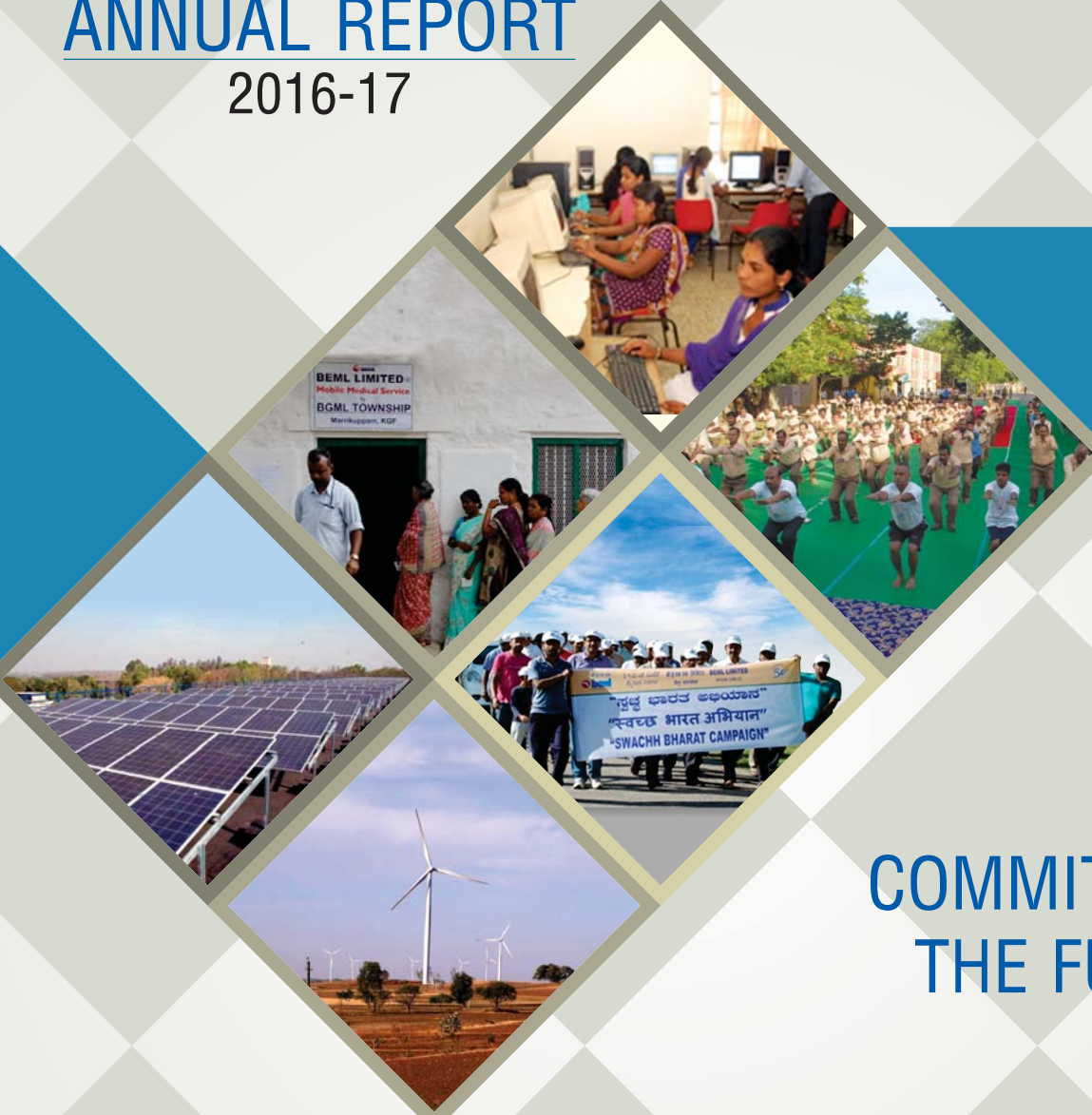


53RD ANNUAL REPORT 2016-17



COMMITTED TO THE FUTURE



BEML LIMITED

DEFENCE | MINING & CONSTRUCTION | RAIL & METRO
www.bemlindia.com





Shri Arun Jaitely, Hon'ble Raksha Mantri, presenting the Cash Award to Shri D K Hota, Chairman & Managing Director (CMD), BHEL and Dr. Subhash Bhamre, Hon'ble Minister of State for Defence, presenting the Certificate of Excellence to Shri B R Viswanatha, Director (Mining & Construction Business).



