Initiating Coverage

BEML Ltd.

September 30, 2021

RETAILRESEARCH

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20 YEARS

BEML Ltd.

Industry	LTP	Recommendation	Base Case Fair Value	Bull Case Fair Value	Time Horizon
Capital Goods	Rs. 1433.10	Buy at LTP & add more on dips to Rs. 1268	Rs. 1564	Rs. 1675	2 quarters

HDFC Scrip Code	BEML
BSE Code	500048
NSE Code	BEML
Bloomberg	BEML IN
CMP Sep 29, 2021	1433.1
Equity Capital (Rs cr)	42.0
Face Value (Rs)	10
Equity Share O/S (cr)	4.2
Market Cap (Rs cr)	5,962
Book Value (Rs)	532
Avg. 52 Wk Volumes	2,889,297
52 Week High	1542.2
52 Week Low	595.65

Share holding Pattern % (Jun, 2021)	
Promoters	54.03
Institutions	23.83
Non Institutions	22.14
Total	100.0

* Refer at the end for explanation on Risk Ratings

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Our Take:

BEML Ltd. is a public sector undertaking (PSU) established originally to manufacture rail coaches and spare parts and mining equipment. Today, it is a Miniratna Category-I PSU and operates under three major business verticals i.e. Mining & Construction, Defence and Rail & Metro.

We believe BEML is well placed to capitalize on significant growth opportunities from the strong uptick in mining activities, capex driven demand in mining and construction equipment. Mammoth capex of Rs 13 lakh cr in Rail and Rs 3 lakh cr in Metro Rail by GoI will drive growth in this sector. The “Make In India” and “Aatmanirbhar Bharat” programs provide robust opportunities across all business verticals of the company. In the defence segment, import embargo on 101 + 108 items will create growth opportunities for domestic players. A strong capex in defence and railways augurs well for the Indian manufacturers. The Draft Defence Production & Export Promotion Policy (DPEPP) has set an ambitious revenue target of Rs 175,000 cr (US$ 2500 cr) by 2025, with the intent of becoming self-reliant and a clear focus on doubling the share of procurement from the domestic industry to Rs. 140,000cr by FY25E. Hence, we believe that BEML is well-positioned to capture the growth opportunities across the business segment.

Valuation & Recommendation:

We believe BEML is well-placed to capitalize on the opportunities in mining, defence and Railways & Metro space. The mining sector, which is now open for private sector participation, is likely to get a boost. Further, initiatives i.e.“Atmanirbhar Bharat”, “Make in India”, import ban on 101 items and hike in FDI limit in defence to 74%, along with strong ordering activities in railways and metro rail, augur well for BEML. Draft DPEPP policy, which has set ambitious revenue targets with intent to become self-reliant, provides good visibility of order book for BEML going forward.

BEML is operating in three major verticals: (1) Mining & Construction; (2) Defence & Aerospace; and (3) Rail & Metro.
The company has four manufacturing facilities located at Bengaluru, Kolar Gold Fields (KGF), Mysuru, and Palakkad, and a steel foundry (subsidiary) functioning in Tarikere Chikkamagaluru district.

We believe BEML is in a good position to revert to the growth pathway. The company’s segments are self-assured to grow, led by: (1) strong up-tick in mining activities in the wake of private sector participation, which is likely to boost domestic production and reduce imports; (2) huge opportunities in defence space with the initiatives of "Atmanirbhar Bharat", "Make in India", ban on import of 101 +108 items and hike in FDI in defence to 74%; and (3) capex for railway and metro in India.

As BEML is a divestment candidate (Govt intends to divest 26% out of its 52% stake) , we believe its valuation is likely to sustain and improve with improving earning profile. Ministry of Home Affairs has given security clearance to selected bidders and due diligence is expected to be completed in next few months. We are not separately valuing the land assets, but assume its value to subsume under the overall P/E, though given the small number of equity shares, we cannot rule out further upside in the combined stock price due to land value. We feel investors could buy the stock at Rs. 1433.1 (38.5xFY23E PE) and add on dips to Rs. 1268(34x FY23E PE) for a base case target of Rs. 1564 (42x FY23E PE) and bull case target of Rs.1675 (45x FY23E PE).

