

beml

ANNUAL REPORT

2005 - 06



BHARAT EARTH MOVERS LIMITED

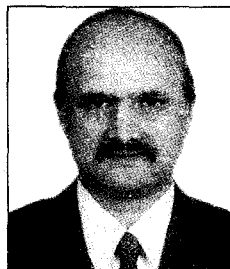
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BOARD OF DIRECTORS*



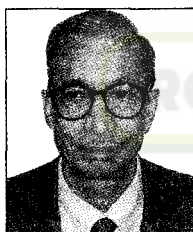
V RS Natarajan
Chairman & Managing Director



V Somasundaran
Jt. Secretary (Exports)
Ministry of Defence



Mohd. Haleem Khan
Jt. Secretary & Addl. Financial Adviser
Ministry of Defence



A. Prasad
Director



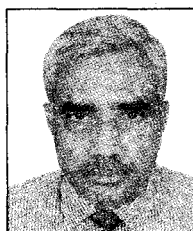
Prof. Prakash G. Apte
Director



Birendra Kumar
Director



KVK Seshavataram
Director



Dr. Arabinda Tripathy
Director



Prof. S N Chary
Director



N R Mohanty
Director



Dr. Jayanta Bagchi
Director



V S Venkatanathan
Director (R&D)



R C Suthar
Director (Production)



P Mazumdar
Director (Finance)
(upto 31.8.2006)

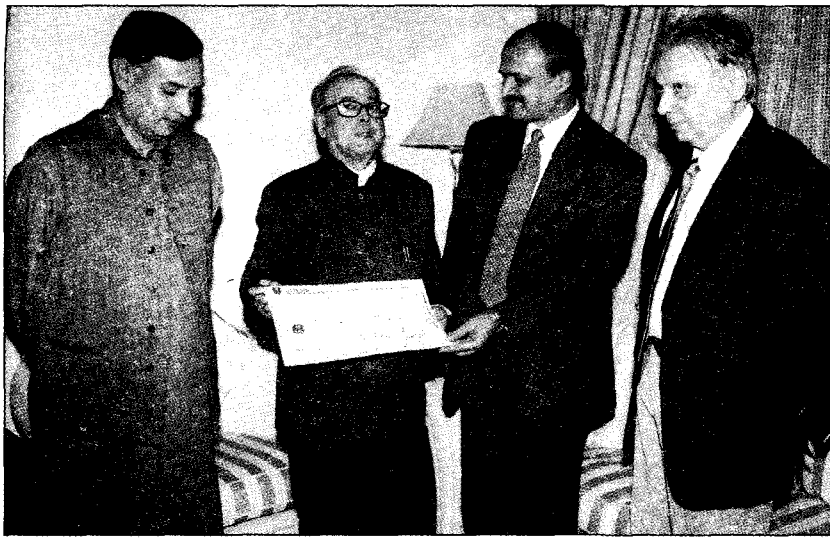


N K Sreenivasan
Director (Marketing)



R K Rustagi
Director (HR)

* As on 31.08.2006



For the second successive year, BEML declared an interim dividend of 30% on its share capital for FY 2005-06. The dividend warrant of Rs. 6.75 crores was presented to Raksha Mantri Shri Pranab Mukherjee by CMD in New Delhi in the presence of Raksha Utpadan Raja Mantri Shri Rao Inderjit Singh and Secretary (DP) Shri KP Singh

Raksha Raja Mantri Shri MM Pallam Raju opening the BEML Service Centre in Hyderabad on Aug 5, 2006 in the presence of AP Minister for Roads, Buildings & Ports Shri J Ramamohan Rao and CMD.



