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BHARAT EARTH MOVERS LIMITED

ANNUAL REPORT 97-98

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34th Annual Report Bharat Earth Movers Limited

Board of Directors

Dr. K. Aprameyan
Chairman & Managing Director

Shri J.B. Diwale
Director (Finance)

Shri K.R. Anantharaman
Director (Marketing)

Shri P.S. Gopinath
Director (R&D)

Shri V.L. Varma
Director (Production)

Shri M.A. Moid Siddiqui
Director (HRD)

Ms. Anjali Ahluwalia
Additional Financial Adviser
& Joint Secretary
Department of Defence Production
& Supplies
Ministry of Defence

Dr. A. Ravindra
Chairman
Bangalore Development Authority

Shri J. Harinarayan
Joint Secretary
Ministry of Coal

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Financial Statistics

(Rs. in Lakhs)

	1965-66	81 - 82	86 - 87	91 - 92	92 - 93	93-94	94 - 95	95 - 96	96 - 97	97 - 98
CAPITAL										
Equity Capital	681	1,200	3,000	3,000	3,000	3,000	3,683	3,686	3,687	3,687
Reserves and Surplus	40	5,126	16,056	35,075	38,260	41,755	52,645	53,615	54,620	54,877
Net Worth	653	6,326	18,901	37,911	41,260	44,151	55,198	55,622	56,802	56,922
Loans from Government of India	-	1,992	6,616	8,665	8,710	8,330	6,010	4,825	3,660	2,525
Loans from Banks	-	4,577	14,047	17,534	29,571	28,977	19,746	35,842	42,419	41,466
Other Loans	-	-	6,489	25,997	28,740	36,303	40,704	26,562	25,780	27,247
Gross Block	236	5,010	16,492	37,020	41,696	43,100	44,143	44,792	45,815	49,708
Depreciation	27	2,404	4,917	13,336	16,261	18,835	21,325	23,761	26,267	28,613
Inventories	339	9,529	20,930	43,667	48,794	54,179	49,248	62,267	60,605	65,732
Sundry Debtors	119	3,733	19,719	33,718	48,622	48,544	55,582	60,199	71,443	61,882
Working Capital	447	10,212	33,804	63,367	81,407	92,923	98,562	101,287	107,298	106,510
Capital Employed	656	12,817	45,379	87,052	106,842	117,188	121,380	122,317	126,846	127,605
REVENUE										
Sales	517	22,193	50,615	79,900	90,066	90,239	102,113	101,110	116,979	125,971
Value of Production	523	22,520	51,487	82,950	94,894	96,124	94,132	103,207	118,207	128,596
Value Added	243	7,800	22,636	37,430	42,234	39,229	37,999	42,691	47,779	53,809
Surplus before depreciation, Interest & Tax	61	4,158	8,799	15,678	17,720	17,386	13,064	15,030	16,661	14,137
Depreciation	21	284	837	2,588	2,952	2,689	2,512	2,540	2,541	2,458
Surplus before Interest & Tax	40	3,874	7,962	13,090	14,768	14,697	10,552	12,490	14,120	11,679
Interest	-	886	3,361	8,208	9,874	10,094	9,102	10,244	11,004	10,074
Profit before Tax	40	2,988	4,601	4,882	4,894	4,603	1,450	2,246	3,116	1,605
Provision for Taxation	8	1,775	1,000	1,400	1,250	650	400	800	1,300	540
Profit after Tax	32	1,213	3,601	3,482	3,644	3,953	1,050	1,446	1,816	1,065
Debenture Redemption Reserve	-	-	500	-	-	-	209	475	475	147
Dividend & Tax Thereon	-	72	300	405	450	450	460	553	811	811
RATIOS										
Turnover to Capital Employed	78.82	173.05	111.54	91.78	84.30	77.00	84.13	82.66	92.22	98.72
PBIT to Capital Employed	6.06	30.22	17.55	15.04	13.82	12.54	8.69	10.21	11.13	9.15
Profit before Tax to Sales	7.69	13.46	9.09	6.11	5.43	5.10	1.42	2.22	2.66	1.27
Profit after Tax to Net Worth	4.86	19.17	19.05	9.19	8.83	8.95	1.90	2.60	3.20	1.87
Value of Production to Inventories (Mean)	156.30	240.12	249.41	189.49	205.27	186.70	182.02	185.10	192.41	203.58

