

BEML Limited Earnings Meet

– **Speaker:**

- I think we can start. Some of them are on their way, but they are stuck in traffic but we can start, since we're here only till 11:00.

– **Management – BEML Limited:**

- We can start with a basic overview and then...

– **Mr. Sasi Kumar – Executive Director (Finance), BEML Limited:**

- Good morning, I am Sasi Kumar. I work as Executive Director-Finance in the Corporate Office. We have a presentation. I am sure you'll be aware of BEML. BEML incorporated on 11th May 1964. We have three business verticals. Defence & Aerospace, Mining & Construction and Rail & Metro. Revenue contribution each vertical has given in FY 24 is mentioned here. In this year's revenue, Defence & Aerospace has contributed 19%, Rail-metro contributed 38% and Mining & Construction has contributed 43%. Equity base is 54% with GoI and 46% with Others.
- You all would have heard, BEML has re-organised our existing Business vertical into eleven SBU (strategic business units) and two micro-SBUs. Under Mining and construction business vertical, Mining, Construction, Sustainance and H & P. Sustainance is basically after sales service. Under, defence vertical, Armoured, HMV, aerospace and engines SBUs are grouped. Rail metro has been split into commuter rail and metro rail. International business is a separate SBU. Maritime and Special Economic Zone are two micro-SBUs, which are in nascent stage.
- This shows how BEML's products got evolved over a period of time from 1964 onwards till now. The latest being Rail Grinding machine supplied in 2023. In addition to that now we are developing 1500 HP engine for Battle Tanks which is not mentioned here, because it is in development phase. We started with rail coach manufacturing at Bangalore. HMVs in 1967 at Kolar Gold Fields. Then high mobility weapons in collaboration with TATRA. Then transmission we started manufacturing in 1987. We have entered in 2003 in Metro segment. Till date we have supplied to 5 metro corporations in India. In 2019, biggest mining equipment that is electric excavator as rolled out in 2019. Then some of the AI features we have introduced in equipment in 2020. In 2021 driverless metro car supplied to Mumbai metro. And the last product is the Rail Grinding Machine which we have supplied to M/s. LORAM USA in 2023.
- This shows the network of BEML Pan-India. We have manufacturing locations in 4 places - Kolar Gold Fields, Palakkad, Mysore and Bangalore. We have 12 regional offices and 19

district offices spread across the nation. There are 2 Defence Spares Divisions and 2 activity centers.

- This slide shows major products of BEML. The last one you can see at the right corner is the Vande Bharat sleeper train which we is under production.
- And these are major accomplishments of BEML. We have supplied more than 8,960 high mobility vehicles. We have exported to more than 71 countries, totalling to Rs. 7,000 crores.
- These are the major achievements during FY24. First firing of 1500 HP engine, carried out at Mysore Engine Division. Vande Bharat, sleeper trains' manufacturing commenced. This year it's nearing completion. Then the 21 cubic meter rope shuttle. Last year we got the New Marseille order which is 3,200 crores worth. And for ISRO we have supplied some aggregates for this launch vehicle Mark III. And first time, this underwater river tunnel, the metro rail operation started in Howrah. These are the major achievements in last year.
- And, our global presence is like this. We have exported to 71 countries mostly in all continents, except Australia. And the export turnover is like this, In 2019-20 we were at Rs 62 crores, now we are at Rs 1,066 crores. This includes the Deemed exports.
- Shareholding is, Govt of India holds 54.03% and Institutional and Retail share holdings are mentioned against each.
- These are some of the key highlights all of you might be aware. We had an excellent performance in 2024. Share price which was at Rs. 1,257 in March 2023, has increased to Rs. 3,183/- as on 31st March 2024. To Net worth we could add around Rs. 250 crores. Our Manpower strength has come down from 5,197 in Mar 23 to 4,888 numbers in Mar 24. As per the guidance given in last year our EBITDA has gone up by 200 basis points. R&D expenditure has gone up by Rs. 20 crores to 87 crores. And from R&D developed products we have sold products around 87%. During FY 24 our sales achieved through competition mode 76%. From MSMEs, we have bought around 31% of our procurements. CSR spent is 3% of average 3 years PBT. And 98% of energy requirement is met out of energy generated from our Wind mills located in Karnataka.
- Revenue from operation break up is like this. M&C contributed around 43%, Defence 19% and rail metro 38%. We had substantial growth in rail metro last year. And, revenue from defence vertical contracted from 23% to 19%. Mining & construction also came down. Overall, we have gone up in 2024. Value of production is Rs. 4,056 crores, last year we were at Rs. 3,802 crores. VOP is more or less in the same proportion as Revenue from Operations i.e. 35%, 21% and 43% from Rail & Metro, Defence and Mining & Construction segment respectively. Order Book has gone up from Rs. 8,570 crores as on 31st Mar 2023 to Rs. 11,872 crores as on 31st Mar 2024.

