help.

Management: So I just mentioned that for the Mumbai-Ahmedabad corridor, we have submitted our offer for 16 train sets and decision will be taken based on which we'll further we'll execute further trains. As far as the other corridors are concerned, it is very, it is too early for me to speculate also. Right. It will be speculation and it will be wild speculation.

But what is important is that we will be ready. We will be ready for that. We have already started working on the 350 kmph that is the next level that I expect the new corridors to be. As far as the cost of production is concerned, you see it's a development stage and we ourselves are not I mean once the train is manufactured, it is tested, then probably I will be able to comment on the cost of production. And as to how much it is ours, it is 100% ours. It is 100% Indian including the IP. The intellectual property is Indian intellectual property and it is 100% ours.

Amit Anwani: Right. So even the propulsion systems are locally sourced and all other things?

Management: Propulsion is locally sourced, sir.

Amit Anwani: Understood. So second ball-park probably compared to 180 kmph trains like Vande Bharat, like it will be 1.5x or 2x kind of a costing for this HSR?

Management: It will not be correct on my part to.

Amit Anwani: Okay.

Management: To give you a ball-park figure because it is not that 160 kmph is X, so 280 kmph will be 280 X It does not work like that. It is exponential basically. As the speed goes up, it is exponential.

Amit Anwani: Right, understood. Second question, sir, on the capex, so what's the capex outlined and you have highlighted probably we're increasing capacities on the Rail and Metro side. So on the capex segmental wise, what's the capex expectations this year and next year? And for the Rail and Metro, I think we were talking about taking the numbers from some 250 units, the capacity was supposed to go to 350 units-400 units. So any change in that number since we're now also preparing for HSR over next three-four years? So yes, this is the question?

Management: No, there is no change in those numbers. In fact, once Aditya is, since Aditya is fully operational now, so first we'll focus on HSR and then we will shift, we'll go for the bulk production also of the HSR as and when it comes. But we are also utilizing HSR facilities which are available for our other projects as well.

As far as the capex is concerned, so I just mentioned Aditya we have infused around INR250 crores of capex. The overall capex plan, the last year, last year capex spent was around INR379 crores which was the highest probably in the last 15 years, 20 years, I don't know, we have to check that data. This year we have planned around INR600-plus crores once Brahma starts, so that will be another around INR900 crores or so. But it will not happen this year.

The spending will go into the next year and maybe year after that. It will be spread over. Plus the new unit at Chhattisgarh where land has recently been allocated to us. It's a very good tract of land and very apt for a heavy earth moving machinery. So there we are working out the capex and maybe in the next three to four months, we'll work out what kind of capex we'd like to infuse there. So that essentially will be the total capex plan for the next four years or so, four to five years I guess.

Amit Anwani: Right. Sir, lastly, if you could share the order book, order balance break-up segment-wise as of today and the full year order inflow expectation this year?

Management: So the order availability, 65% is the order from Rail, 25% from Defense, 4% from Mining, 6% from Exports currently. This year the order infusion of 1,181 till now. Defense has given us 50%, mining has given us around 25% and around 35% has come from the exports.

The overall order inflow this year again my expectation is 65% to 70% will come from Rail and Metro and some 20-odd percent should come from Defense and around 5% from international business and mining another 5% to 6%, but in mining whatever comes, it goes out also. So that is how it will be.

Amit Anwani: Right. What's the kind of absolute number for order inflow this year? Expectation?

Management: Order inflow expectation is INR20,000 crores, sir.

Amit Anwani: Okay. Okay.

Management: We will try for INR20,000 crores. We expect that with around 30%-40% probability, we should have around INR20,000 crores of order.

Amit Anwani: Understood, sir. Thank you so much, sir. All the best.

Management: Thank you.

Moderator: Thank you. The next question comes from the line of Sachin Maniar with 3P Investment Managers. Please go ahead.

Sachin Maniar: Hello. Hi, good afternoon, sir. Can you hear me?

Management: Yes, yes. Good afternoon.

Sachin Maniar: Yes, hi. Sir, on the recent order from HAL for light combat helicopter for the fuselage, can you help me what this is for how many numbers because what we understand that HAL is making almost 156 numbers over four-five years? So would we expect the repeat orders from the same?

Management: Repeat order I don't think so, but let us see. So it is around 60% of the total 90 numbers that we have received right.

Sachin Maniar: Okay.

Management: So it's around 48 numbers.

Sachin Maniar: Okay.

Management: And I am sure the fuselage is the complete shell basically, the helicopter shell.

Sachin Maniar: Correct.

Management: Okay.

Sachin Maniar: Okay. So this would be spread out over four-five years, right, this order would be spread out?

Management: Yes, I think three years. The exact quantity is 48 numbers.

Sachin Maniar: Okay, 48 numbers. Okay. Sure. And sir, second question, if you can help me what would be the R&D expected this year? Last year you had increased your spending to INR251 crores, so how you looking for this year?

Management: In terms of the percentage of the top-line, it should be around 7% and if we do a 25% growth, then it should be something more than INR300 crores, INR300 crores.