Funds Flow

(Rs. in Lakhs)

	91 - 92	92 - 93	93 - 94	94 - 95	95 - 96	96 - 97	97 - 98
SOURCES OF FUNDS							
Profit after Tax	3,482	3,644	3,953	1,050	1,446	1,816	1,065
Depreciation	2,501	2,925	2,574	2,490	2,437	2,506	2,346
Increase in Share Capital	-	-	-	683	4	-	-
Share Premium	-	-	-	10,307	83	4	6
Increase in Borrowings	4,349	10,420	6,589	-	769	4,629	-
Decrease in Working Capital	-	-	-	-	-	-	788
Others	-	-	-	-	-	171	-
	10,332	16,989	13,116	14,530	4,739	9,126	4,205
UTILISATION OF FUNDS							
Fixed Assets	4,005	3,059	529	746	905	2,059	2,634
Increase in Working Capital	5,785	13,446	11,515	5,640	2,725	6,012	-
Decrease in Borrowings	-	-	-	7,150	-	-	621
Dividend & Tax Thereon	405	450	450	460	553	811	811
Investments	-	-	10	-	-	244	-
Others	137	34	612	534	556	-	139
	10,332	16,989	13,116	14,530	4,739	9,126	4,205



Notice

Notice is hereby given that the 34th Annual General Meeting of Bharat Earth Movers Limited will be held on MONDAY, the 28th September, 1998 at 1100 hrs. at No. 6, Gurunanak Bhavan, Millers' Tank Bund Area, Vasant Nagar, Bangalore-560 052, to transact the following business:-

I. Ordinary Business

1. To receive and adopt the Directors' Report and Audited Profit and Loss Account for the year ended 31st March, 1998 and the Balance Sheet as at that date and Auditors' Report thereon.
2. To declare a Dividend.
3. To elect a Director in place of Ms. Anjali Ahluwalia, who retires by rotation and being eligible, offers herself for re-appointment.

4. To elect a Director in place of Shri J.B. Diwale, who retires by rotation and being eligible, offers himself for re-appointment.
5. To elect a Director in place of Shri K.R. Anantharaman, who retires by rotation and being eligible, offers himself for re-appointment.

II. Special Business

Appointment of Director

To consider and if thought fit, to pass with or without modification, the following resolution as an Ordinary Resolution:

"RESOLVED that Shri M.A. Moid Siddiqui, be and is hereby appointed as Director(HRD) of the Company with effect from 24.07.1998."

By order of the Board
for **Bharat Earth Movers Limited**

K.C. Medapa
Company Secretary

Bangalore - 560 027
26th August, 1998

NOTES:

1. A Member entitled to attend and vote at the meeting is entitled to appoint a proxy/proxies to attend and vote instead of himself and the proxy need not be a member of the Company.
2. Proxy form is attached. The Proxy form should be deposited at the Registered Office of the Company not less than 48 hours before the commencement of the meeting.

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Notes

3. The Register of Members and Share Transfer Book will remain closed from 16th to 28th September, 1998(both days inclusive.)
 4. The Explanatory statement as required under the Companies Act, 1956 is enclosed.
 5. The Dividend as recommended by the Directors for the year ended 31st March, 1998, if declared by the members, will be payable to those members whose names appear on the Register of Members on 28.9.1998.
 6. Member/Proxy holder must bring the Admission Slip to the Meeting and hand it over at the entrance duly signed.
 7. Members are requested to quote their Registered Folio number on all correspondence with the Company and notify the Company immediately of change, if any, in their Registered address and/or of their mandates.
 8. Members who are holding shares in more than one folio are requested to intimate to the Company the details of all their folio numbers for consolidation into a single folio.
 9. Members are requested to bring their copies of the Annual Reports to the meeting.
-

Explanatory statement pursuant to section 173 of the Companies Act, 1956 relating to special business

The existing Articles of Association of the Company provides for appointment of all the Directors by the President of India. Consequent upon disinvestment of shares of BEML by the Government of India, the Company's status has changed from 'Wholly owned Government Company' to a 'Partly owned Government Company' and the exemptions granted to wholly owned Government Company are no longer available. The Government of India holds over 60% of Equity Shares in the Company and is a majority shareholder. The President has appointed Shri M.A. Moid Siddiqui, as Director (HRD) vide Ministry of Defence Letter No. 19(7)/91-D(BEML) dated 21st July, 1998 under the powers vested in the Articles of Association of the Company and secure the consent of the members for the appointment of the aforementioned Director with effect from 24.7.98. In view of the provisions of the Companies Act, relating to appointment of Directors, it has become necessary to place the item before the members of the Company.