Shri D K Hota, CMD greets Shri Manohar Parrikar, the then Hon'ble Minister of Defence during his visit to Bengaluru.

CORPORATE VISION, MISSION AND VALUES

A) Vision

Become a market leader, as a diversified Company, supplying quality products and services to sectors such as Mining & Construction, Rail & Metro, Defence & Aerospace and to emerge as a prominent international player.

B) Mission

- Improve competitiveness through organizational transformation and collaboration, strategic alliances and joint ventures, to sustain and enhance market share in product groups BEML operates.
- Grow profitably by aggressively pursuing business and market opportunities in domestic and international markets.
- Adoption of state-of-the-art technologies and bring in new products through Transfer of Technology and in-house R&D.
- Continue to diversify and grow addressing new products and markets with higher turnover from in-house R&D developed products.
- Attract and retain people in a rewarding and inspiring environment by fostering creativity and innovation with lesser attrition levels.
- Offer technology and cost effective total solutions for enhanced customer satisfaction.

C) Values

Reiterate commitment towards holding 'BEML FIRST' with the intrinsic values and culture as guiding principles as under:

F	Focus on Customer	<i>We strive to achieve customer delight in all our actions</i>
I	Innovation & Technology	<i>We leverage our continuous learning, innovation and technology in all our work</i>
R	Reliability & Quality	<i>We build reliability and quality in all our products & services</i>
S	Speed & Responsiveness	<i>We are agile and respond to needs and challenges of all stakeholders with swift execution</i>
T	Trust & Teamwork	<i>We help each other succeed through integrity, trust, respect, transparency, teamwork and being a socially responsible corporate citizen</i>



CHAIRMAN'S LETTER

Dear Shareholders,

It is my pleasure to share with you that your Company has delivered a reasonably good performance during the year 2016-17 despite severe competition and numerous challenges. The Annual Report brings you the audited accounts and other related documents for the year 2016-17 for your consideration and adoption at the ensuing Annual General Meeting.

Performance Highlights:

Your Company has achieved gross revenue of ₹2837 Crs for the financial year ended 31.03.2017.

The Mining & Construction business achieved Gross revenue of ₹1713 Crs despite sluggish demand both in Domestic & International markets.

The Rail & Metro segment has achieved Gross revenue of ₹571 Crs. The Company has delivered 205 metro cars during the year which is an all time high in the Company's history.

**50% Growth in
Defence Business**

The Defence business achieved a gross sales of ₹553 Crs posting a growth of over 50% as against previous year.

Profit before Tax stood at ₹98 Crs which is the highest in the last five years.

**Highest PBT
in last 5 years**

65% reduction in borrowing over last 5 years.

Over last 5 years, 48% increase in Value addition per Employee despite 25% reduction in manpower.

Earnings per Share (EPS) of ₹20.28, highest over the last 5 years.

**54% of sales thru
in-house developed
products**

R&D has taken up initiatives to launch new products in the three Business segments:

Mining & Construction:

Your Company has positioned High End Dump Trucks (BH150E and BH205E), Dozers (BD475-1), Excavators (BE1800E & BE1800D) to compete in the high capacity market needs in Mining segment.

Your Company is also in the process of finalising the technology partner in other high capacity products.

Defence:

Arjun Armoured Recovery and Repair Vehicle (ARRV) has been Designed & Developed. Two prototypes will be delivered during the current year.

Development of aggregates for the Quick Reaction Surface to Air Missile (QRSAM) for DRDL.

Development of T-72 Hull & Transmission to supplement the production of OFB.