- Gross margin is up by 25% from Rs 389 crores to Rs. 486 crores. PAT has gone up substantially from Rs. 159 crores to Rs. 283 crores, with a growth of 78%. Value of production per employee increased to Rs. 83 lakhs, that is around 14% increase. Manpower has come down by 6% compared to last year.
- Collection has gone up Rs. 112 Crores and debtors also have gone up by Rs. 202 Crores because some of the major sales happened in March end. Inventory has gone up. Employee cost has come down from Rs. 840 crores to Rs. 822 crores. Finance cost come down because of lesser borrowings. Thank you.
- **Participant Question:**
- Sir, in one of your interview you had mentioned that your long term guidance for revenue was around Rs. 7,000 crores by FY26. Now you are expecting 18 to 20% growth after this result. So, if we take that then this 7,000 crore guidance shifts to FY27 versus earlier budget of FY26. You have huge order book in hand and plus you are expecting strong order inflows in this year. So, why you are not expecting execution to pick up?
- **Management - BEML Limited:**
- There are several reasons for this. Number one, had we ended the year with order book of 17,000 crore which we had initially projected, probably 7,000 crore would have been possible. But as you know there were certain push backs. Some big ticket tenders were pushed back, they were discharged. For example, the push-pull aluminium train, 100 train sets. So that opportunity itself is around 36,000 crores. So, it has been pushed back and we are expecting that after the elections it will again be relaunched.
- Secondly, in the rail sector, some more track machine tenders were pushed back. Now we expect the ordering to be done sometime around July to September.
- Thirdly, in the metro there were two major push backs. One was the Bangalore metro, the variation order. The second was the Kolkata metro East-West corridor, 8 rakes, i.e. 48 cars. And if you would have got a chance to see my interview, go through my interview in the Times of India, total they need 25 train sets. We have supplied 14. 3 more we are going to supply by June. The KMRCL had come up with 4 rakes because that was the budget available, but now they have withdrawn that; they want 8 rakes in one go. And since the earlier rakes were supplied by us, so obviously it will come to us only. So these were the reasons of the push back. Now when there is a push back, the gestation time for such projects is pretty long. For example, even if Kolkata metro we get another 8 rakes by September also, we will not be able to execute within the current financial year, because the procurement cycle itself will be around 10 to 12 months.
- Similarly, the push-pull train if something happens only in December or January, in case we are able to secure the order, that will add to our order book, but there will be gestation period of at least 24 months by that time we can deliver the first proto. Like what happened to Vande Bharat, Vande Bharat last year May we got the order, we were fully

ready, geared up to complete in March. And in March our car bodies were ready also. When the Hon'ble Minister visited on the 9th of March, already the car body shells were nearing completion. Out of the 16, 8 were ready and the balance 8 were also ready exactly on 22nd March. Now there are quite a few items which are free issues from ICF. They have started flowing in from 15th of May. So, the first proto we are pushing by 15th of June. Max by end of June we will push the first proto to ICF, the complete train. Once that first proto undergoes extensive trials and the CCRS inspection which I hope will be done in 2 months' time, then by September we will start delivering the balance 9 rakes also, and we can do that at the rate of 2 to 3 rakes a month. So we intend to finish everything by December.

- So, these are the reasons because of which probably 7,000 may get shifted by a year or so. You would've seen, we have restructured the company into 11 strategic business units and 2 micro SBUs, the idea is that every strategic business unit gives average 1,000 crore turnover. And the micro SBU gives 500 crore average turnover. That is the aspiration. And that is not going to happen overnight, it will take 2 years to reach to that level. But in 2 years' time, definitely, we should start seeing the results. So, this year our main aim is to ramp up our order book. And that is the reason when I told CNBC TV18 that we should be looking at order book guidance of 20,000 to 30,000 crores, it sets a broad range, but there is a reason for it, the broad range, because there can be some push backs again. There can be some delays in the big ticket tenders.
- So, our main focus in 2024-25 will be, number one, getting more and more orders, ramping up our order book, both in defence and rail and metro. Mining, of course, will come naturally, in its natural way to us. Already orders have started coming, and we are looking at a huge export market for mining and construction also. Construction, literally it was contributing hardly 0.5% to the top line. This year we have order book opportunity size of at least 1,000 crore as I speak to you today. How much we can get out of it with the new strategic business unit, only time will tell.
- So, our first priority is to ramp up the order book. Number two is to consolidate our execution strategy by way of stabilizing the strategic business units and also handholding the micro SBU, so that they can reach the level of the strategic business units.
- **Participant Question:**
- What do you mean when you say you need to stabilize the strategic business units? Which parameters you are looking for?
- **Management - BEML Limited:**
- You see, we have launched the strategic business units on 1st of April. The company has been working based on certain principles, certain business model. Now there is a drastic change, there is a radical change in the business model of the company. So, we have to do a lot of internal churning which we are already doing. You know internal SOPs and all,

they are in place. Then, there is a huge shift, huge transfers, restructuring which has taken place from various divisions, to strengthen each of the strategic business units.