Financial Summary

Rs. (Cr)	Q1FY22	Q1FY21	YoY (%)	Q4FY21	QoQ (%)	FY20	FY21	FY22E	FY23E
Net Sales	451.0	390.5	15.5	1774.3	-74.6	3025.4	3556.6	4012.3	4553.3
Other Incomes	19.3	12.3	56.6	31.9	-39.5	48.6	60.2	64.2	68.3
EBITDA	-63.0	-105.9	-40.5	207.2	-130.4	83.9	137.7	176.5	252.7
Finance Cost	14.2	10.0	42.1	12.4	14.2	40.7	39.4	51.5	50.5
Depreciation	16.8	18.2	-7.3	18.9	-11.0	72.4	71.4	72.8	74.2
PBT	-94.0	-134.0	-29.8	175.8	-153.5	19.4	87.1	116.5	196.3
Tax Expenses	0.0	0.0		18.0	-100.0	-44.3	18.4	24.5	41.2
PAT	-94.0	-134.0	-29.8	157.8	-159.6	63.7	68.7	92.0	155.1
EPS (Rs.)	-22.6	-32.2		37.9		15.3	16.5	22.1	37.2
PE (x)						93.7	86.9	64.9	38.5
EV/EBITDA						73.6	47.9	37.9	26.5
RoE (%)						2.8	3.1	4.0	6.5

(Source: Company, HDFC sec)

Recent Triggers

Q1FY22 Review

In a seasonally weak quarter, the company reported net sales of Rs.451 crores during the period ended June 30, 2021, as compared to Rs.390.5 crores during the period ended June 30, 2020 as execution stayed below expectation in the metro coach category. The company has posted net profit / (loss) of Rs.(94.01) crores in Q1FY22 as against net profit / (loss) of Rs.(134) crores Q1FY21.

Management provided its FY22 guidance of clocking Rs.4000 cr+ revenue with PBT margins of 7% suggesting business activity to pick up in the subsequent quarters.

BEML reported order inflow of Rs.300 cr (+35% YoY) for Q1FY22 helped by weak base of Q1FY21 and expects order inflow of Rs.1500 cr for FY22 as against robust inflow of Rs.5100 cr in FY21. Existing strong order backlog of Rs.11200 cr providing visibility of to 3.1x its TTM revenue will ensure good revenue booking momentum in FY22 . Metro coaches order (Rs.4700 cr) forms large part of order book.

Divestment of non-core Assets and demerger of surplus land and assets

BEML has appointed Deloitte as a consultant to advise, undertake and implement demerger of non-core assets ahead of its disinvestment. BEML has incorporated a new subsidiary-- BEML Land Assets Ltd -- for demerger of its surplus land and assets. It has done so, as asset monetization will take more time compared to disinvestment. It will also help make the deal (divestment) more lucrative for investors. Approximately 531 acres of land, plus some other properties, would get transferred to BEML Land and Assets Limited, before it lists on the exchanges.

Key Triggers

Ambitious defence sector revenue target of Rs. 1,75,000 cr by 2025

The industry size of defence, including aerospace and naval industry, was estimated at Rs 80,000 cr in FY20. . In a big step, the Defence Ministry issued a draft of Defence Production and Export Promotion Policy, 2020 (DPEP-2020) to provide a roadmap to Indian Defence manufacturing. This Policy would help attain an annual turnover of Rs 1,75,000 cr (US$ 2500 cr) by 2025, which implies a 15% CAGR over FY20-FY25. It will not only enhance strength of Indian defence companies but also provide a roadmap for the Indian Defence manufacturing and help India become self-reliant by doubling the domestic procurement to Rs 140,000 cr by FY25, from Rs 70,000 cr in FY20.

Defence Revenue Target of Rs. 175,000 cr

(Source: Ministry of Defence, HDFC sec; Data in Rs Cr)