None of the Directors of the Company except Shri M.A. Moid Siddiqui is interested in this Resolution.

The Directors commend that the resolution set out in the meeting notice to the members for their approval.



Directors' Report

The Directors have pleasure in presenting the 34th Annual Report and Audited Accounts for the year ended 31st March, 1998.

FINANCIAL RESULTS

(Rs. in lakhs)

	1997-98	1996-97
Sales	1,25,971	1,16,979
Value of Production	1,28,596	1,18,207
Profit before Depreciation, Interest and Tax	14,137	16,661
Interest	10,074	11,004
Depreciation	2,458	2,541
Profit before tax	1,605	3,116
Provision for taxation	540	1,500
Excess Tax provision of previous year written back	0	200
Profit after tax	1,065	1,816
Appropriations		
Proposed Dividend	737	737
Income tax on Dividend	74	74
Capital Reserve	-	2
Debenture Redemption Reserve	147	475
General Reserve	107	528
Net Worth	56,922	56,802

DIVIDEND

The Directors recommend a dividend of 20% on the Paid-up Equity Share Capital of the Company for the year 1997-98.

TURNOVER AND PROFITABILITY

The world market for mining and construction equipment has been falling during the last two years due to environmental restraints on large projects. The East and Southeast Asian crisis has compressed the market further. India became the target country for all manufacturers of earthmoving equipment in the world. In view of the visible opportunities coupled with the switch over of the country's economic policy to a market driven one, many global players have identified Indian market as the market for the day and for future. Consequently, the earthmoving equipment segment has become highly competitive. This had a severe impact on the operations of the Company.

Despite these constraints, the Company has been able to achieve an all time high sales turnover of Rs.1,25,971 lakhs, which is 7.69% higher than that of the previous year. The Value of Production stood at Rs.1,28,596 lakhs which is 8.88% higher than that of the previous year. But, the impact has been felt in the profitability. The profitability

of the Company has fallen mainly on account of losses sustained by the Railcoach Division due to unremunerative prices. Besides this, the profitability also suffered a further set back due to stiff competition in the market for earthmoving equipments. The Profit Before Tax stood at Rs.1605.09 lakhs.

EXPORTS

Persistent marketing efforts has helped the Company to achieve an all time high export turnover of Rs.7189 lakhs as against Rs. 6224 lakhs of the previous year. The major markets in which our equipments found acceptance were Syria, UAE and Tunisia.

With a view to globalise our products, the Company is exploring the possibilities of establishing a Joint Venture overseas for manufacture/market BEML products.

PROSPECTS

The prospects for the Company is bright. With emphasis being laid on development of infrastructure, Core sectors of Industry and Mines, the demand for earthmoving equipments is scheduled to grow. This will benefit the Company in the years to come. The policies being pursued by the Government will also help in the growth of the Company. The order book position for earthmoving equipment segment is comfortable and encouraging.

Keeping in view the future prospects, the Company is actively considering introducing new products like Surface Miners for lime stone and coal mines and Pavers required in Road Building Projects. The Company is also increasing its share of market to the Defence Sector.

The Company has also launched Engineering Bureau Services by offering Engineering Consultancy and Services in the areas of design and analysis using CAD Tools.

QUALITY

All the Divisions of the Company have been accredited with ISO 9001/ISO 9002 certifications. The Bangalore Complex has been re-certified to ISO 9001 in May 1997. The Company has embarked on many programmes to improve quality and achieve higher level of customer satisfaction. Specific steps taken include:

- Initiating Business Process Re-Engineering at other Divisions based on experience gained at Hydraulic and Powerline Division.

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Directors' Report

- Introducing ERP package on a pilot project basis for overall improvement in efficiency and Productivity in Hydraulic & Powerline Division.
- Encouraging small group activities through in-house competition and cash award schemes.
- Recognition of individual contribution towards quality improvement by awarding quality medals.
- Appraisal of operation and maintenance practices at customers' end on a continuous basis.
- Appraisal of after-sales-service rendered by our Offices of BEML on a continuous basis.
- Intensifying quality system audits and process improvement studies at vendors' premises.
- Holding regular meetings with customers' and vendors' for effective and closer interaction.