Rail & Metro:

IGBT based 3-phase Mainline Electric Multiple Units development is under process against a contract from Indian Railways for the first time in India.

Your Company has put in place appropriate strategies and actions to counter all business challenges and scale new benchmarks despite impending Strategic Sale of the Company, reiterating commitment from all of us towards holding "**BEML FIRST**" as a guiding principle.

Self Reliance:

Your Company is committed to the success of "Make in India" programme launched by the Government of India.

Your Company has achieved level of indigenisation over 90% in the mainline M&C products, Rail Coaches & EMU's, over 80% in High Mobility Vehicles (HMs) and over 67% in Metro Cars. Further, efforts are underway to reach higher levels.

**90% indigenisation
in main products,
80% in HMs and
67% in Metro Cars**

The new Public Procurement Policy announced by GoI has given a new impetus for Local Manufacturers by way of eligibility to address the surging Metro market in India.

Procurement from MSEs was 29% of the total indigenous procurement which is more than 20% stipulated by GoI.

IT Initiatives:

Your Company has undertaken various initiatives on the Information Technology front to enable business operations on an e-mode viz; e-procurement, upgradation of SRM, data recovery center, video conferencing, procurement through government e-portal etc.



To leverage Information Technology and to draw more mileage commercially, your Company has drawn up a comprehensive IT plan covering Cyber security systems, Complaint handling system, FLMS, amongst others.

Digital Initiatives:

Your Company is making all payments / receipts through digital mode. Various training seminars were conducted at all Divisions and also at residential townships highlighting the cashless transactions.

HR Initiatives:

The employees are being provided with opportunities to learn, grow and develop through developmental training programmes in reputed institutions such as IITs, IIMs, MDI, NLSIU etc. in India and abroad.

Empowered to take speedy decisions through revised Delegation of Powers. For manpower optimization, a study is underway, to redefine the roles, responsibilities and competencies in important functions, remove overlapping activities / functions.

Your Company is committed to Government of India's 'Skill India' initiative, with employees honing their technical skills and competencies for capability building through Centers of Excellence established in-house at all manufacturing complexes in the areas of Stainless Steel Welding, Hydraulics, Structural Engineering and Electrical & Electronics.

Service Training Centers at KGF and Mysuru are providing training to employees and customer personnel.

Future Outlook:

Your Company is a major player in M&C equipment market competing with global players and holds a sizeable market share in Dozer and Dumper market. With the Government's emphasis on infrastructure projects, the demand for construction equipment is going up which augurs well for BEML. Keeping in view the future technology trends and changing business scenario, various initiatives were taken to launch new products in the areas of High End Mining equipment with innovative features in line with major global competitors.

Defence business is venturing into new platforms viz., Combat Vehicle Segment, Mounted Gun Systems, Light / Medium Armoured Vehicles, Futuristic Infantry Combat Vehicles (FICVs). As a part of future business prospects and as an alternate source for critical aggregates for battle tanks like Hull, Transmission, Running gear items, your Company is jointly working with OFB. Further,

BEML has signed MoU with OFB for development of Mounted Gun Systems. The Company is also working with other DPSUs for supply of Launching Vehicles and aggregates for various Missile Programmes. Company has also entered into a Service Agreement with M/s TATRA TRUCKS.

Considering the emerging requirements and market scenario, Rail & Metro vertical is venturing into new products such as High speed trains, Light Metro Cars, Medium Speed Trains, 3-phase MEMUs, Rail Grinding Equipment, Track Clearing Equipment, Safety & Maintenance related equipment. Suitable technical tie-ups are planned to address the same. Your Company is also exploring alternate options for supply of rolling stock under leasing / renting models to cater to the plans of Metro Corporations. To augment the capacity requirements, BEML has established 3rd production line for Metro cars and introduced indigenous manufacture of Metro car bogies which will enable increase production capacity by over 30%.

Your Company has an order book position of over ₹7300 Crs including order for supply of 300 MEMUs received from Railway Board for the first time since four years. Considering order book position and the projected positive scenario, we have set ourselves a Net Sales target of minimum ₹3000 Crs for the year 2017-18. Your Company's vision is to emerge as a strong player in each of the three business verticals.