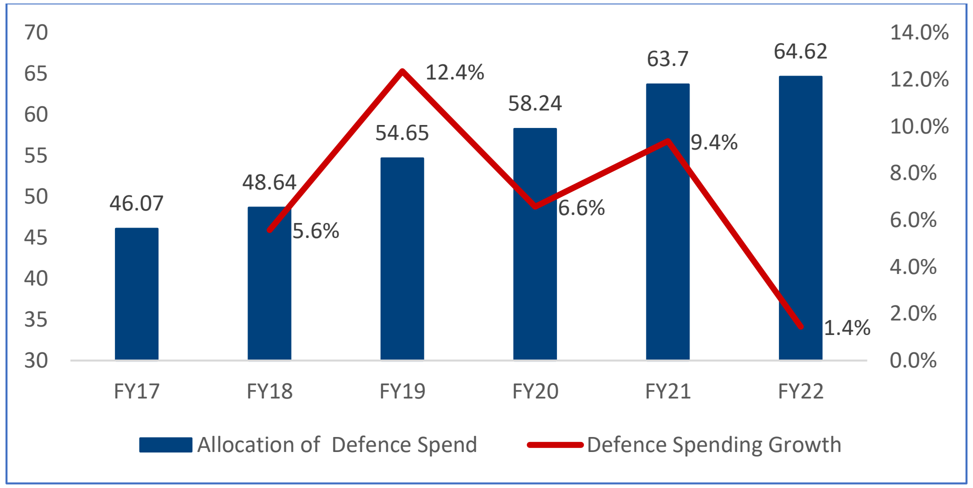
Defence capex has clocked 8%-9% CAGR over the last decade, with most of the key components continue to get imported.
India accounted for 9.5% of the total global arms imports during 2016-2020 becoming the world's 2nd largest arms importer. It has spent $80 bn over the past 15 years on arms deals. . In February 2020, department of defence (DoD) at *Aero India 2021* announced that it would reduce defence imports by at least US$ 2 billion by 2022. In August 2020, Defence Minister announced a ban on imports of 101 defence items, to bolster the Prime Minister's resolve to make India self-reliant. This embargo on imports is planned to be progressively implemented between 2020 and 2025. In August 2020, defence minister launched the indigenisation portal 'SRIJAN', a one-stop-shop and an online portal for vendors interested in designing and develop defence items indegenously.

Currently, the total global defence imports stand at US$27bn, with India being one of the key importers of defence equipment.. The DPEPP-2020 has also addressed the concerns of imports of key weapons/components with procurement visibility. The proposed negative list, which will get updated annually in consultation with the Department of Military Affairs, could facilitate the participation of MSMEs in defence production. Effective production by the domestic industry could facilitate the timely procurement of defence equipment. Further, a separate budgetary provision for domestic defence procurement is proposed, which is expected to encourage domestic manufacturers. This move by the government of India and thrust on domestic procurement is likely to boost the India DPSUs and other players, which have significantly enhanced the defence value chain. In May 2021, this list was expande by another 108 weapons and systems such as next-generation corvettes, airborne early warning systems, tank engines and radars under a staggered timeline of four-and-half years.

Steady growth in defence

Global defence spending touched $ 1.98 trillion in 2020, an increase of 2.6% over 2019. The five largest spenders, accounting for 62% of the total global spend, were the United States, China, India, Saudi Arabia and Russia. A rise in geopolitical disputes, such as the ongoing flare-up between the United States and China, was a major reason fueling this increase in spending. For FY22, India has allocated US$ 64.62 bn for defense (up 1.4% YoY).

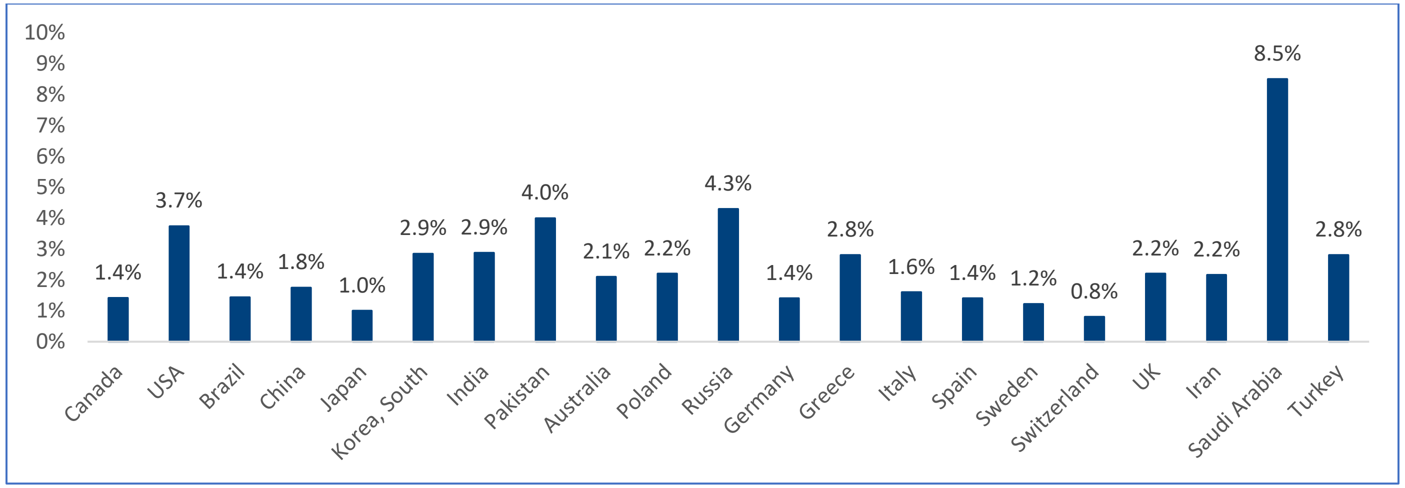
Allocation for Defence (US bn)