Raksha Utpadan Raja Mantri Shri Rao Inderjit Singh being briefed by CMD at BEML stall in Defexpo '06 at New Delhi

Financial Statistics

Rs. in lakhs

	1965-66	1981-82	1986-87	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06
CAPITAL											
Equity Capital	681	1,200	3,000	3,687	3,687	3,687	3,687	3,687	3,687	3,687	3,687
Reserves and Surplus	40	5,126	16,056	54,937	55,497	55,689	55,978	54,827	56,437	69,781	84,284
Net Worth	653	6,326	18,901	57,752	57,774	55,700	55,559	53,219	56,888	69,439	85,390
Loans from Government of India	-	1,992	6,616	1,440	-	-	-	-	-	-	-
Loans from Banks	-	4,577	14,047	47,305	37,537	23,471	27,255	3,130	3,148	7,491	2,488
Other Loans	-	-	6,489	22,951	10,855	6,288	2,778	220	180	-	-
Gross Block	236	5,010	16,492	50,618	52,199	52,695	52,851	53,425	54,334	54,395	56,512
Depreciation	27	2,404	4,917	31,058	33,509	35,805	37,648	39,213	40,949	42,738	43,992
Inventories	339	9,529	20,930	67,961	61,079	63,868	63,886	74,850	57,327	62,080	64,908
Sundry Debtors	119	3,733	19,719	60,665	52,016	52,067	56,730	49,418	44,356	60,820	77,021
Working Capital	447	10,212	33,804	108,655	86,838	67,512	69,190	43,454	47,933	64,658	73,460
Capital Employed	656	12,817	45,379	128,215	105,528	84,402	84,392	57,666	61,318	76,315	85,980
REVENUE											
Sales	517	22,193	50,615	121,262	131,709	134,740	142,415	168,117	176,575	185,601	220,584
Value of Production	523	22,520	51,487	124,415	129,385	134,317	143,610	174,016	169,186	188,595	217,957
Value Added	243	7,800	22,636	50,677	51,700	54,777	53,292	62,566	63,867	85,090	90,333
Profit before Depreciation & Interest	61	4,158	8,799	11,722	11,438	6,525	5,741	6,017	6,995	29,757	30,416
Depreciation	21	284	837	2,572	2,679	2,340	2,214	1,931	1,829	2,299	1,412
Profit before Interest & Tax	40	3,874	7,962	9,150	8,759	4,185	3,527	4,086	5,166	27,458	29,003
Interest	-	886	3,361	8,878	6,399	3,120	2,226	300	148	179	461
Profit Before Tax	40	2,988	4,601	272	2,360	1,065	1,301	3,787	5,018	27,279	28,542
Provision for Tax	8	1,775	1,000	210	900	465	766	1,177	2,601	9,751	9,849
Profit After Tax	32	1,213	3,601	62	1,460	600	535	2,610	2,417	17,528	18,692
Debenture Redemption Reserve	-	-	500	-	-	-	-	-	-	-	-
Dividend (Excluding Tax)	-	72	300	-	735	367	441	735	735	3,674	3,674
RATIOS											
Turnover to Capital Employed	78.82	173.05	111.54	94.58	125.15	159.64	168.75	291.54	287.97	243.20	256.55
PBIT to Capital Employed	6.06	30.22	17.55	7.14	8.32	4.96	4.18	7.09	8.43	35.98	33.73
Profit Before Tax to Sales	7.69	13.46	9.09	0.22	1.79	0.79	0.91	2.25	2.84	14.70	12.94
Profit After Tax to Net Worth	4.86	19.17	19.05	0.11	2.53	1.08	0.96	4.90	4.25	25.24	21.89
Value of Production to Inventories (Mean)	156.30	240.12	249.41	186.12	200.54	215.00	224.82	250.89	256.00	315.89	343.27

Funds Flow

Rs. in lakhs

	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06
SOURCES OF FUNDS								
Profit After Tax	62	1,460	600	535	2,610	2,417	17,528	18,692
Depreciation	2,445	2,451	2,296	1,843	1,564	1,736	1,789	1,254
Increase in Share Capital	-	-	-	-	-	-	-	-
Share Premium	1	-	-	-	-	-	-	-
Increase in Borrowings	459	-	-	274	-	-	4,163	-
Decrease in Working Capital	-	22,103	19,039	-	25,856	-	-	-
Investments	-	-	-	-	-	384	-	-
Others	774	-	-	-	2	2,058	-	1,449
	3,741	26,014	21,935	2,652	30,032	6,595	23,481	21,395
UTILIZATION OF FUNDS								
Fixed Assets	1,596	986	419	(58)	837	740	509	3,250
Increase in Working Capital	2,145	-	-	1,677	-	4,479	16,726	8,738
Decrease in Borrowings	-	23,305	18,634	-	26,684	21	-	5,066
Dividend & Tax thereon	-	897	405	441	829	831	4,185	4,190
Investments	-	287	210	26	-	-	(25)	-
Others	-	539	2,267	566	1,682	525	2,087	151
	3,741	26,014	21,935	2,652	30,032	6,595	23,481	21,395