- Number three, apart from the strategic business units, we also have restructured the R&D into three levels. First level or the first group will be with each of the SBUs. Each of the SBUs has been given a huge chunk of R&D people, so that the SBU heads, they can really function as the CEOs. That is the idea, to empower them and to have faster decision making and to have complete control.
- Second structure in the R&D that we have brought out, is coming out with Corporate Technology Planning and Strategic Alliance. Why that is important? Because this is one of our major growth models, to have strategic alliances and to have a centralized focus on acquiring technology. So with that in view, we have formed a team led by an Executive Director, to head the Corporate Technology Planning and Alliance management.
- And the third and most interesting part of the R&D, is the new innovation and incubation centre that we have created. As of now there are some 40 odd engineers in that. We are in the process of inducting around 30 more engineers from IITs and NITs. Already the campus interviews have taken place, offer letters have gone and very shortly they will join us. Plus, we are recruiting more to strengthen this. The major focus of this new group will be to work on all futuristic technologies including the artificial intelligence. For example, if we go for a project, for example defence project, any futuristic combat vehicle will go for. So, futuristic combat vehicle will involve lot of electronics, lot of AI in that. So we have to prepare ourselves. Till now we were only focusing on the mechanical part, we were not really into the electronics or the communication part. Now even for the metro tenders we have the signalling as a part of the rolling stock. We also have the passenger screen door as a part of the rolling stock. So we have to augment our capabilities also. So that is the step in that direction, creation of such a group.
- So, when I say the stabilizing the strategic business units, it is at the operational level, it is clearly defining the model because there is a period, may be 6 months, where we may have to redo things, we may have to close some areas, close some businesses and may be open, create some new departments or some new divisions as well. So it is all a part of the churning process, it is all a part of the transformation process. So that is why I said the SBUs will need some time to stabilize. And I am giving the SBUs a time of 8 to 9 months for them to stabilize. That's again one of the reasons why 18 to 20% CAGR is probably the right number for the current financial year.
- **Participant Question:**
- Sir, are you let going of people, because I saw the number of employees in FY24 is lower than what was in FF23.
- **Management - BEML Limited:**

- That is because of the natural attrition. I have been telling that around 25% of our workforce is going to separate from us in next 2 years. So that is a huge number. Right now we have around 4,800. So, it will be around 3,000. So, we have to ramp up our human resource numbers, human capital as well. So, we have already started, we have already embarked on that journey of onboarding talent.
- **Participant Question:**
- This is mostly through retirement.
- **Management - BEML Limited:**
- 99% is retirement. Generally, in a public sector, attrition levels are very low. Very very low.
- **Participant Question:**
- But this is an attractive field. There are lots of people who want to be... especially in the engineering and R&D part.
- **Management - BEML Limited:**
- That is for the investors to decide whether it is really attractive or not. But what we see is that we are in such a sector that there is a lot of potential, huge, huge opportunity size and that is what we are working on. That is one of our value creation initiatives. The SBU formation is our value creation initiative. The restructuring of the R&D is a part of our value creation initiative. And you have to give some time for these things to stabilize before we really see the quantum jump. So, we are talking about 7,000 crore, 8,000 crore. If the SBUs are able to stabilize and you know the aspiration that we have from each of the SBU and micro SBU, if it happens, we cross 12,000 crore also. How much time? That only may be after 2 years it will be very clear where we are.
- **Participant Question:**
- Sir, since we are expecting new order inflows, then in terms of capacity, how ready we are across the segments?
- **Management - BEML Limited:**
- You see, when we are concentrating on the order books, we are also parallelly working on ramping up our execution capabilities. So, there are two ways in which normally people will execute. One is outsourcing, the other is creating new capacities. So, we are right now focusing on a strategy where we want to keep the core within the company. For example, in an engine, the 5 critical components, it is always advisable to have it within the company and to have it within our own control. So, with that in mind, this year the board has decided to infuse a CapEx of around 480 crores, which is around 10% of our last year's revenue. It is a huge, huge number, but we are ramping up the capacities,

number one in the engines. So engine is not only one program, there are at least 5 programs we are concurrently working on right now, and we have on boarded around 30 people in R&D till now, only for the engines.