(Source: Paras Defence DRHP, HDFC sec; Data in USD Bn)

In FY20, defence capex of Rs1,034 bn accounted for 24% of the total defence spending, of Rs 4,310 bn, lower than ~31% share in total budgetary capex over FY11-15, largely due to increased capex on infrastructure sectors. Presently, India spends 2.9% of its GDP towards defence, which is likely to increase going ahead due to increasing border conflicts. The Indian defence budget was impacted due to the COVID-19 pandemic but the country is likely to maintain its share in global defence budget and continue to remain amongst the top 6 defence spenders. It may even become a top 3 country in defence spend by FY30. This capex can drive growth for various defence industry players.

Global Defence Spend as % of GDP(2020)

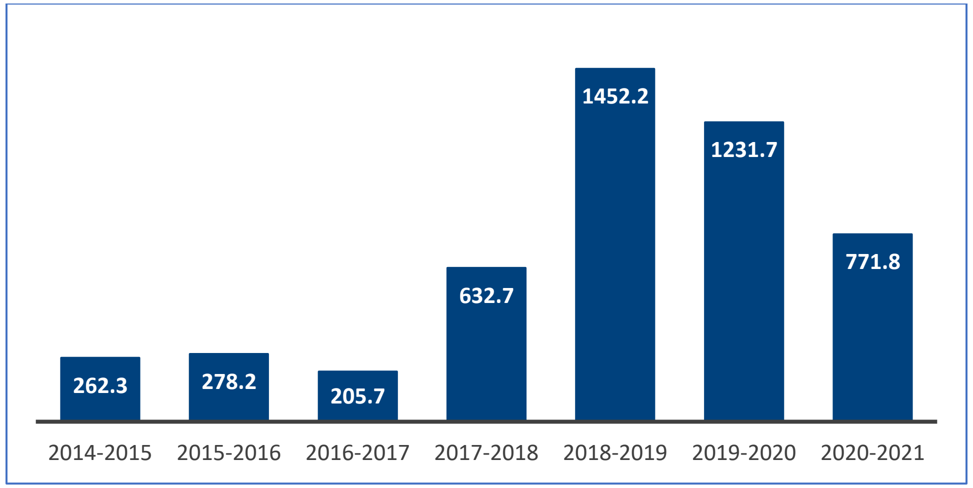


(Source: SIPRI, HDFC sec)

Increasing Defence Exports

The Stockholm International Peace Research Institute ("SIPRI") Arms Transfer Database indicates that India remained the largest importer of defence equipment in the 2012-16 timeframe, though. its share in global arms imports dropped from 14% in 2011-2015 to 9% in 2016-2020. Compared to the above, India's arms exports contributed to only a small percentage of global arms trade during this time. Indian defence exports crossed the $ 1 billion mark in 2018-2019. There was a dip in the exports in 2020-2021, largely attributable to supply chain and manufacturing disruptions which have eased now. A few years ago, India's export customers were only small economies such as Seychelles, Suriname, Myanmar and Sri Lanka. The government of India (GoI) looks forward to increasing defence exports to Rs350bn (US$5bn) by FY25. Notably, defence public sector undertaking and Ordnance Factory Board (OFB) are mandated to have at least 25% export revenue share by 2025.