With a view to upgrade and augment the existing production facilities and to meet the future requirements, the Company has incurred a Capex of ₹65 Crs during the year and has planned an outlay of ₹139 Crs, covering additional metro production line and various IT initiatives.

A comprehensive review was undertaken and all existing manuals were updated. To be more 'Customer Centric', Delegation of Powers was reviewed to reflect the realities of the new market place and empowering the frontline to improve the efficiency & accountability.

Your Company has introduced new accounting standards (IND-AS) for the year 2016-17. Also had a smooth transition to new regime of GST from 1st July 2017.

As a responsible Corporate Citizen, your Company has complied with all rules and regulations dealing in a transparent, fair and corruption free operational environment and a detailed report on compliance of the guidelines on Corporate Governance under the listing regulations and the guidelines issued by the Department of Public Enterprises for CPSEs form part of the Board's Report.

Several preventive vigilance activities were undertaken across the Company with the objective of promoting integrity, transparency, accountability, equity, efficiency and productivity in work areas by leveraging technology and making systemic improvements.

I am confident that with continuous dedicated efforts, commitment and hard work, and a conducive business environment your Company shall move to achieve greater heights in 2017-18. I assure you, that your Company is committed to enhance value creation for its Stakeholders and Society at-large by taking up activities and initiatives for sustainable growth with environmental concern.

I would like to inform you that during October 2016, Government of India has initiated strategic disinvestment of 26% of its holding along with management control. It is noteworthy that your Company has achieved a record performance of 46% of its annual turnover during the 4th Quarter.

CSR and Sustainability Development:

Your Company has brought in a wider perspective to Corporate Social Responsibility and Sustainability through various programmes on health, education, Swachh Bharat Campaign etc, as under:

Adopted a village near Kolar Gold Fields for facilitating quality education to poor students, medical facilities to the needy etc.

Sustained sanitation drive by providing toilets to the schools.

Shramdaan for Cleaning drive and also provided cleaning equipment for Brindavan Garden at Mysuru.

Environmental Park at KGF, De-silting of lakes, Rain water harvesting, planting of trees etc.

Plastic Free zone and three years 'Swachh Bharat Plan'.

Contributed Earthmoving equipment and machines to Govt. ITIs/Institutes.

Committed to 'Go Green' from the current level of 65% from renewable energy to achieve 100% power requirements of the Company.

Customer Satisfaction:

To ensure reliability of supplied equipment and provide highest customer satisfaction, your Company has initiated various measures for availability of Spare Parts and serviceability 24x7.

Awards:

Your Company has achieved many accolades and awards and few of them are:

SCOPE Award for Excellence and Outstanding Contribution to the Public Sector Management.

Raksha Mantri award for the design and development of 180T Class Electric Hydraulic Excavator BE1800E.

Best seller in Rigid Dump Truck and Crawler Dozer in the Equipment India Awards.

Hindustan PSU Award under the category Fastest Growing Organisation - Miniratna.

International & National Quality Award on Metro Car quality.

Gold Award for excellence in Training, Learning and Development & CSR initiatives.

Star Performer Award in the Export category instituted by EPC India.

Acknowledgments:

On behalf of the Board of Directors of the Company, I would like to express my gratitude to our shareholders, valuable customers and all other stakeholders for their trust and support. I would also like to express my deep appreciation to all Unions, Associations, Employees and Executives for their untiring efforts and contribution.

I wish to take this opportunity to thank all my fellow Directors on the Board for their invaluable guidance and support rendered for running the operations of your Company.

I also gratefully acknowledge the support and encouragement extended by our Administrative Ministry, Ministry of Defence and in particular Department of Defence Production, in steering the Company and other Administrative Departments of Government of India and co-operation from partners in progress.