Notice

NOTICE is hereby given that the 42nd Annual General Meeting of Bharat Earth Movers Limited will be held on **Thursday, the 28th September, 2006 at 10.30 hours at BEML Kalamandira, BEML Township, New Thippasandra Post, Bangalore-560075**, 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, 2006 and the Balance Sheet as at that date and Auditors' Report thereon.
2. To declare Dividend.
3. To elect a Director in place of Shri. V.S. Venkatanathan, who retires by rotation and being eligible, offers himself for re-appointment.
4. To elect a Director in place of Shri. R.C. Suthar, who retires by rotation and being eligible, offers himself for re-appointment.
5. To elect a Director in place of Shri. N.K. Sreenivasan, who retires by rotation and being eligible, offers himself for re-appointment.
6. To fix the remuneration of the Auditors for the year 2006-07.

II. SPECIAL BUSINESS

7. Appointment of Directors
 - a. To consider and, if thought fit, to pass with or without modifications, the following resolution as an Ordinary Resolution :
 "RESOLVED that Shri V. Somasundaran, be and is hereby appointed as Director of the Company with effect from 30th December, 2005."
 - b. To consider and, if thought fit, to pass with or without modifications, the following resolution as an Ordinary Resolution :
 "RESOLVED that Shri A. Prasad, be and is hereby appointed as Director of the Company with effect from 17th January, 2006."

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

"RESOLVED that Prof. Prakash G. Apte, be and is hereby appointed as Director of the Company with effect from 17th January, 2006."

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

"RESOLVED that Shri Birendra Kumar, be and is hereby appointed as Director of the Company with effect from 17th January, 2006."

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

"RESOLVED that Shri KVK Seshavataram, be and is hereby appointed as Director of the Company with effect from 17th January, 2006."

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

"RESOLVED that Shri Ravindra Kumar Rustagi, be and is hereby appointed as Director (HR) of the Company with effect from 3rd April, 2006."

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

"RESOLVED that Dr. Arabinda Tripathy, be and is hereby appointed as Director of the Company with effect from 28th June, 2006."

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

"RESOLVED that Prof. S.N. Chary, be and is hereby appointed as Director of the Company with effect from 28th June, 2006."

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

“RESOLVED that Shri N.R. Mohanty, be and is hereby appointed as Director of the Company with effect from 28th June, 2006.”

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

“RESOLVED that Dr. Jayanta Bagchi, be and is hereby appointed as Director of the Company with effect from 28th June, 2006.”

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

K.C. Medapa
Company Secretary

Place : Bangalore
Date : 26.08.2006

Notes :

1. A Member entitled to attend and vote at the Meeting is entitled to appoint proxy/proxies to attend and vote instead of himself/herself and 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 commencement of the meeting.
3. The Register of Members and Share Transfer Book will remain closed from 20.09.2006 to 28.09.2006 (both days inclusive).
4. Shareholders are requested to address all correspondence in relation to share matters to the Company's Registrar and Share Transfer Agent, M/s Karvy Computershare Private Limited at the following address :

M/s. Karvy Computershare Private Limited
Karvy House, 46, Avenue 4,
Street No.1, Banjara Hills,
Hyderabad – 500034
5. The dividend declared at the meeting will be made available on or after 28th September, 2006 in respect of shares held in Physical form to those members who are entitled to the same and whose names appear in the Register of Members of the Company after giving effect to all valid share transfers lodged with the Company at the end of business hours on 19th September, 2006 and in respect of shares held in the electronic form to those “Deemed Members” whose names appear in the Statement of Beneficial Ownership furnished by the National Securities Depository Limited (NSDL) and the Central Depository Services (India) Limited (CDSL).
6. Member / Proxy holder must bring the Attendance Slip to the Meeting and hand it over at the entrance duly signed.
7. Members who are holding shares in more than one folio are requested to intimate to the Registrar and Transfer Agent the details of all their folio numbers for consolidation into a single folio.
8. Members are requested to bring their copies of the Annual Report to the meeting.