Defense Exports



(Source: Paras Defence DRHP, HDFC se; Data in USD Bn)

In Defence segment, major orders worth approximately Rs 4500 cr are available for execution during the current year. BEML is expected to get orders for High Mobility Vehicles for various programs, 50T Trailers, Overhauling of Tanks and aggregates, Aggregates & Structures for national programs, etc. The company is working on new design & development programs to meet the needs of the Indian Army, such as Development of High Mobility Vehicle (8x8 Cross Country Vehicle), Self-propelled mine burrier 8x8, Bar mine layer 8x8, Guided Pinaka Variants for Launcher, Command post, Loader Cum Replenishment (LCR), Replenishment vehicle (RV), Upgrading of Axles for higher load carrying capacity with ABS feature for use on chassis for special projects, Indigenous manufacture of cabins for HMV 8x8 and 6x6vehicles, Upgradation/Overhauling of ARV WZT-3pilot project, Development of TRAWL Roller & TWMP for de-mining operation and HMV 8x8 chassis with155 mm / 52 Cal Mounted Gun System and is developing India's first High Powered 1500HP Engine for Defence Application. On the exports front, they are exploring opportunities for the supply of Bridging System (Sarvatra, PMS), Medium Bullet Proof Vehicle, AI-based Medical Health & Diagnostics System (MHDS), Engineering Plant Equipment (Dozers & Motor Graders) for friendly neighboring countries and other countries under Indian Line of Credit, structures and aggregates for various Missile and National programs.

A beneficiary from Rail and Metro Rails

BEML is one of the key beneficiaries of healthy capex in railways and metro in India. Indian Railways and metro rail have seen substantial ordering activities in the past few years, which is likely to continue. Order pipeline remains strong for the segment, as GoI is likely to spend Rs 13,00,000 cr and Rs 3,000,00 cr for railways and Metro respectively over the next 4-5 years. Order book of Railways & Metro segment remains healthy at Rs 5163 cr. In FY22, supply of Main Line Electric Multiple Units has commenced and will be completed by the end of this year, Manufacturing and supply of Rail Grinding Machines will commence by this year, which provides good visibility on the revenue side for a segment in the current year. BEML and its management are confident of getting additional orders from rail. On Metro front, the Supply of Driverless Metro Car for Mumbai Metro has started from FY 2020-21. Order for supply of 80 nos. of Metro cars to Delhi Metro will be executed during the current year. The management of the company is expecting orders from Chennai Metro, Bangalore Metro, and Bhopal-Indore Metro. The company is optimistic about getting orders for upcoming Metro projects.

Capex driven opportunity in mining and construction

Mining is the largest segment for BEML, which contributes 49% to its total revenue. Segmental order book stands at Rs 1700 cr. Government plans to reduce the coal imports by increasing the domestic coal production, increasing coal production of Coal India Limited (CIL), Singareni Collieries Company Limited (SCCL) and through commercial coal mining. Coal India is doing a capex of Rs. 17,000 crore during FY2021-22.The total capital expenditure in infrastructure sectors in India during fiscals 2020 to 2025 is projected at Rs. 111 Lakh crore, which creates demand for mining & construction equipment. To cater to the growing demand for coal production in India, coal companies are planning for higher capacity mining projects; which requires the deployment of higher capacity mining equipment with the latest technology. We believe that capex driven demand for mining and construction equipment is expected to be robust in the future and provides significant opportunities for BEML.

What could go wrong?

- Project delay, especially in Mining sector due to delay in resolving environmental and social issues which impact the revenues or order execution for the company.

- Increase in competition from Indian Private Industry and foreign OEMs, including their JVs in Defence sector, will impact the defence and aerospace business of the BEML.

- Any change in government policy or procurement policy or capex plan for railways/defence/mining will largely impact company's business. Unlike some other defence PSUs, BEML is not assured of business from Government of India and that is a threat for the company.

- The global technology leaders deciding to operate directly rather than transferring technology to Indian players, which could go hurt the company and increase competition/cost for the company.

