



## Rating Rationale

12 July 2022

### BEML LIMITED

**Brickwork Ratings withdraws the rating for the redeemed non-convertible debentures (NCDs) of Rs. 100.00 Crs. and reaffirms the ratings for the bank loan facilities of Rs. 5500.00 Crs. of BEML Limited**

#### Particulars

##### A. Outstanding NCDs

Instrument	Amount (Rs. in Crs.)		Tenure	Rating <sup>^</sup>	
	Previous	Present		Previous (01 Dec 2021)	Present
NCD	100.00	Nil	Long Term	BWR AA/Stable Reaffirmation	Withdrawn on full redemption
<b>Total</b>	<b>100.00</b>	<b>Nil</b>	<b>Nil</b>		

Please refer to BWR website [www.brickworkratings.com/](http://www.brickworkratings.com/) for the definition of the ratings; Annexure-I shows the details of NCDs

<sup>^</sup>Instruments with this rating are considered to have an adequate degree of safety regarding the timely servicing of financial obligations. Such instruments carry low credit risk.

##### B. Bank Loan Facilities

Facilities	Amount (Rs. Crs.)		Tenure	Rating	
	Previous	Present		Previous (01 Dec 2021)	Present
<b>Fund based:</b> Cash Credit/EPC/PCFC/FBD/EBR Proposed CC/EPC/STC	1350.00 150.00	<b>1350.00</b> <b>150.00</b>	Long term	BWR AA/Stable Assignment	<b>BWR AA/Stable Reaffirmation</b>
<b>Fund based:</b> Commercial Paper (Sublimit to CC)	(400.00)	<b>(400.00)</b>	Short term	BWR A1+ Assignment	<b>BWR A1+ Reaffirmation</b>
<b>Non Fund based:</b> Letter of Credit/Bank Guarantee Proposed LC/BG	3300.00 700.00	<b>3300.00</b> <b>700.00</b>			
<b>Total</b>	<b>5500.00</b>	<b>5500.00</b>	<b>Rupees Five Thousand and Five Hundred Crores Only</b>		

Please refer to BWR website [www.brickworkratings.com/](http://www.brickworkratings.com/) for the definition of the ratings; Annexure II shows details of bank loan facilities.



### **Rating Action/Outlook**

Brickwork Ratings (BWR) has withdrawn the rating of the non-convertible debentures (NCDs) of Rs. 100 Crs. based at the company's request in view of the redemption of the said NCDs on the scheduled date of 18 May 2022 and written confirmation of the redemption and of no outstanding obligations against rated NCDs received from the Debenture Trustee. Hence, in accordance with extant regulatory guidelines and BWR's Rating Withdrawal Policy, ratings for the NCDs of BEML limited (BEML or the company) are withdrawn.

The ratings of BEML continue to draw strength from the company's position as a strategically important Public Sector Undertaking (PSU) (GoI stake ~54%) serving the mining and construction, defence, and rail and metro segments; professional and experienced management; established track record; strong financial and operational performance in FY22 and diversified revenue mix. Brickwork Ratings (BWR) believes the strategic importance of the company's operations, government support, new business plans and strong order book position fuelled a revival in the company's business from the Covid-19 impact during FY21 and FY22. The rating continues to factor the company's comfortable financial risk profile, strong capital structure with a low gearing and adequate debt protection metrics, low counterparty risks with the key clientele of government agencies, PSU etc and a well-established pan-India marketing and service network. The rating, however, remains constrained by modest profit margins, elongated receivable and inventory days in view of the working capital intensity of operations, the susceptibility of margins to raw material price volatility and forex fluctuation, increasing competition from large private players that impacts pricing flexibility and customer concentration. Any recurring impact of Covid-19-related disruptions on the supply chain may dampen the company's performance.

The Government of India (GoI) held a 54.03% stake in the company as on 31 March 2022. However, the GoI had given approval for strategic disinvestment in BEML during FY17 and proposes to disinvest 26% equity out of its shareholding by way of strategic disinvestment to investor(s), along with the transfer of management control. In July 2021, the company incorporated a Wholly owned Subsidiary (WoS) in the name and style of BEML Land Assets Limited (BLAL) for the demerger of surplus land and assets as a part of the disinvestment process. The company filed the scheme of arrangement for the demerger with the Ministry of Corporate Affairs (MCA) for approval in October 2021. Pursuant to MCA order dated 13 Jan 2022, the equity shareholders and secured creditors approved the Scheme of Arrangement between BEML and BLAL for transfer of Identified Surplus / Non-core asset on 25Feb2022 whereas the unsecured shareholders approved the same on 28Feb2022. BWR continues to monitor the strategic disinvestment process and take appropriate rating action as and when necessary.