Sachin Maniar: Sure, sure. Sure. Thank you. That's it from my side. Thank you, sir.

Management: Thank you.

Moderator: Thank you. The next question comes from the line of Basant Kumar with NBG Investments, please go ahead.

Basant Bansal: Yes. Sir, I have two questions. One is from Metro perspective that what are the concern and challenges that keeps you worried?

Management: The concern and challenges that keeps me worried is how to maximize our shareholders' wealth.

Basant Bansal: So from business perspective?

Management: From results perspective is...

Basant Bansal: No, no, from business, business perspective.

Management: For business perspective, number one is, to grow consistently with a CAGR of 20%, number two to have a healthy EBITDA margin of at least 17% to 18% and number three to reduce the working capital, to reduce our debtors, to reduce our inventory. So these are the three major challenges and once we do that, then obviously our operating ratios, these inventory ratios and efficiency ratios, all this will be all right. And it will be enhance shareholder wealth and add more value.

Basant Bansal: The second question was about working capital and as you rightly said, this is a part of your concern areas. So what steps you are taking to improve the working capital cycle and what can help you, what can help you to improve it?

Management: You see, working capital has got two components. One is the inventory, the other is the debtor. So one of the major issues for the debtor has been if you look at our revenue spread quarter-to-quarter, it is generally 10% in first quarter, 20% in second, 30% in third quarter, and 40% in fourth quarter. In fact, last year the fourth quarter was almost 45%.

So when so much revenue is skewed in the last quarter, then the debtor goes up substantially, correct. And also the inventory, it also keeps piling up till the end we carry inventory so that the last quarter we can make some sales. So two things we have targeted and this year probably it will help us. We should start the year with a healthy executable order pipeline. When I say executable, it is ready for bulk production.

Fortunately this year we have opened like that and the main idea is to have a sustainable pipeline. In next year also, we should open like that. Once we do that by second quarter, if we are able to do even 35% of the total revenue planned, it will help us in a big way. If we are able to do around 70% also by the third quarter, then in the final quarter we'll be left with only 30%, correct.

So it will help in bringing the debtors under control to a great extent. It will help in keeping the inventory also under control, inventory consisting of raw material, semi-finished goods, finished goods. So these are the steps we are taking in with a tighter inventory control management, with more focused approach, planning the inventory in such a way that the long need items, it should be available with us at that time, in increasing our value of production. The value of production enhancement goes a long way in improving our margins. So these are the steps we are taking.

Basant Bansal: Okay, sir. Okay. Understood. This is very helpful.

Moderator: Thank you. The next question comes from the line of Rakesh Roy with Boring AMC. Please go ahead.

Rakesh Roy: Sir, my first question regarding sir can you light on your program on marine engine?

Management: Marine engine we are not doing anything currently. We are exploring but nothing concrete has happened till now. So we are focusing on the land system engines for the defense application where we are working out, we are exploring various partners, what type is needed. So currently we don't have any concrete marine engine.

Rakesh Roy: Okay, okay. So my next question, sir, as you say mention here you have looking to INR4,000 crores to INR5,000 crores order inflow in defense segment. This is include sir after Pinaka or QRSAM order will come this include this one also supporting vessel?

Management: No, no. Pinaka, we have not considered.

Rakesh Roy: Okay.

Management: We have some orders in the pipeline. One is the ARV WZT-3 overhaul, which is already there, you are all aware that DAC has cleared 230 numbers, then we have a command post vehicle, then we have self-propelled mine burrier, then we have some tank transporters, then Light Armored Multi-purpose vehicle where we fielded the vehicle, and it has successfully cleared the Summer trials, now it will go for Winter trials. So these are some orders that we're expecting.

Rakesh Roy: Hello?

Management: Yes.

Rakesh Roy: Yes. Sir my question is sir simple sir after the QRSAM, because BEML is expecting this year already for [inaudible 0:48:17] near the 30,000. So please give us for QRSAM, how much order will come to BEML for supporting vessel?

Management: Something in the range of INR600 crores, INR600 crores to INR700 crores.

Rakesh Roy: So this is as per regiment or for full?

Management: It is for full.

Rakesh Roy: Okay. Okay. Right sir. Thank you, sir.

Moderator: Thank you. Ladies and gentlemen, that was the last question for today. I now hand the conference over to Mr. Harshit Kapadia for closing comments.

Harshit Kapadia: Thanks, Steve. We would like to thank the management of BEML for giving us this opportunity to host this call. We would also like to thank all investors and analysts for joining this call. Any closing remarks Shantanu sir, you want to share with investor?

Management: No, I think we are very lucky to have such learned investors who have continued investing in the company and very, very interesting questions, very interesting queries. So my only request is that remain invested in the company and we'll try to create as much value as we can for all our investors, for all our shareholders. Thank you very much.

Moderator: Thank you. On behalf of BEML, that concludes this conference. Thank you for joining us and you may now disconnect your lines. Thank you.

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