Explanatory Statement Pursuant to Section 173 of the Companies Act, 1956 relating to Special Business

7) Appointment of Directors :

The existing Articles of Association of the Company provides for appointment of all 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 61.23% of Equity Shares in the Company and is a majority shareholder. The President of India has appointed Shri V. Somasundaran, Joint Secretary (Export) as Director on the Board with effect from 30.12.2005 vide Ministry of Defence Letter dated 30th December, 2005. The President has appointed Shri A. Prasad, former Member (Finance), Planning Commission, Prof. Prakash G. Apte, Director, Indian Institute of Management, Shri Birendra Kumar, Adviser, Pricewaterhouse Coopers (P) Ltd., Shri KVK Seshavatham, former CMD, Hindustan Zinc Limited as Part-time Directors on the Board vide Ministry of Defence Letter No.8(3)/97/Vol.II-D(BEML), dated 17th January, 2006 on the terms and tenure mentioned therein, Shri Ravindra Kumar Rustagi, Executive Director (HR), M/s National Thermal Power Corporation Limited as Director (HR) on the Board with effect from 03.04.2006 vide Ministry of Defence Letter No.10(3)/2005-D(BEML), dated 7th March, 2006 for a tenure, terms and conditions stipulated therein. The President was also pleased to appoint Dr. Arabinda Tripathy, Professor, IIM (Ahmedabad), Prof. S.N. Chary, Professor, IIM (Bangalore), Shri N.R. Mohanty, former Chairman, HAL, Dr. Jayanta Bagchi, former Secretary to the Government of India as Part-time Directors on the Board vide Ministry of Defence letter No.8(3)/97/Vol.II-D(BEML), dated 28th June, 2006 on the terms and tenure mentioned therein, 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 Directors with effect from the date of their appointment as aforesaid. In view of the provisions of the Companies Act, relating to appointment of Directors, it has become necessary to place this item before the members of the Company.

Shri V. Somasundaran, Part-time Director

Shri V. Somasundaran, Joint Secretary (X) has been appointed on the Board of BEML by the President vide

letter bearing No.10(1)/2004-D(BEML) dt.30.12.2005. He is Master of Arts and an IAS Officer of the 1979 batch with vast experience. He had held important posts of District Collector, Development Commissioner, Cochin Export Processing Zone, Managing Director, Kerala State Industrial Development Corporation, Secretary, Finance Department & Commissioner of Commercial Taxes. He has exposure in the areas of Industry, Finance and Exports.

Shri A. Prasad, Part-time Director

Sri Prasad is a Post Graduate in Economics from Delhi School of Economics. He is an IRAS (Retd.) of the 1963 batch. He was a Member (Finance) of the Telecom Commission, Ex-officio Secretary to the Government and Director of National Institute of Financial Management. As Additional Secretary & FA, Steel & Mines, he was closely associated in the GDR Issue of Steel Authority of India Limited and as Deputy Director General in the Department of Telecom was closely associated in the GDR issue of BSNL & MTNL. He has contributed immensely in the improvement of the operation of Railways. He has been on the Board of MTNL, BSNL, HEC, SAIL, KOCL, HZL to name a few. He was bestowed with Avantika life-time national service award in the year 2001 for making excellent contribution to the harnessing of the telecom revolution for the benefit of masses.

Prof. Prakash G. Apte, Part-time Director

Prof. Prakash G Apte is a Bachelor of Technology from Indian Institute of Technology, Bombay. He holds a Doctorate in Economics from Colombia University, USA and Post Graduate Diploma in Management from IIM, Kolkata. He was an instructor in Economics in Vassar College, Colombia University and a Consultant at Edison Electric Institute, New York. He is an UNDP Fellow in Computer Aided Management, University of Florida. He was Chairman of the Academic Council of the CFA program of ICFAI and Member of the Index Committee and Curriculum Formulation and Testing Committee for Derivative trading at NSE. He has wide experience in Corporate Finance and Financial Risk Management. He has published several books and articles on wide ranging topics. He is presently the Director of the Indian Institute of Management, Bangalore.