These activities have resulted in higher reliability of BEML products and services. In spite of increase in the fleet of our equipments and significant increase in warranty coverage provided for meeting exacting customer demands/ gaining competitive edge, the warranty expenses as a percentage of turnover has been nominal.

RESEARCH & DEVELOPMENT

The Company has a strong tradition of in-house design and development. Among the recent innovations are a new family of Dumpers - BH70, BH40 and BH35-2, the last two have already been well received in the domestic and overseas market. The Company also developed and rolled out BD46W and BD30-W1 Wheel Dozers using advanced Computer Aided techniques. The Company also developed 10 tonne class hydraulic excavator which would be useful for small contractors. A four wheel Overhead Traction Maintenance vehicle for the Railways has also been developed successfully.

The information on R&D, Technology Absorption, Adaptation and innovation is at **Annexure I**.

FINANCE

At the end of the year, the Government of India loan stood at Rs. 2525 lakhs. The short-term working capital requirement was met from internal sources and bank/intercorporate borrowings. There were no overdue installments of principal/interest. The borrowings in foreign exchange stood at Rs.2702 lakhs as on 31.3.98.

FIXED DEPOSITS

At the end of the financial year, Fixed Deposits accepted/ renewed from the public stood at Rs.5969 lakhs. Fixed Deposits aggregating to Rs. 2.23 lakhs remained unclaimed.

PARTICULARS OF EMPLOYEES

Particulars of employees as required under Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of the Employees) Rules, 1975 as amended from time to time, are given in **Annexure-II**

PROJECTS

The Cylinder Block Project - Flexible Manufacturing System for machining Cylinder Blocks of Engines has been commissioned at the Engine Division of Mysore Complex. The acquisition of this technology will enable Engine Division in providing effective support to the Company considering the variety of engines manufactured and its multi-varied applications.

SUBSIDIARY COMPANY

M/s. Vignyan Industries Limited, Tarikere, the Subsidiary Company, has registered a growth of 17% over the preceding year with a sales turnover of Rs. 14.82 crores. The Value of Production reached Rs. 15.12 crores with output reaching 2403 M.T. of castings establishing 100 percent capacity utilisation.

The statement and particulars relating to M/s. Vignyan Industries Limited, Tarikere, pursuant to Section 212 of the Companies Act, 1956 are attached.

SMALL SCALE AND ANCILLARY INDUSTRIES

The Small Scale Units and Ancillary Units continue to get support and preference from BEML. The Company extends technical guidance and requisite support to these industries wherever required. Our Quality Control personnel visit the industries to assist and ensure that quality of the products meet the requisite standards. During 1997-98, the Company procured items worth Rs.6355.24 lakhs from Ancillary/Small Scale Units.

RAJBHASHA

Efforts are continuously made to accelerate the progressive use of Hindi in official work. The Company gives utmost importance to Hindi Training. During the year around 80 employees were trained in various courses. Various

Directors' Report

incentive schemes for learning Hindi during the service had been introduced. Important orders, Notices, Circulars, Technical Reports, Standing Orders, etc., are published both in Hindi and English.

The Joint Inspection Committee on Official Language visited our District Office, during July, 1997.

AWARDS

The Company bagged the following awards during the year under review -

1. Export Performance Award for achieving highest performance in export among Non-SSI members during 1996-97.
2. National Award for 1997 instituted by the Ministry of Welfare, Govt. of India. for being the outstanding Employer of the Physically Handicapped.
3. Shri U. Pazhaniappan, Engineer, Mysore Complex was given '3rd Rajiv Gandhi National Award' for excellence in Indian Industries by the AP Central Public Sector Employers' Federation.

MANPOWER

The manpower strength, at the end of the year stood at 15349 (including Engineer trainees and MREs) as against 15540 of previous year.

The number of employees on the rolls of the Company as on 1st January, 1998 in SC/ST and Ex-servicemen categories were as follows :-

Scheduled Castes	-	3035
Scheduled Tribes	-	482
Ex-servicemen	-	988

INDUSTRIAL RELATIONS

The Industrial Relations continued to be cordial and peaceful at all the Divisions of the Company.

