

# BEML is focusing on sale of high-value equipment, bullish on orders, says MD

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**B**EML (Bharat Earth Movers Ltd) chairman and managing director D.K. Hota, says his company is focusing on sale of high-value equipment and is bullish on the near term in terms of order inflows. However, he expects margins to remain a challenge for the Mumbai Metro projects. Edited excerpts:

**One of the key positives my colleague Anisha Jain pointed out was the sizeable improvement in order inflows at BEML. Can you highlight the trends, and how do you see 2019 shaping out?**

I am happy to say that we have just been awarded the order for Mumbai line 2 and line 7. That is a ₹3,000-crore order. It takes my order book to almost ₹10,000 crore. It is the biggest order ever that we have received in BEML. It also has an optional 126 cars; that is another ₹1,000 crore.

The entire rail and metro is looking very good to us. Besides the metro in Mumbai, we are looking at certain orders in Bangalore, we are undergoing execution of order at Kolkata, and we are also expecting some orders from Delhi. Plus, there are other places such as Pune and Vizag. There are other opportunities as well in rail and metro. For example, freight is expected to almost triple by 2030. There is a new rail policy, which talks of strengthening the existing corridors and looking at new corridors.

There is also a market for suburban trains. It will run like a metro instead of being pulled by a locomotive. So that is another option for us. We are also looking at rail grinding machines, track laying machines, we are also looking at high speed link between Mumbai and Ahmedabad, for which we have a tie-up with Hitachi. So, net-net, the entire rail and metro is looking very good for us. This is aided and buoyed by the fact that the Make In India policy of the honourable Prime Minister has also helped us in a very big



D.K. Hota, chairman, BEML

way.

Not to speak of other two verticals that we have, which is mining and construction, and defence—both of which are looking good. Defence, of course, there are some headwinds with respect to approvals coming, and some payment issues. However, we are looking at increasing our spares for defence, almost doubling compared to last year.

As far as mining and construction is concerned, we are very happy to inform that we

have managed to sell our big dump trucks to Coal India on a trial-cum-sale order for 150 tonnes and 190 tonnes, which hitherto used to be an area only for the multinationals. This is our focus. We would like to focus on all high-end equipment. We have also supplied the 180 tonne electric excavator, and we are also looking at 875 horsepower dozer. So, net-net, we are very bullish about the future.

**Can you give us a little more detail on this ₹3,000 crore order that you just won? What kind of margins would you enjoy on this particular order? Does the entire order come to you, or is it a part of some JV?**

This order comes to us totally. There is no JV (joint venture). We may take some help from other design consultants like Hitachi and others, but the order is totally on account of BEML.

The margins will be a challenge. However, we hope to make good because this is the first time that we have been made eligible for such a big order. You would perhaps be knowing that between the Chinese and BEML, L1 and L2, the difference

was less than 1%. So you can imagine what the market is headed towards. We are also told that ICF (Integral Coach Factory), which is part of the Indian Railways, is looking at producing a coach at a very low price, something like ₹6-7 crore. So the market is going to be extremely competitive. So, we have to look at our procurement and ensure that we get the best price.

**When you say that the margins will be a challenge, what are we looking at? Are we looking at low single-digit margins, because your blended margins too have been around 6%?**

In the metro, single-digit margin is a very good margin.

However, in this one especially, it is going to be slightly stressed, the margin, because we have quoted very aggressively as we wanted to take this order. So was the case with the Chinese, as well as Bombardier, and others. All of them had quoted extremely aggressively.

So, I would foresee that the market in the future for metro is going to be very aggressive. This would mean that the aggregate manufacturers who perhaps had a free run on the prices that they were charging us, they will have to look at charging as a percentage to the total sale price that we are going to have. So, it is going to be a stretch for them as well.

**Given the strength of your order book as well as the order pipeline, can you do better than say a 30% revenue growth in FY19 and also going ahead say in FY20-21, now that you are bidding for much larger orders, what kind of a sustainable growth rate do you see for BEML?**

I can just say that all the three verticals we are very bullish, there is huge amount of potential. In the defence for example I had a big order of ₹1,400 crore of armoured recovery vehicle which had been stuck for some time for a certain policy dispensation. We are hopeful that that should also get resolved. As far as mining is concerned, as I said, the big dump trucks, the big dozers, the big equipment's that we are looking at, that should give us a push.

As far as rail and metro is concerned, I think there is a huge potential. We already have a capacity to manufacture almost about close to 300 plus cars in a year. The Indian market I do not think will take more than 500-600 in a year. So between Alstom, Bombardier, and us, we have a capacity of almost 1,000.

I think there will be more upside in terms of rail orders, we are not very clear how the railway wants to handle it; sometimes they want to do it themselves and sometimes they want to tender it out.

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