The rating outlook may be revised to Positive in the case of sustained significant growth in revenues with an improvement in the profitability and working capital management, thereby strengthening its credit risk profile. Replenishing the order book with higher margins and advance backed orders would also be a credit positive. The outlook may be revised to Negative in the case of a significantly lower-than-anticipated performance due to deferment/delays in the



execution of orders, leading to lower cash accruals and/or a deterioration in the liquidity profile or working capital cycle, especially in view of the continuing Covid-induced disruptions and/or if any major debt-funded expenditure adversely impacts the capital structure and debt coverage metrics, thereby weakening the company's credit risk profile.

For further details, please refer to the previous rating rationale: [BEML Limited\\_01Dec2021](#)

### **Analytical Approach and Applicable Rating Criteria**

BEML has three subsidiaries, namely, Vignyan Industries Limited (VIL), MAMC Industries Limited (MIL) and BEML Land Assets Limited (BLAL). During July 2020, the MoD accorded an "in-principle" approval for the closure of VIL, following which the subsidiary has stopped production activities since October 2020, and an official liquidator was appointed in October 2021. BLAL was incorporated in July 2021 for the demerger of surplus land and assets as part of the strategic disinvestment process. The company has a joint venture, BEML Midwest Limited. The statutory auditors have issued a qualified opinion stating that the financial statements of BEML Midwest Limited, a joint venture, have not been consolidated in the absence of its financial statements. BEML's management states that there was a cessation of activities in BEML Midwest Ltd, the JV company, since September 2008, and matters relating to the JV company are subjudice. In view of the above, the JV company has not prepared its accounts, and thus, the same could not be consolidated. As such, currently, the operations of the subsidiaries/JV are not meaningful in comparison with those of BEML. Therefore, while assigning the ratings, BWR has adopted a standalone approach and has applied its rating methodology as detailed in the Rating Criteria (hyperlinks provided at the end of this rationale).

**Liquidity - Adequate:** BEML Limited's liquidity is adequate with fund-based working capital utilization at ~60% of sanctioned limits in the past 12 months. The Commercial Paper utilization as on date is nil. The company has large undrawn fund-based limits (~Rs. 500 Crs.) as on 30Apr2022. Cash & cash equivalents as on 31Mar2022 were at Rs. 28.38 Crs. The company has no term loan outstanding as on 31Mar2022 and as on date. On 18May2022, the company has fully redeemed Rs. 100 Crs. of NCDs (ISIN: INE258A07039) and is expected to meet its near-term commitments comfortably through internal accruals and undrawn working capital limits.

### **About the Company**

BEML Limited was established in May 1964 and is a 'Miniratna-Category-1' PSU listed on the BSE and NSE. The company operates under three major business verticals, viz., Mining and Construction (M&C), Defence, and Rail and Metro (R&M). The three verticals are serviced by nine manufacturing units in Bangalore, Kolar Gold Fields (KGF), Mysore and Palakkad, and subsidiary Vignyan Industries Ltd in Chikmagalur District (during July 2020, the MoD accorded an 'in-principle' approval for the closure of M/s Vignyan Industries Limited). The GoI holds 54.03% equity in the company. BEML serves India's core sectors such as defence, rail, power, mining and infrastructure. BEML's products are exported to more than 68 countries. Under the defence vertical, the key products are Tatra-based high-mobility trucks, vehicles for missile projects, bridge systems, aircraft towing tractors and weapon loading trolleys, along with other



equipment; under the M&C vertical, a wide variety of heavy earth moving equipment such as bulldozers, loaders, excavators, pipe layers and under mining equipment; and under the R&M vertical, integral rail coaches, metro cars and broad gauge rail bus for the metro and Indian Railways.

Mr. Amit Banerjee is the Chairman, Chief Executive Officer and Managing Director.

### Key Financial Indicators-Standalone

Key Parameters	Units	31 Mar 2022	31 Mar 2021
Result Type		Audited	Audited
Operating Revenue	Rs. Crs.	4337.49	3557.70
EBITDA	Rs. Crs.	314.40	154.83
PAT	Rs. Crs.	134.59	74.80
Tangible Net worth	Rs. Crs.	2271.04	2184.91
Total Debt/Tangible Net worth	Times	0.37	0.34
Current Ratio	Times	2.39	2.33

**Key Covenants of the facility rated:** The terms of sanction include standard covenants normally stipulated for such facilities.