Best wishes,

Sincerely,



D K Hota

Chairman & Managing Director

Bengaluru
05.08.2017

BOARD OF DIRECTORS



Shri D K Hota
Chairman & Managing Director



Smt. Surina Rajan
Government Nominee Director
Additional Secretary (Defence Production)
Ministry of Defence



Shri Sanjay Prasad
Government Nominee Director
Joint Secretary (Land System)
Dept. of Defence Production, Ministry of Defence



Shri Sudhir Kumar Beri
Independent Director



Shri M G Raghuvver
Independent Director



Shri B P Rao
Independent Director



Shri Aniruddh Kumar
Director
(Rail & Metro Business)



Shri B R Viswanatha
Director (Mining &
Construction Business)



Shri R H Muralidhara
Director
(Defence Business)

Contents

Page No.

Financial Highlights	1
Notice	3
Board's Report	7
Report on Corporate Governance	23
Management Discussion & Analysis Report	38
Business Responsibility Report	45
Significant Accounting Policies	72
Balance Sheet	80
Statement of Profit and Loss	81
Statement of Cash Flows	82
Statement of Changes in Equity	83
Notes to Financial Statement	84
Independent Auditors' Report	138
Comments of the Comptroller & Auditor General of India on Standalone Financial Statements	149
Consolidated Significant Accounting Policies	150
Consolidated Balance Sheet	158
Consolidated Statement of Profit and Loss	159
Consolidated Statement of Cash Flows	160
Consolidated Statement of Changes in Equity	161
Notes to Consolidated Financial Statements.....	162
Statement of Subsidiaries & Joint Venture Company....	213
Independent Auditors' Report on Consolidated Financial Statements.....	214
Comments of the Comptroller & Auditor General of India on Consolidated Financial Statements.....	220
Corporate Data	221
Route map for the venue of AGM.....	223