- Second focus on the capacity augmentation or the capital investment is the defence. The engine also has a portion for the defence, and the pure defence for the armoured vehicles, for the high mobility vehicles, for the overhauling opportunities that we have, whether it is a T-72 engine, whether it is armoured recovery vehicle overhauling. So that is again our focus area. The major chunk of our CapEx goes into these two.
- And, the third major chunk of the CapEx, which is around 30% of our total CapEx, is in the rail, because it is not only Vande Bharat, we are also looking at an opportunity size of atleast 15,000 crores for the metro. We are already excluding Line 2 & Line 7. We are on the verge of completing the Kolkata Metro. We have just started the execution of Bangalore Metro, 318 cars. We are expecting a variation order of another 80 cars. We have the Chennai Metro, 210 cars plus 96 cars coming up very shortly. 24th is the bid submission date. We have 474 cars, 3 projects in Mumbai Line 4, 5, 6. So the opportunity size is huge. So, we have to ramp up our capacity. There's no hanger, so we have already undertaken that. So, maybe it will take us one year to come out with new facilities, by that time we will have the orders. So, the execution will then work smoothly.
- So parallely, apart from the order book, we are focusing on, number one, enhancing our human resource capital, and number two, enhancing our capability, the manufacturing capability. So, it's a two-pronged strategy. And third, of course, is indigenisation in a big way. And, there we have done a lot of handholding for our supply chain partners. The 1500 HP engine, there we did a handholding of atleast 40 supply chain partners across all over India. Majority of them are from the Pune, Kolhapur, Satara region and the Coimbatore and the Chennai, Hosur region; Tamil Nadu and Maharashtra. And some portion also came from the northern side- from Faridabad and from Ghaziabad. So, it has created a huge supply chain base for us and this supply chain base is going to pay dividends when we come out with our other engine programs. Another focus area is indigenization.
- In Defence we have undertaken indigenization of the high mobility vehicles. We have brought it to more than 90%. We have faced lot of challenges in indigenization. That is one of the reasons, you know, we could not come out with better numbers as far as the topline is concerned because of the supply chain challenges in defense with our indigenous partners. But we are working on that. We are creating alternatives and you need to give some time to the indigenous vendors for them to stabilize, you know. And the major challenge was the quality, so we decided, we took a conscious call that we will not supply subpar quality to our customer and that's why we restricted the numbers.
- **Participant Question:**

- Sir, this Rail and Metro since you'll be spending 30% of your CapEx, so in terms of numbers do you have any target that monthly production would be this, maximum it can be this number?
- **Management - BEML Limited:**
- You see, the maximum current capacity for the metro we say it's one car per day. But that is theoretical. Practically, we have been able to achieve 277 cars in a year and that is when the supply chain, when all the materials were available with us. That is the ideal situation. So, with the new capacity enhancement, I expect to add another 100-120 cars per year to our existing capacity.
- **Participant Question:**
- Sir, can we map our capacity versus our competitors and others ?
- **Management - BEML Limited:**
- You see the overall India, if we talk about the Metro then Indian railway is not there.
- **Participant Question:**
- No-no, sorry.
- **Management - BEML Limited:**
- As far as the Metro is concerned, it is BEML and ALSTOM. Titagarh is yet to set up the capacity and yet to come out with the trains from the Indian factory at Kolkata. In fact, their first train is expected in another 2-3 months. Anyway, I do not want to comment on that.
- **Participant Question:**
- What would be their capacity roughly?
- **Management - BEML Limited:**
- I can't comment on that. You better ask Titagarh that question, right. But the overall capacity in the country as on date what it exists, I think, it's around 700-800 cars per annum. Yeah, that should be the capacity.
- **Participant Question:**

- And, Sir, our market share currently and how is likely to pan out?
- **Management - BEML Limited:**
- Our current market share is roughly around 40%-45% and we aspire to increase it to at least 60%. As I said in my interviews also, looking at the opportunity size I will go for a hit rate of 50%.
- **Participant Question:**
- 50%?
- **Management - BEML Limited:**
- Yes, and 50% what is the total number of trains or total number of opportunities if we add up, so it is roughly around 800-900 cars. So, if we are able to take 50% of that, it is good enough for us. We should be in a position to execute that in the next 2-3 years.
- **Participant Question:**
- Okay. So, 800 cars requirement over the next 2-3 years of which 50% you will do?
- **Management - BEML Limited:**
- Don't know. I said presently the tenders that are on the horizon that itself is around 800-900 cars. I have not considered the Delhi Metro future expansion. And this will take some time for the ordering to take place. Maybe by the end of this year the ordering will be done, after that there is a time period of 2 years to develop the proto. So, the real execution will start after that.
- **Participant Question:**
- Sir, similarly, can you map the opportunity in case of Vande Bharat?
- **Management - BEML Limited:**
- Vande Bharat; it's all there in the public domain. The government has announced that they want to have 800 Vande Bharat trains by '2030. Strategies may keep changing. So, as of now, probably, the government is waiting for the BEML Vande Bharat sleeper to come out. If it does well, then I'm expecting another repeat order for the Vande Bharat sleeper.