Shri Birendra Kumar, Part-time Director

Sri Birendra Kumar is a Master of Science in Mathematics. He is also a Certified Associate of the Indian Institute of Bankers. He had undergone training in International Banking at Mitsubishi Bank, Tokyo. He served State Bank of India for 36 years and rose to the level of Managing Director of SBI Capital Markets and presently, he is an Adviser at Pricewaterhouse Coopers (P) Ltd., Mumbai.

Shri KVK Seshavataram, Part-time Director

Sri Seshavataram is professionally qualified Chartered Accountant, Cost Accountant and Company Secretary. He had served in the private sector for eleven years and thereafter served PSEs for twentyfour years rising to the level of Chairman & Managing Director of M/s Hindustan Zinc Ltd. As a Chief Executive of M/s Hindustan Zinc Limited, he was instrumental in multiplying the turnover from Rs.8484 millions during 1995-96 to Rs.16100 millions and profit from Rs.657 millions to Rs.2800 millions. Two of the Units were awarded ISO 9002 certification and the Perspective Plan for a period of 20 years was formulated. He was a Member of the Industrial Advisory Panel of the International Lead and Zinc study group and Director of the Executive Committee of the International Zinc Association, Brussels. He was also a Member of the Executive Board of SCOPE.

Shri Ravindra Kumar Rustagi, Director (HR)

Sri RK Rustagi took charge on 3.4.2006 as Director(HR). He is a Master of Science in Physics. He is a law graduate and holds a Diploma in Social Welfare. He started his career with M/s SAIL, moved over to M/s NTPC during 1978 rising to the level of Executive Director(HR). He was instrumental in implementation of a transparent and Objective Performance Management System for Executives, IT enabled Human Resources Management System, restructuring of leave for improved productivity. He underwent training in Personnel Management and Advanced Management programme at the Administrative Staff College.

Dr. Arabinda Tripathy, Part-time Director

Sri Tripathy is a Master of Science in Operational Research from London School of Economics. He is a Bachelor of Technology in Mechanical Engineering from Indian Institute of Technology, Kharagpur. He holds a Doctorate in Operational Research from London School of Economics,

Post Graduate Diploma in Business Management and Xavier's Labour Relations Institute, Jamshedpur. He started his career during 1966 with M/s Tata Iron and Steel Company Limited in the area of project feasibility study and management of energy & utility services. After working in various reputed institutions he joined as Associate Professor in the Indian Institute of Management, Ahmedabad during 1981 and rose to the level of Professor in IIM. He was also a visiting professor in the University of Cape Town, South Africa and Asian Institute of Technology, Bangkok, Thailand. He was awarded various prizes / fellowships and a few of them are Third World Prize in 1993 by the International Federation of Operational Research Societies, Portugal, J.N. Tata Endowment award during 1975-76 and Indo-EEC Exchange fellowship at London Business School during January-June, 1990. He has published several books, monographs and papers on wide ranging topics.

Prof. S. N. Chary, Part-time Director

Sri Chary is a Master of Technology (Honours) in Chemical Engineering from Indian Institute of Technology, Mumbai. He holds M.S. and M.B.A. from the University of Rhode Island, USA. A Professor of the Indian Institute of Management, Bangalore in the area of Operations Management. A faculty member of IIM, Bangalore for more than 25 years. He is also attached to the Energy Sector at the Institute. He has contributed to the teaching, training, consulting, research, writing and administrative activities at the Institute. He was the Chairman of the Operations Management Area for eight years. He has a wide range of academic interests that include Productivity Management, Organizational Design, Rationalization in organizations, National Planning & Economic Development, Socio-economics of Development, Environmental Management & Policy Issues and Entrepreneurship and Leadership. Earlier, he was Director, Kirloskar Institute of Advanced Management Studies, Harihar, Karnataka from 1997 to 1999. He had conducted various management consulting assignments that include Organizational restructuring, rationalization and designing the entire Human Resource Management package for the Department of Telecommunications; evaluation of self-employment programmes of the government with State Bank of India; Materials Management, Organizational Restructuring and policy study for Indian Navy during 1987-88. He has published / authored several books, articles and papers on a wide range of topics.