FINANCIAL HIGHLIGHTS

Sl No	PARTICULARS	UNITS	2016-17	2015-16	2014-15	2013-14	2012-13	2011-12	2010-11
A	Our earnings								
	Gross Revenue	₹Lakhs	280682	314769	264532	318115	309164	350432	342957
	Export	₹Lakhs	3016	27523	48433	8105	19813	14405	21750
	Total Gross Revenue	₹Lakhs	283698	342292	312965	326220	328977	364837	364707
	Less: Value of Consortium supplies	₹Lakhs	232	13859	13048	14203	29090	72779	82091
	Revenue net of Consortium Supplies	₹Lakhs	283466	328433	299917	312017	299887	292058	282616
	Less: Excise Duty	₹Lakhs	33585	30372	18998	20866	18996	19409	17392
	Revenue from operations	₹Lakhs	249881	298061	280919	291151	280891	272649	265224
	Change in WIP/SIT	₹Lakhs	12509	(24371)	(20926)	(9706)	6992	42882	14800
	Value of Production (with Revenue from Operations)	₹Lakhs	262390	273690	259993	281445	287883	315531	280024
	Value of Production (with Gross Revenue)	₹Lakhs	296207	317921	292039	316514	335969	407719	379507
B	Our outgoings								
	Cost of materials	₹Lakhs	134758	147724	137368	161734	172427	184633	165880
	Employee Remuneration & Benefits	₹Lakhs	78072	75453	76911	71676	73940	72508	68315
	Interest	₹Lakhs	4780	4903	7051	11046	14099	8843	6127
	Depreciation & amortisation exp	₹Lakhs	6198	5577	5214	5356	5025	4392	3364
	Other Expenses	₹Lakhs	68583	66829	57720	59520	64992	65310	55330
C	Our savings								
	PBDIT	₹Lakhs	20807	18272	12956	17310	6891	19881	28166
	PBIT	₹Lakhs	14609	12695	7742	11954	1866	15489	24802
	PBT	₹Lakhs	9829	7792	691	908	(12233)	6646	18675
	PAT	₹Lakhs	8444	6366	676	468	(7987)	5725	14976
	Other Comprehensive Income (net of tax)	₹Lakhs	1189	1051	-	-	-	-	-
	Total Comprehensive income	₹Lakhs	7255	5315	676	468	(7,987)	5,725	14,976
D	Own capital								
	Equity	₹Lakhs	4177	4177	4177	4177	4177	4177	4177
	Other Equity	₹Lakhs	213978	208728	203914	203807	203826	213031	209727
E	Loan capital								
	Loans from Banks	₹Lakhs	11285	19245	24553	54110	85181	83335	67419
	Other loans	₹Lakhs	32286	37515	39498	41481	40959	12525	14091
F	Financial Statistics								
	Net worth	₹Lakhs	218155	212905	208091	207984	208003	217208	213904
	Property, Plant & Equipment and Intangible assets (at cost)	₹Lakhs	68294	59789	47230	120062	118377	112845	94543
	Accumulated depreciation & amortisation	₹Lakhs	11208	5344	-	70193	65303	59923	55590
	Net Block	₹Lakhs	57086	54445	47230	49869	53074	52922	38953
	Inventories	₹Lakhs	197446	169628	192117	215210	245620	242241	188891
	Trade Receivables	₹Lakhs	144137	124043	124182	115671	122452	100598	128840
	Working capital	₹Lakhs	212666	202534	202954	198422	206756	205462	162399
	Capital Employed	₹Lakhs	269752	256979	250184	248291	259830	258384	201352
	Value added	₹Lakhs	127632	125966	122625	119711	115456	130898	114144
	Dividend-Excl. Tax *	₹Lakhs	1666	416	416	1041	2082	4164	4164
	R&D Expenditure	₹Lakhs	7808	6663	8292	8623	9436	9779	9433
	No. of Employees	Nos	8221	8827	9599	10328	11005	11644	11798
G	Financial Ratios								
	Revenue from operations per Employee	₹Lakhs	30.40	33.77	29.27	28.19	25.52	23.42	22.48
	Value Added per Employee	₹Lakhs	15.53	14.27	12.77	11.59	10.49	11.24	9.67
	PBT to Revenue from operations	%	3.93	2.61	0.25	0.31	(4.36)	2.44	7.04
	PBIT to Capital employed	%	5.42	4.94	3.09	4.81	0.72	5.99	12.32
	PAT to Net worth	%	3.87	2.99	0.32	0.23	(3.84)	2.64	7.00
	Debt Equity ratio	Times	0.20	0.27	0.31	0.46	0.61	0.44	0.38
	EPS	₹	20.28	15.29	1.62	1.12	(19.18)	13.75	35.96
	Dividend *	%	40.00	10.00	10.00	25.00	50.00	100.00	100.00
	Revenue from operations to Capital employed	%	92.63	115.99	112.28	117.26	108.11	105.52	131.72

* For F.Y 2016-17, Board has recommended a dividend of ₹8/- per equity share (i.e., 80%), this would result in a cash outflow of approximately ₹3332 Lakhs in F.Y 2017-18, subject to the approval of shareholders at the Annual General Meeting.

Notes:

i) For FY 2016-17, Export value does not include Export incentive of ₹64 Lakhs, ii) For ratios pertaining to turnover, Revenue from operations has been considered, iii) Trade Receivables includes Unbilled Revenue amounting to ₹1100 Lakhs shown under Other current assets in the accounts (Previous Year - ₹3326 Lakhs)