- Apart from that, government will also wait for the 200 train sets to be supplied by, you know, BHEL, Titagarh and Transmash holding, RVNL. So, that will decide the future strategy of the government once the proto at least comes out. So, at this point of time, probably, it will not be correct on my part to map the opportunity size. So, we have to go with what the government has already announced in the public domain.
- **Participant Question:**
- Sir, this Vande Bharat train which you are making is a sleeper version?
- **Management - BEML Limited:**
- Yeah.
- **Participant Question:**
- And even Titagarh which they have got order, that's also sleeper.
- **Management - BEML Limited:**
- That's sleeper coach, yes.
- **Participant Question:**
- So, how different both the trains are? Since yours is first, are they making a similar kind of train or it is totally individual?
- **Management - BEML Limited:**
- That, you know, since it is already out in the public domain- our designs, interiors and all, so that question you should ask them. But as far as we are concerned, we definitely have the first mover advantage and it's almost ready. We are now working on the interiors and the furnishings and it will be ready.
- So, how different it is that probably the Railway Board can tell or maybe the companies who are executing the order they can tell. But what I can assure you is that it will be a worldclass train and that our honorable minister has also seen for himself and he has been very, very happy looking at our quality because we have absorbed this over the last 20 years while making the Metro trains and the same technology is also applied for Vande Bharat, which is again a stainless steel car. So, it was a very easy transition for us. Only difference was the Metro is a standard gauge train and the Vande Bharat sleeper is a broad gauge. That is the only difference.

- **Participant Question:**
- Sir, what is the kind of inhouse cost of production, whatever it takes for a Vande Bharat? So, I believe, I think propulsion system we might be procuring from outside, so just wanted to understand within the cost of production what is our contribution there?
- **Management - BEML Limited:**
- Our contribution is 100%.
- **Participant Question:**
- In terms of Vande Bharat.
- **Management - BEML Limited:**
- I got your point. First is, when Vande Bharat tendering took place, Transmash holding quoted a price of 118 crores per train. It was a 16 car train and BHEL quoted 139 crores, we quoted 145 crores. So, that should give you an idea about, you know, what is the cost of production?. Number two, as far as BEML contribution is concerned, it is 100% because entire train is built by us. Third is, we don't manufacture the propulsion but propulsion is coming from India only. It is not coming from outside India for the Vande Bharat. So, I think, that the answers your question.
- **Participant Question:**
- Right. So, just wanted to understand, so typically what is the bought out for us in a Vande Bharat manufacturing?
- **Management - BEML Limited:**
- Well, that is an information which I can't really divulge.
- **Participant Question:**
- Okay. And second, Sir, wanted to ask...
- **Management - BEML Limited:**
- Because it's not important what is a bought out. As I said, these days it is smart manufacturing. Everything is not manufactured within the company. So, if you look at the private sector, mostly they are working as aggregators. They're only assembling. But we are doing more than that. That is what I can say.

- **Participant Question:**
- And, Sir, since BHEL has got one order and RVNL got one order and we are already doing Sleeper prototype, so are we expecting probably an order in the next 12-24 months to come to us? So, any thought on that?
- **Management - BEML Limited:**
- Yeah, I think, I just mentioned that we are expecting a repeat order once our proto is supplied, once it undergoes extensive trials. And based on the extensive trials and the CCRS inspection will be very, very crucial.
- So, once we have that and when we start supplying the balance rakes for this particular project, definitely we can expect a repeat order.
- **Participant Question:**
- And, Sir, how about the manufacturing? So, you said 277 we already have in Metro cars and then we're adding 100-120 capacity.
- **Management - BEML Limited:**
- That's the capacity I am talking about.
- **Participant Question:**
- Yeah. So, for this manufacturing for Vande Bharat...
- **Management - BEML Limited:**
- No, Metro is different, Vande Bharat is different.
- **Participant Question:**
- So, we need capacity for Vande Bharat if at all the order comes?
- **Management - BEML Limited:**
- No, we don't need capacity. We have the capacities because it's broad gauge. So, broad gauge there is a different facility available, standard gauge there is a different facility available. Now, the facility that we are creating, it's a hybrid facility where we can manufacture both standard gauge as well as broad gauge.

- Presently we have the capacities for the Vande Bharat broad gauge because presently we are not executing any other rail project. We also have another unit at Kolar where we have manufactured the rail grinding machine. The first time the rail grinding machine was manufactured in India in partnership with LORAM, USA. So, that facility also can be utilized if we have more orders. So, we already have facilities at two places.
- **Participant Question:**
- Sir, this broad gauge, what is the current capacity which we have?
- **Management - BEML Limited:**
- Broad gauge?. yes, we can manufacture.
- **Speaker:**
- Around 200 we have done.
- **Management - BEML Limited:**
- Yes-yes, Around 200 coaches we can manufacture in India, both at Bangalore and KGF put together. We also have the flexibility of getting the car body shells at our another unit which is in Palakkad.
- When we did the MEMU last year, we did precisely that because we already had a rail grinding machine going on, we already had so many Metro projects going on. So, we utilized our facility in Palakkad to get the car body shells for the MEMU.
- **Participant Question:**
- Sir, in one of the interviews you talked about 50,000 plus prospects in Rail and Metro. So, any notable orders, Sir, including there? So, you already told that 15,000 would be for the Metro. So, just wanted to understand your thought since 15,000 is huge. So, any notable large order you are expecting there?
- **Management - BEML Limited:**
- Yes. We have some track machines which are on the anvil, that will be around say 2000 crores. We have, again, the Vande Bharat repeat if it happens, it will again be around 600-700 crores or even more. We can expect at least 1200-1300 crores from the Railway. And the biggest is, basically, the Push-Pull train, the aluminium Push-Pull train, which is around 36,000 crores.