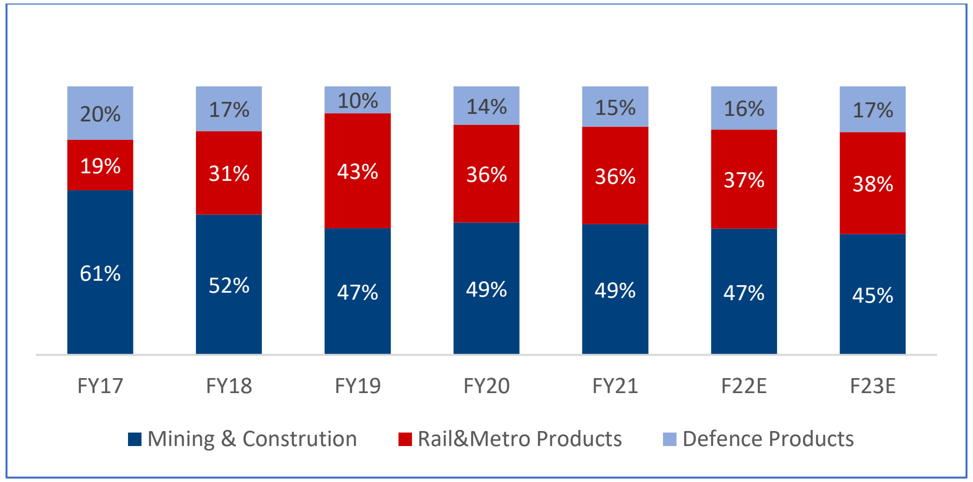
- Return ratios of BEML remain low at 3.1% in FY21 due to low PAT margins, high working capital requirements and low leverage.

- Any inordinate delay in divestment could postpone the value unlocking for the stock.

About the company

BEML Ltd. (formerly Bharat Earth Movers Ltd.) a public sector undertaking (PSU), manufactures rail coaches and spare parts and mining equipment. It is a Miniratna Category-I PSU and operates under three major business verticals i.e. Mining& Construction, Defence and Rail & Metro. These verticals are serviced by 9 manufacturing units located at Bangalore, Kolar, Mysore, Palakkad and Chikmagalur (Vignyan Industries). Its international business division exports equipment and spares, apart from providing services in three core verticals. Its major exports markets are the countries in the Middle East, Africa and South East Asia. BEML's Mining & Construction division offers range of mining machinery for both opencast and underground mines. Its Rail & Metro business vertical supplies integral rail coaches overhead electric inspection cars and postal vans to Indian Railways. Its Defense division manufactures variants of Tatra vehicle for all terrain operations, including bridge layer field artillery tractor medium and heavy recovery vehicle. In addition to the above, its Technology division provides end-to-end technology solutions in aero defence and rail/metro related areas.

Segmental split % of three divisions over FY17-FY23E



(Source: Company, HDFC sec)

BEML Product Portfolio

Defence & Aerospace	Mining & Construction	Rail & Metro
Tatra based High Mobility Trucks	Bull Dozers	Ingreal Rail Coaches
Recovery Vehicles	Excavators	Metro Cars
Bridge Systems	Loaders	AC EMUs
Vehicle for Missile Projects	Pipe Layers	OHE Cars
Tank Transportation Trailers	Wheeled Dozers	Steel & Aluminium Wagons
Military Rail Wagons	Tyre Handlers	Track Lying Equipment
Mine Ploughs	Rope Shovels	Utility Vehicles
Crash Fire Tenders	Dumpers	Treasury Vans
Snow Cutters	Water Sprinklers	Spoil Disposal Units
Aircraft Towing Tractors	Motor Graders	Broad Gauge Rail Bus
Aircraft Weapon Loading Trolley	Under Mining Equipment	

Financials – Consolidated

Income statement

Rs in Cr	FY19	FY20	FY21	FY22E	FY23E
Net Sales	3474	3025	3557	4012	4553
Net Sales Growth (%)	5.3%	-12.9%	17.6%	12.8%	13.5%
COGS	1967	1590	2038	2311	2602
Employee Benefits Expenses	806	848	852	903	993
Other Expenses	464	503	529	622	706
Total Expenses	3237	2942	3419	3836	4301
EBITDA	238	84	138	177	253
EBITDA Growth (%)	-6.0%	-64.7%	64.1%	28.2%	43.1%
Depreciation & Amortisation	71	72	71	73	74
Other Income	23	49	60	64	68
EBIT	190	60	127	168	247
EBIT Growth (%)	-10.5%	-68.4%	110.5%	32.7%	47.0%
Finance Cost	60	41	39	51	51
Profit Before Tax	130	19	87	116	196
Tax Expenses	67	-44	18	24	41
Profit After Tax	63	64	69	92	155
PAT Growth (%)	-51.3%	0.8%	7.9%	33.9%	68.5%
EPS	15.17	15.29	16.5	22.1	37.2