**Status of non-cooperation with previous CRA - NA**

**Rating History for the previous three years [including withdrawal and suspended]:**

#### A. NCDs (now redeemed)

Instrument	Current Rating (Jul 2022)			Rating History			
	Type	Amount (Rs Crs)	Rating	2022	2021	2020	2019
NCD	Long Term	100.00*	Withdrawn	Not rated	15Jul2021 BWR AA/ Stable  01Dec2021 BWR AA/ Stable	15 Jul 2020 BWR AA/ Negative	26 Jul 2019 BWR AA/ Stable
<b>Total</b>		<b>100.0</b>		<b>Rupees One Hundred Crores Only</b>			

\* Fully redeemed

**Note:** BWR had initially rated proposed NCDs of Rs. 300.00 Crs on 19 Mar 2012 at BWR AA+/Stable. Subsequently, the rating was revised to BWR AA/Negative for NCDs of Rs. 300.00 Crs on 17 Jan 2013. Later, the rating was revised to BWR AA/Stable for NCDs of Rs. 300.00 Crs on 10 July 2014 and the ratings were reaffirmed for 21 July 2015, 03 Aug 2016, 10 Aug 2017 and 30 Jul 2018.

## B. Bank Loan Facilities

Facilities	Current Rating (Jul 2022)			Rating History			
	Tenure	Amount (Rs. Crs.)	Rating	2022	2021	2020	2019
<b>Fund based:</b> CC/EPC/PCFC/FB D/EBR Proposed CC/EPC/STC	Long term	1350.00 150.00	<b>BWR AA/ Stable Reaffirmation</b>	Not rated	<b>01 Dec 2021</b> BWR AA/ Stable Assignment	NA	NA
<b>Fund based</b> Commercial Paper (Sublimit to CC)	Short term	(400.00)	<b>BWR A1+ Reaffirmation</b>		<b>01 Dec 2021</b> BWR A1+ Assignment		
<b>NonFund based:</b> LC/BG Proposed BG/LC		3300.00 700.00					
<b>Total</b>		<b>5500.00</b>	<b>Rupees Five Thousand and Five Hundred Crores Only</b>				

### Complexity Levels of the Instruments: Simple

For more information, visit

<https://www.brickworkratings.com/download/ComplexityLevels.pdf>

### Hyperlink/Reference to applicable Criteria:

- [General Criteria](#)
- [Manufacturing Companies](#)
- [Approach to Financial Ratios](#)
- [Short Term Debt](#)

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**BEML Limited**  
**Annexure I- Instrument Details**

Instrument	ISIN	Date of Issue	Amount (Rs. Crs)	Coupon#	Maturity Date
NCD*	INE258A07039	18-May-2012	100.00	9.24%	18-May- 2022
<b>Total</b>			<b>100.00</b>	<b>Rupees One Hundred Crores Only</b>	

#Payable Semi Annually on 18/05 & 18/11

\* Listed on BSE.

**Annexure II : Details of the bank loan facilities rated**

Sl. No.	Name of Banks	Name of Facilities	Long Term (Rs. Crs.)	Short Term (Rs. Crs.)	Total (Rs. Crs.)
1	State Bank of India	Cash Credit	750.00	-	750.00
		Letter of Credit	-	465.00	465.00
		Bank Guarantee	-	1400.00	1400.00
2	Canara Bank	Cash Credit	40.00	-	40.00
		Letter of Credit	-	160.00	160.00
		Bank Guarantee	-	200.00	200.00
3	Axis Bank	Cash Credit	20.00	-	20.00
		Bank Guarantee	-	230.00	230.00
4	Bank of Baroda	Cash Credit	10.00	-	10.00
		Letter of Credit	-	75.00	75.00
		Bank Guarantee	-	115.00	115.00
5	Bank of India	Cash Credit	40.00	-	40.00
		Letter of Credit	-	50.00	50.00
		Bank Guarantee	-	280.00	280.00
6	Indian Bank	Cash Credit	20.00	-	20.00
		Bank Guarantee	-	20.00	20.00
7	IDBI Bank	Cash Credit	95.00	-	95.00
		Letter of Credit	-	25.00	25.00
		Bank Guarantee	-	215.00	215.00
8	HDFC Bank	Cash Credit	225.00	-	225.00
		Letter of Credit	-	25.00	25.00
9	Union Bank of India	Cash Credit	100.00	-	100.00
		Bank Guarantee	-	40.00	40.00
10	Deutsche Bank	Cash Credit	50.00	-	50.00
11	Proposed Facilities	Cash Credit	150.00	-	150.00
		Letter of Credit	-	200.00	200.00
		Bank Guarantee	-	500.00	500.00
<b>Total - Rupees Five Thousand and Five Hundred Crores Only</b>			<b>1500.00</b>	<b>4000.00</b>	<b>5500.00</b>



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