- **Moderator:**
- Next 5 minutes left.
- **Participant Question:**
- And this will be in JV with someone?
- **Management - BEML Limited:**
- The Push-Pull train, definitely, it will be a partnership. Could be a consortium.
- **Participant Question:**
- Sir, going by the orderbook and growth prospects is it reasonable to expect that over next 3 years we can double our revenue in both Defence and Railways?
- **Management - BEML Limited:**
- Yes, that is what we are aspiring to.
- **Participant Question:**
- Sir, your margins will be same?
- **Management - BEML Limited:**
- Margins, definitely, if our revenue goes up the margins will go up but at the same time our other expenses will also go up because as we are developing the engine program, now we are going for more engine programs, more new programs. So, obviously, the other expenses will go up. So, we will have to cover it up with our increased topline so that the margins also go up.
- **Participant Question:**
- Sir, the segmented level maybe 3 years down the line, can we double digit the Defence.
- **Management - BEML Limited:**
- No, I didn't get your question. I mean, you are talking about the absolute terms, the numbers or you are talking about the growth percentage?

- **Participant Question:**

- No, 3 years down the line if our revenue doubles in Defence and Railway, our margins will be double digits in both segments?

- **Management - BEML Limited:**

- No, it will not be like that because we'll have to live with some investments also. Those investments will also come in, the expenses will come in. There will be some consultancy that we require. So, all that will add to other expenses. So, even if the revenue doubles, the margin will not become double. Margin will be less than double. But, yes, it will be substantial. That much I can say.

- And also we have to onboard a lot of talent. If we are aspiring to do say 10,000 crores, the 4800 manpower will not suffice. Plus, we have to look at, you know, the natural separations. So, a lot of new onboarding has to be done at all levels, including the workforce level. At the same time we will maintain our wage cost. This year we have brought it down by around 2%. We will maintain it around 18%. My guidance will be to maintain it around 18% for the next 2-3 years and maybe after that once we reach a certain level we can further think about bringing it down. But it is not possible to bring it as some of the media channels have asked whether it is possible to bring it to 15%, 14%. So, no. My answer is no. It cannot be brought down to 15% so soon. It will take time and it may not come down to 15% also but we are okay with 20%, with 18% if we are able to give more dividends to our shareholders, if you are able to increase our margins without lowering the wage cost. So, how does it matter? It doesn't matter much.

- **Participant Question:**

- Sir, in fact a lot of people are super annuating and you are hiring new talent. It's not that the workforce is less, just that you're rejuvenating the workforce and preparing them for a much bigger size company. It should be fine.

- **Management - BEML Limited:**

- Yeah.

- **Participant Question:**

- I don't think that should be a concern.

- **Management - BEML Limited:**

- It is not a concern for me at all.

- **Participant Question:**
- ...
- **Management - BEML Limited:**
- Yeah-yeah, for me absolutely it's not a concern. 20%, 18% is very healthy. In fact, even if we maintain it at a 20%, we'll be very happy.
- **Participant Question:**
- Sir, last question from my end. From exports side over next three years, how do you see in terms of...
- **Management - BEML Limited:**
- You see we have set a very ambitious export target. Our ambitious export target, it talks about at least 10% revenue from the physical exports. That is what our internal plan is. This year we have done pretty well. What are our total export numbers?
- **Speaker:**
- Sir, 12,153 crores.
- **Management - BEML Limited:**
- So, already 25% the total export turnover which also includes the deemed export. Now, what I'm talking about is the physical export. The physical export for the numbers to reach 1000 crore, to reach 10% of the turnover, so we are looking at some big ticket projects outside the country mostly in defense and in Rail Metro. So, once that happens then definitely we will be able to reach a number of 10% of revenue as physical exports and the mining and construction equipment will keep on giving the baseline for the export revenue.
- So, we are pretty confident that this year also we do well. Last year we did pretty well in exports, year before that we did pretty well in exports in as far as physical exports is concerned. Total exports, definitely. It has been a quantum jump for us in FY22-23 as well as FY23-24. So, FY24-25 may not see a quantum jump in the overall exports but the physical exports will definitely see a jump and slowly we are moving towards, you know, the physical exports in all the three business verticals, in all the three core areas for us so that it is able to contribute around 10% to the company's topline.