Balancesheet

Rs in Cr	FY19	FY20	FY21	FY22E	FY23E
Property Plant & Equipment	584	569	559	542	524
Right of Use Asset	0	9	8	8	8
Capital Work in Progress	25	15	9	9	9
Intangible Assets	47	43	35	40	40
Intangible Assets under Development	0	0	5	0	0
LT Loans	0	0	0	0	0
LT Other Financial Assets	1	1	0	0	0
Deferred Tax Assets (Net)	118	208	197	197	197
Other Non-Current Assets	63	64	69	69	69
Total Non-Current Assets	838	909	881	865	847
Inventories	1710	2008	1975	2153	2317
Trade Receivables	1614	1508	1885	2001	2121
Contract Assets	489	304	634	634	634
Cash & Cash Equivalents & Bank Balances	31	28	5	70	110
ST Loans	8	0	0	0	0
ST Other Financial Assets	6	6	6	6	6
Current Tax Assets	76	72	28	28	28
Other Current Assets	240	235	319	320	312
Total Current Assets	4175	4160	4852	5211	5527
Total Assets	5012	5070	5734	6077	6374
LT Borrowings	303	201	100	200	200
LT other Financial Liabilities	0	9	8	8	8
LT Provision	176	186	208	208	208
Other non-current liabilities	333	984	1114	1114	1114
Total Non-Current Liabilities	813	1380	1430	1530	1530
ST Borrowings	99	38	542	592	642
Trade Payables	767	663	742	874	1012
Other Financial Liabilities	39	125	124	124	124
Other Current Liabilities	758	397	420	420	420
ST Provision	309	214	261	261	261
Current Tax Liabilities (Net)	40	0	2	2	2
Total Current Liabilities	2012	1437	2090	2272	2460
Total Liabilities	2825	2817	3520	3802	3990
Equity Share Capital	42	42	42	42	42
Other Equity	2146	2211	2173	2233	2343
Total Equity	2187	2253	2214	2275	2384
Non-controlling interest	0.2	0.0	-0.2	-0.2	-0.2
Total Equity & Liabilities	5012	5070	5734	6077	6374

Cash flow Statements

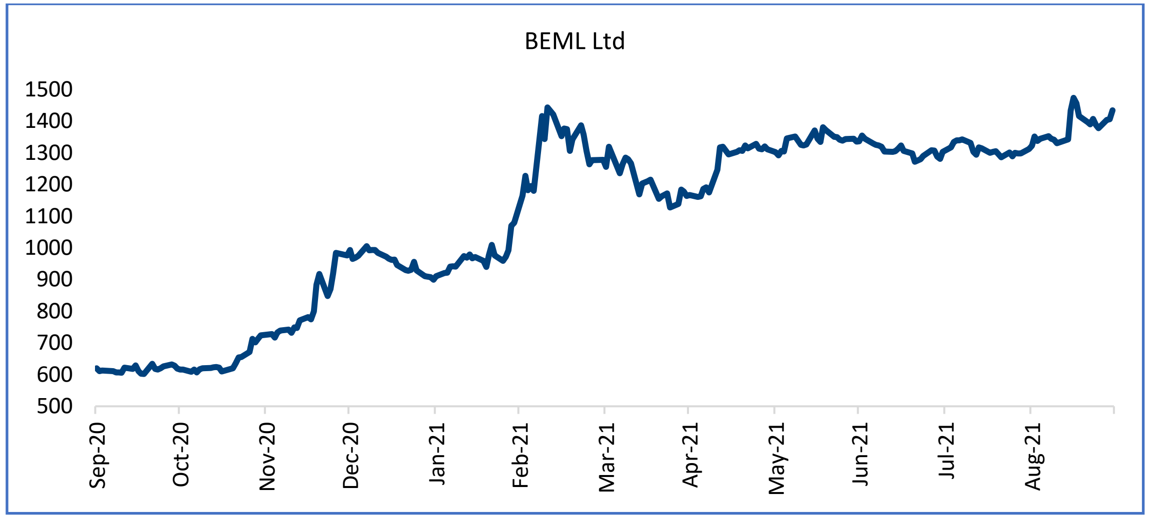
Rs in Cr	FY19	FY20	FY21	FY22E	FY23E
Profit Before Tax and Extraordinary items	130	19	87	116	196
Depreciation & Amortisation	71	72	71	73	74
Foreign Exchange Loss/(Gain)	0	-1	-2	0	0
Financing Cost	60	41	39	51	51
Interest Income	-2	-1	-1	0	0
Other Provision/Allowances	10	-158	-55	0	0
Change in Inventories	82	-307	22	-177	-164
Change in Trade & Other Receivables	-412	272	-668	-116	-120
Change in other current assets	21	-84	-45	-1	8
Change in Trade Payables	226	-104	81	132	139
Change in other liabilities	95	283	155	0	0
Cash generated from operation	282	33	-315	79	183
Direct Tax (paid)/refunded	-25	73	14	-24	-41
Cash flow from operating activities	257	106	-301	54	142
Capex	-61	-52	-46	-57	-56
Purchase of Intangible Assets	-4	-5	-6	0	0
Sale of PPE	0	5	3	0	0
Interest Received	2	1	0	0	0
Cash flow from investing activities	-62	-51	-49	-57	-56
Proceeds/(repay) of LT Borrowings	0	0	-100	100	0
Proceeds/(repay) of ST Borrowings	-6	-1	-1	50	50
Financing Cost	-60	-41	-43	-51	-51
Other Adjustment	-1	70	3	0	0
Dividend Paid	-63	-25	-35	-31	-46
Cash flow from financing activities	-129	3	-176	67	-46
Net Increase/Decrease in Cash & Cash Equivalents	65	57	-526	65	40