HUMAN RESOURCES DEVELOPMENT

Human Resource is the most important input for achieving the goal of the Company. The Company has been making continuous efforts to enhance the technical skill of the personnel to enable them to effectively meet the challenge posed by fast changing technologies and business environment. In this direction, the Company organised 41

incompany/inhouse programmes. The Company also deputed its personnel for external training programmes conducted by reputed organisations.

SOCIAL OBLIGATIONS

During 1997-98, the Company organised several social service programmes like Adult literacy programmes, Immunization/General Medical Health Check-up, Mass Pulse Polio programme, Laproscopic/sterilisation/vasectomy operations, etc., in adopted villages. About 1600 villagers were benefited from these programmes.

ENVIRONMENT

Your Company is committed to meet all stipulated environmental standards for maintaining and protecting environment by development of greeneries and plantation. The Company has fulfilled all the statutory requirements of Central and State Pollution Control Boards during the year.

ENERGY CONSERVATION

A great deal of awareness for the need to conserve energy has been created among employees of the Company at all levels. Some of the measures adopted are -

- Decentralisation of compressed air system by providing portable compressors wherever possible.
- Provision of Vaporex Steam Generators in place of Electrically Heated Steam Generators in canteens.
- Round the clock monitoring of hanger lights and controlling them to the barest necessity.
- Reduction of specific fuel consumption in DG sets.

FOREIGN EXCHANGE EARNINGS AND OUTGO

During the year, the Company's export earning stood at Rs. 6227 lakhs. The total foreign exchange utilised during the year was Rs.26384 lakhs.

A sum of Rs. 99 lakhs was incurred towards deputation of personnel abroad for business/export promotion, after-sales-services and training.

CONTRIBUTION TO EXCHEQUER

The Company's contribution to the Exchequer was of the order of Rs. 19338 lakhs during 1997-98 by way of Excise Duty, Customs Duty, Sales Tax and Income-tax.

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Directors' Report

AUDITORS

M/s. John, Joseph and Mathew, Chartered Accountants, Bangalore, were re-appointed as Statutory Auditors for the year 1997-98.

AUDITORS' REPORT

Reply of the Board of Directors to the observations made in the reports of the Statutory Auditors and the Comptroller & Auditor General of India on the Accounts are given in **addendum** to this report.

REVIEW OF ACCOUNTS

The review of accounts by the Comptroller and Auditor General of India for the year 1997-98 is attached to this report at **Annexure-III**.

DIRECTORS

Shri R. Rajagopalan, Joint Secretary(Export), Department of Defence Production and Supplies, Ministry of Defence and Shri R. Subramanyan, Additional Member, Railway Board, ceased to be Directors consequent upon their resignation. The Board placed on records its deep appreciation of the valuable services rendered by Sarvashri R. Rajagopalan and R. Subramanyan.

ACKNOWLEDGMENTS

Your Directors express their grateful thanks to the Company's valued customers, in particular M/s. Coal India Limited, M/s. Singareni Collieries Company Limited, Railway Board and Defence Services for their continued patronage and confidence in the Company. The Directors also express their grateful thanks to M/s.Komatsu Limited,

Japan, M/s. Komatsu Mining Systems & Support Inc. USA, M/s. Bucyrus International, USA, M/s. Tamrock Voest-Alphine Bergtechnik Ges.m.b.H. Austria, M/s. IGM Roboter System AG, Austria, M/s. Tatra Sipox(UK) Ltd., UK and other collaborators for their valuable assistance to the Company.

The Directors express their appreciation to the State Bank of India and other members of Consortium Banks, Financial Institutions and Exim Bank for their continued support to the Company's operation. Directors also thank all the shareholders/investors and Depositors for reposing continued confidence in the Company.

The Directors wish to thank the Comptroller & Auditor General of India, The Principal Director of Commercial Audit & Ex-officio Member, Audit Board, Statutory Auditors and Suppliers for their valued co-operation.

The Directors also gratefully acknowledge the valuable assistance and guidance received from various Ministries of Government, in particular Ministry of Defence and the Railway Board. The Directors are also grateful to the Government of Karnataka for the co-operation extended. Your Directors take this opportunity to place on record their appreciation for the valuable contribution made and co-operation shown by the employees and officers at all levels for the progress of the Company.

For and on behalf of the Board of Directors

Dr. K. Aprameyan
Chairman & Managing Director