- **Moderator:**
- We will take one last question.
- **Participant Question:**
- Yeah. So, just could you give orderbook breakup for Rail and Metro, Defence and Mining and Construction as on 31st March?
- **Management - BEML Limited:**
- I think that is already there in our presentation, Sasi?
- **Mr. Sasi Kumar – Dy. General Manager (Finance), BEML Limited:**
- Already in our website we have uploaded.
- **Management - BEML Limited:**
- Yes, you can share that.
- **Mr. Sasi Kumar – Dy. General Manager (Finance), BEML Limited:**
- Yes sir.
- **Participant Question:**
- And intake also is it there? Intake breakup if you could share? Order intake.
- **Management - BEML Limited:**
- Order intake breakup I have already spoken during my media interactions. I've talked about the opportunity size. I will just repeat it for your ready reference. Rail Metro, we look at the opportunity size of 58,000 crore, in Defence...
- **Participant Question:**
- No, Sir, FY24 how it has been FY24?
- **Management - BEML Limited:**
- You're interested in FY24? FY24 we have to look into that.

- **Participant Question:**
- Orderbook, yeah.
- **Management - BEML Limited:**
- Yeah, the order inflow.
- **Participant Question:**
- Inflow. Sir, the closing orderbook is 1600 crores in Rail and Metro? Sorry, in...
- **Management - BEML Limited:**
- No, you talk about orderbook inflow.
- **Participant Question:**
- Inflow.
- **Management - BEML Limited:**
- Inflow, majority has been in Metro; Rail and Metro.
- **Speaker:**
- Yeah, I'll take care of the information provided.
- **Participant Question:**
- Sir, on the Defence side we were expecting some programs on the overall on HMs, in addition to that new ARVs and overhaul of ARVs. Where are we there? I mean in next FY25, FY26, FY27 what can we see in terms of business.
- **Management - BEML Limited:**
- I think my Director Defence here will take that.
- **Mr. Srivastava - Director (Defence), BEML Limited:**
- All the three things are on. Overall order book for Defence is Rs. 4800 crores. That is the order for the new ARV also and other contracts. We have kept lot of CapEx also for overhauling hangar we are making and we are getting orders now. We already made a

few equipment which is under contract, for other equipment order is shortly going to be concluded.

- **Participant Question:**

- Sir, orders are already out as far as new HMVs are concerned. 2 RFIs, if I am not wrong, were already out worth 4000 crores. So, any progress there?

- **Mr. Srivastava - Director (Defence), BEML Limited:**

- Orders will be coming shortly, we're getting ready to manufacture that. That's a very big number. We have to compete and get that. So, we are working on that.

- **Participant Question:**

- Who will be our competitors there?

- **Mr. Srivastava - Director (Defence), BEML Limited:**

- Actually, in nutshell, if we look at HMVs I work with a different kind of equipment altogether. So, the question is that somebody is coming in the market making a normal truck where I got articulated truck, which is certain exclusive platform. Army definitely comes to us. So, there's no competition as Army has to determine which kind of equipment they have to go for. So, that is something that we are trying to convince them that it's a different truck altogether.

- **Participant Question:**

- So, that in that case it will be a nominated order?

- **Mr. Srivastava - Director (Defence), BEML Limited:**

- We are working on that. Let us hope.

- **Management - BEML Limited:**

- No, it will not be nominated order. We don't get any nominated orders from anybody. It is all competition.

- **Participant Question:**

- Because if I look at your Defence portfolio, most of the things you have only done for Armed Forces.

– **Management - BEML Limited:**

- We have done because we have developed those capabilities. So, it's not nomination. It's a single qualified bidder. There's a difference. Single qualified bidder or nomination basis there's a huge difference. So, we are there, for example, for Pinaka, we are the only license holder for the platforms. So, there are four types of vehicles, four variants basically in each regiment and for all four we are the only platform license holders. So, calling it nomination is not correct.

– **Participant Question:**

- Okay. Sir, HMV has been through a competition?

– **Management - BEML Limited:**

- HMV we have competition because, competition in the sense that somebody is offering for example Maruti, we are offering Mercedes. So, if you see competition that way, there is competition.

- And another thing I wanted to just add here is that you see if you look at the acquisition of the Army or the land systems, it takes a lot of time. 2 years, 3 years and then there will be FOPM and then bulk production clearance. That is one of the reasons we have created this Maritime Strategic Business Unit which will specifically focus on Navy, on the commercial maritime, on Coast Guard because there it is faster and already even before coming out with the SBUs formally, we have started interacting with the Navy for over the last six months and a lot of things have happened and maybe very shortly you will hear some new announcements for the Navy and for the Maritime sector. Lot of things have happened and things will happen faster.

– **Participant Question:**

- Sir, but if we look at Defence, we are going to Aerospace also.

– **Participant Question:**

- Can you please outline the opportunity size.