Financial Ratio

Particulars	FY19	FY20	FY21	FY22E	FY23E
EPS (Rs)	15.2	15.3	16.5	22.1	37.2
DPS (Rs)	7.0	6.0	6.0	7.5	11.0
Book Value per Share (Rs)	526	542	532	547	573
Debt to Equity(x)	0.2	0.1	0.3	0.3	0.4
Current Ratio(x)	2.1	2.9	2.3	2.3	2.2
RoCE (%)	7.3%	2.4%	4.4%	5.5%	7.7%
RoE (%)	2.9%	2.8%	3.1%	4.0%	6.5%
EBITDAM(%)	6.8%	2.8%	3.9%	4.4%	5.6%
EBITM(%)	5.5%	2.0%	3.6%	4.2%	5.4%
PATM(%)	3.2%	4.0%	3.4%	4.0%	6.0%
Interest Cover(x)	2.8	0.3	1.7	2.0	3.5
Asset Turnover(x)	0.7	0.6	0.6	0.7	0.7
Inventory Turnover(x)	1.2	0.8	1.0	1.1	1.1
Debtors Turnover(x)	2.2	2.0	1.9	2.0	2.1
Fixed Asset Turnover (x)	5.7	5.1	6.2	7.2	8.4
Sales/Working Capital (x)	1.7	1.1	1.6	1.8	2.0
Receivable days	170	182	193	182	170
Inventory Days	317	461	354	340	325
Payable days	142	152	133	138	142
P/E (x)	94.5	93.7	86.9	64.9	38.5
P/B (x)	2.7	2.6	2.7	2.6	2.5
EV/EBITDA (x)	26.7	73.6	47.9	37.9	26.5

(Source: Company, HDFC sec Research)

Stock Price chart



HDFC Sec Retail Research Rating description

Green Rating stocks

This rating is given to stocks that represent large and established business having track record of decades and good reputation in the industry. They are industry leaders or have significant market share. They have multiple streams of cash flows and/or strong balance sheet to withstand downturn in economic cycle. These stocks offer moderate returns and at the same time are unlikely to suffer severe drawdown in their stock prices. These stocks can be kept as a part of long term portfolio holding, if so desired. This stocks offer low risk and lower reward and are suitable for beginners. They offer stability to the portfolio.

Yellow Rating stocks

This rating is given to stocks that have strong balance sheet and are from relatively stable industries which are likely to remain relevant for long time and unlikely to be affected much by economic or technological disruptions. These stocks have emerged stronger over time but are yet to reach the level of green rating stocks. They offer medium risk, medium return opportunities. Some of these have the potential to attain green rating over time.

Red Rating stocks

This rating is given to emerging companies which are riskier than their established peers. Their share price tends to be volatile though they offer high growth potential. They are susceptible to severe downturn in their industry or in overall economy. Management of these companies need to prove their mettle in handling cyclicality of their business. If they are successful in navigating challenges, the market rewards their shareholders with handsome gains; otherwise their stock prices can take a severe beating. Overall these stocks offer high risk high return opportunities.

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