FINANCIAL HIGHLIGHTS

Sl No	PARTICULARS	UNITS	2009-10	2008-09	2007-08	2006-07	2005-06	2004-05	2003-04
A	Our earnings								
	Gross Revenue	₹Lakhs	343268	270913	251273	249106	214435	179745	171316
	Export	₹Lakhs	15625	30434	20062	11073	6149	5856	5259
	Total Gross Revenue	₹Lakhs	358893	301347	271334	260179	220584	185601	176575
	Less: Value of Consortium supplies	₹Lakhs	58302	8257	-	-	-	-	-
	Revenue net of Consortium Supplies	₹Lakhs	300591	293090	271334	260179	220584	185601	176575
	Less: Excise Duty	₹Lakhs	13641	13373	17374	17792	14630	12322	9354
	Revenue from operations	₹Lakhs	286950	279717	253960	242387	205954	173279	167221
	Change in WIP/SIT	₹Lakhs	15099	28072	11360	(1104)	(2627)	2994	(7388)
	Value of Production (with Revenue from Operations)	₹Lakhs	302049	307789	265321	241283	203327	176273	159833
	Value of Production (with Gross Revenue)	₹Lakhs	373992	329419	282695	259075	217957	188595	169187
B	Our outgoings								
	Cost of materials	₹Lakhs	180084	185089	160957	148403	127624	103505	105319
	Employee Remuneration & Benefits	₹Lakhs	55514	56919	44672	36379	33357	35616	34678
	Interest	₹Lakhs	4893	3925	2309	561	461	179	148
	Depreciation & amortisation exp	₹Lakhs	3222	2731	1770	1352	1412	2299	1829
	Other Expenses	₹Lakhs	50637	44669	48488	46302	49766	39374	38545
C	Our savings								
	PBDIT	₹Lakhs	40070	45403	38880	33517	30415	29758	6995
	PBIT	₹Lakhs	36848	42672	37110	32165	29003	27459	5166
	PBT	₹Lakhs	31955	38747	34801	31604	28542	27280	5018
	PAT	₹Lakhs	22285	26884	22565	20493	18693	17528	2417
	Other Comprehensive Income (net of tax)	₹Lakhs	-	-	-	-	-	-	-
	Total Comprehensive income	₹Lakhs	22285	26884	22565	20493	18693	17528	2417
D	Own capital								
	Equity	₹Lakhs	4177	4177	4177	3687	3687	3687	3687
	Other Equity	₹Lakhs	199607	187360	166393	99661	84284	69781	56437
E	Loan capital								
	Loans from Banks	₹Lakhs	75305	47091	30327	2557	2488	7491	3148
	Other loans	₹Lakhs	15550	9673	0	0	0	0	180
F	Financial Statistics								
	Net worth	₹Lakhs	203639	190708	169176	101459	85390	69439	56888
	Property, Plant & Equipment and Intangible assets (at cost)	₹Lakhs	79871	74951	68028	59643	56512	54395	54334
	Accumulated depreciation & amortisation	₹Lakhs	52484	49402	46970	45257	43992	42738	40949
	Net Block	₹Lakhs	27387	25549	21058	14386	12520	11657	13385
	Inventories	₹Lakhs	165300	162058	92958	72928	64908	62080	57327
	Trade Receivables	₹Lakhs	136074	154527	149606	90426	77021	60820	44356
	Working capital	₹Lakhs	259646	218771	174884	86676	73460	64658	47933
	Capital Employed	₹Lakhs	287033	244320	195942	101062	85980	76315	61318
	Value added	₹Lakhs	121965	122700	104364	92880	75703	72768	54514
	Dividend-Excl. Tax *	₹Lakhs	4997	4997	4409	3674	3674	735	735
	R&D Expenditure	₹Lakhs	9720	3198	1926	1805	1914	1687	1498
	No. of Employees	Nos	12052	12600	12286	11748	11975	12189	12922
G	Financial Ratios								
	Revenue from operations per Employee	₹Lakhs	23.81	22.20	20.67	20.63	17.20	14.22	12.94
	Value Added per Employee	₹Lakhs	10.12	9.74	8.49	7.91	6.32	5.97	4.22
	PBT to Revenue from operations	%	11.14	13.85	13.70	13.04	13.86	15.74	3.00
	PBIT to Capital employed	%	12.84	17.47	18.94	31.83	33.73	35.98	8.42
	PAT to Net worth	%	10.94	14.10	13.34	20.20	21.89	25.24	4.25
	Debt Equity ratio	Times	0.45	0.30	0.18	0.03	0.03	0.11	0.06
	EPS	₹	53.51	64.56	56.19	55.77	50.87	47.70	6.58
	Dividend *	%	120.00	120.00	120.00	100.00	100.00	20.00	20.00
	Revenue from operations to Capital employed	%	99.97	114.49	129.61	239.84	239.54	227.06	272.71