– **Management - BEML Limited:**

- 58,000 crores Rail and Metro, 6000 crores for Defence and Aerospace and 3000 crores for Mining. This mining is not only mining, it is construction as well. So, as I said, 1000 crores is for the construction itself; there is a visibility for us. But as Director Defence was talking

about Aerospace, aerospace is one area wherein we had till now been doing only structures and other things and now we are getting to the mainstream of that and that is a huge, huge business opportunity for us. The opportunity size in Aerospace itself will be around, I think, more than 8000-9000 crores for us in the next 2-3 years.

– **Participant Question:**

– Sir, some example in Aerospace?

– **Management - BEML Limited:**

– In Aerospace, you know, the ISRO projects. Aerospace is the Air Force projects like the light utility helicopter, right, like the missile projects for the Air Force. They have Aerospace projects.

– **Participant Question:**

– Sir, one last question I would like to ask. If we see the quarterly performance, Q1 is always low and then it gradually picks up in Q4. So, what's the seasonality in the business? Why is that so?

– **Management - BEML Limited:**

– No, I didn't understand your question. Seasonality is like that only because the orders actually start flowing in not evenly. If you look at the Mining sector where the turnaround time is very less, the orders generally start flowing in from the third quarter. That is one of the reasons. Now, once we are able to shift or tilt the balance towards Rail and Metro and Defence and with the right execution strategy, probably, we'll be in a position to balance it out better and that is better for the cashflow for the company, you know, to even out the performance in each of the quarters.

– Honestly, if you ask me, I would like to have 15% of the turnover in the first quarter, the second quarter should contribute around 30%, and the 3rd and 4th quarter should contribute around 55%. That is the ideal situation but this world is not ideal. So, here also we are trying to make it that way but how much will be able to succeed I really don't know.

– One thing we forgot, you know, when we start we should have had an introduction. So, unfortunately, we did not do that and some of you probably were stuck in traffic. So, my Director Finance - Mr. Jerath is there, Mr. Sasi Kumar- our Executive Director Finance, Mr. Chandra Shekar Singh, he's a Zonal Head, looking after the entire Northwest Zone. He sits at Nagpur and he controls a large chunk of the Western operations and the Northern

operations. Mr. Srivastava is our Director Defence and Mr. Tapash Talukdar is our Head of Corporate Communications.

– **Participant Question:**

- Sir, if I may make a comment and it's not a question but the kind of dynamism we have seen in BEML in particular in many PSU for the last 2-3 years and the way you have articulated the story, the way you have executed it, the way you have kind of highlighted to investors and other internal stakeholders has been remarkable. I just wanted to congratulate you on that. It's really remarkable the way the story you have woven. It's just when we meet private sector companies, public sector companies, earlier it used to feel as if the private sector companies were the dynamic ones but now even the private sector companies are racing to try and keep pace with many companies such as BEML and it's really remarkable what has been done at BEML in particular.

– **Management - BEML Limited:**

- I would just like to add something that the private sector had always been complaining that it is not a level playing field. Now, it is the other way around. The level playing field is not there for the PSUs because we have the global tender exemption approval, restriction in imports, we have the restriction in procuring from the MSMEs, we have the mandate to go through GeM portal only. So, these things are not there for the private sector. So, how it can be a level playing field? In fact, we are now requesting the government to create a level playing field so that the public sectors can compete...

– **Participant Question:**

- Even more effective.

– **Management - BEML Limited:**

- More effective.

– **Participant Question:**

- It is remarkable what you have done.

– **Management:**

- Thank you.

– **Management - BEML Limited:**

- We get payment in 90 days or 120 days from the government.
- **Participant Question:**
- Still, Sir, the way you have managed the company and been so competitive not just in India but in global. It is remarkable, so thank you very much.
- **Management - BEML Limited:**
- That is what our goal is.
- **Participant Question:**
- Sir, can you plan our visit to your Metro factory because we would like to understand...
- **Management - BEML Limited:**
- It was actually long overdue. During our last Investor Meet we had promised to do somewhere in the month of February but then things didn't work out. But, Tapas, now there's a lean period, so before we end our first quarter within the month of June if you can plan something, please do.
- **Mr. Tapash Talukdar - Head of Communications, BEML Limited:**
- Sure.
- **Management - BEML Limited:**
- It can be a 2-day program and I would suggest that you visit our Metro factory as well as you visit our Engine division. So, keep 2 days for it.
- **Participant Question:**
- Sure, Sir, because that will improve our understanding and confidence on the prospects of the company.
- **Management - BEML Limited:**
- Absolutely because seeing is believing. Whatever I've said is mere words.
- **Participant Question:**
- Absolutely.

- **Participant Question:**
- Sir, thank you very much.
- **Participant Question:**
- Thank you sir.
- **Management - BEML Limited:**
- You are the organizer of this, you were asking me so many questions.
- **Participant Question:**
- Yeah, I thought I will fill up the time.
- **Management - BEML Limited:**
- Thank you all of you.

(Discussion amongst members)

END OF TRANSCRIPT