Shri N.R. Mohanty, Part-time Director

Shri Mohanty is a Science Graduate in Mechanical Engineering from Regional Engineering College (REC), Rourkela and a topper in the University. He served as the Chairman of M/s Hindustan Aeronautics Limited (HAL) till November, 2004. Prior to his appointment as Chairman, HAL in September, 2001, he was Managing Director (MIG Complex) of HAL, Nasik and Director (Personnel) since August, 1994. Shri Mohanty joined M/s HAL in June, 1971 and served as General Manager of HAL, Koraput and Nasik Divisions before being appointed as Managing Director. Before joining M/s HAL, he served as a Lecturer in Mechanical Engineering at the REC, Rourkela and as a Manager in Ordnance Factory. He was President of the Aeronautical Society of India, the country's most prestigious professional body in the field of Aeronautics, Fellow of the Institution of Engineers (India) and Member of the Advisory Committee of Standing Conference of Public Enterprises (SCOPE). He is a member of the Defence Committee of the Federation of Indian Chamber of Commerce & Industries (FICCI). He was the Chairman of the Society of Defence Technologists (SODET). He was bestowed with the Best Alumni Award by the REC, Rourkela during 1978. He was conferred with various other awards viz., Indira Gandhi Sadbhavana Award, Rashtriya Ratan Award, Visveswaraya Samman, Ugadi Purashkar 2003 and Ruchi Bharat Gourav Samman award. He bagged the "Outstanding Chief Executive for the year 2002-03" award from Indian Institution of Industrial Engineering for his outstanding individual achievements and distinguished services to the Nation.

Dr. Jayanta Bagchi, Part-time Director

Dr. Bagchi holds Masters Degree in Science and Law. He was awarded Ph.D. by the Gauhati University, Assam in the subject Regional Cooperation among Jute Producing Countries. He also holds M.Phil Degree in development studies from the University of Cambridge (U.K.) in the subject of research "Raw Jute Production and Rural Development in West Bengal". He joined Indian Administrative Service in 1963. He was instrumental in formulation of economic and regulatory policy of Jute Industry related to production, consumption, export and import of jute / jute goods, monitored bilateral jute agreements and negotiated the jute agreement at Brussels. He represented India in FAO in Governmental Group Meetings. He was Secretary in Ministry of Steel during 1995-97. He was an expert consultant and a member of Regional Consultative Mission under ESCAP at Bangkok

during 1981. He was bestowed with "Padma Shree" award by the President of India for his meritorious service.

Shri V S Venkatanathan, Director (R&D)

Shri V.S. Venkatanathan is a post-graduate in Mechanical Engineering from Indian Institute of Science, Bangalore. In addition, he has many professional qualifications, to mention a few viz., (i) Fellow of Institute of Engineers (India); (ii) Member of Indian Institute of Material Management; (iii) Life Member of Institute of Standard Engineers; (iv) Life Member of Indian Institute of Metals. He is presently a Council Member of Indian Institute of Metals.

He started his professional career in the year 1971 with M/s. MICO (Motor Industries Company), Bangalore, as Assistant Engineer (R&D) responsible for developing Alternate Fuel Injection System for various automotive vehicles like Trucks, Tractors & Power Tillers.

Shri Venkatanathan joined BEML's R&D in the year 1975 as Assistant Manager. He has held various important assignments and positions in the company as Head of R&D, and Chief of Production units – viz., Hydraulics and Power Line Division at KGF and Mysore Complex.

He has led R&D teams to the successful design, development and productionisation of various equipment viz., 2 Cubic Metre Capacity Front end Loader, 70T Capacity Pipe Layer, 100T capacity dump truck, articulated & economy version Motor Graders, Side Discharge Loader, small capacity backhoe Loader & excavators, Load Haul Dumpers, Military coaches & wagons, different variants of heavy-duty trucks for defence and for integrated guided missile development program (IGMDP). In addition, development of a host of high technology aggregates like various capacity transmissions, axles, final-drive elements, hydraulic elements and on-board electronics systems for earth moving equipment which are worth mentioning.

As head of Production Divisions, he effectively managed production and supply of critical aggregates such as Transmissions, Final Drives and hydraulic elements for Defence equipment. He is also responsible for implementation of ISO 9000 Quality systems in the Divisions during his regime.

Shri Venkatanathan was promoted as Director (Research & Development) on the Board of BEML in 2001, where he is responsible for company's total R&D activity that includes development of new products, introduction of new technology, technology assimilation / absorption of