

# 54<sup>th</sup> ANNUAL REPORT 2017 - 18



Partnering Nation's Progress

## BEML LIMITED

DEFENCE & AEROSPACE | MINING & CONSTRUCTION | RAIL & METRO

[www.bemlindia.in](http://www.bemlindia.in)

## 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:

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



Explaining the features of ARRV to Hon'ble RM.



Releasing Hull of T-72 Tank at KGF Complex.



Parliamentary Committee going around canteen facilities at BC.

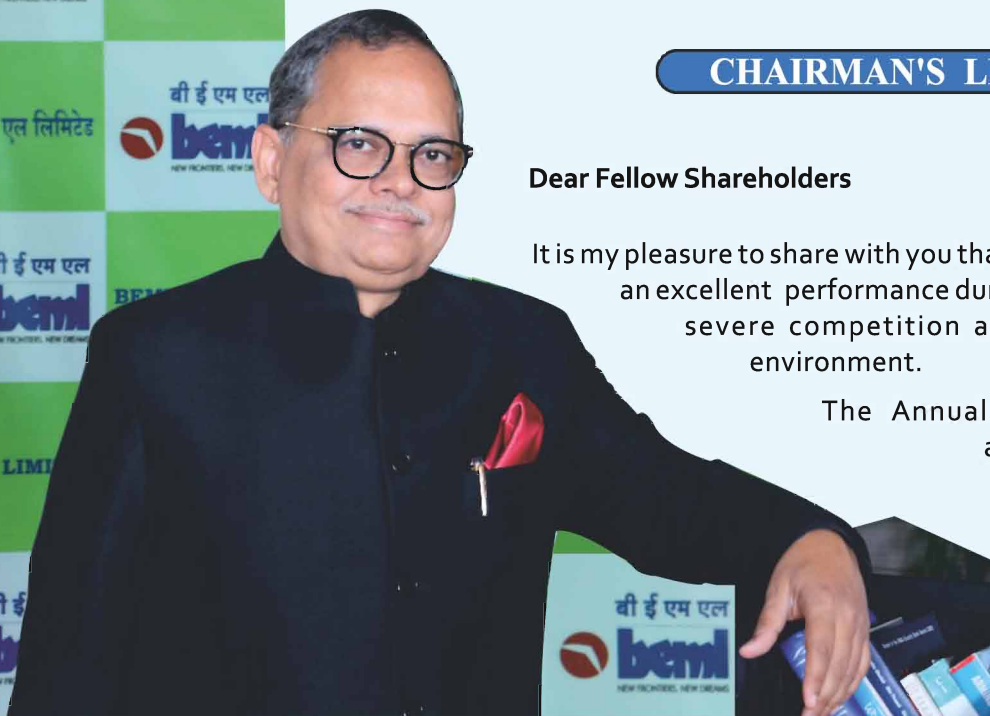


Unveiling the Medium Bullet Proof Vehicle at DEFEXPO 2018.



BEML Rail Pavilion at IREE 2017.





It is my pleasure to share with you that your Company has posted an excellent performance during the year 2017-18 despite severe competition and challenging business environment.

The Annual Report brings to you the audited statement of accounts and other related documents for the financial year 2017-18 for your consideration and adoption at the ensuing Annual General Meeting.

Your Company has recorded an **all-time high net revenue of ₹3246 Crs.** for the financial year ended 31.03.2018 with an impressive **growth of 30% over previous year.**

The **Rail & Metro business** achieved record production / sales of 244 Metro cars and registered a **growth of 114%** over the previous year.

The **Mining & Construction business** registered a **growth of 11%** over the previous year.

The **Defence business** posted a **growth of 10%** over the previous year despite constraints. The Spare Parts business registered two-fold increase in revenue.

With increased business and continued focus on cost control, your company has registered a **Profit Before Tax of ₹164 Crs. - a jump of 67% over previous year** which is the highest in the last seven years.

Value added per Employee has jumped by 25% over previous year.

Employee cost to revenue from operations, - **down by 6%.**

Earnings per Share (EPS) of ₹31.08,- **highest in last 8 years.**

Amidst stiff competition, **83% of sales was achieved from orders obtained through competition mode.** We have maintained a major market share in Dozers and Dumpers market of Mining & Construction equipment.

During the year, in-house R&D took many initiatives for design and development of high technology products, aggregates and upgradation of existing products in all the 3 business verticals including design and development of 180T Excavator Model BE1800D, 800 HP Bulldozer Model BD475-1, Arjun- Armoured Repair & Recovery vehicle, Intermediate Metro Cars for Bangalore Metro and Metro Cars for Kolkata Metro.

An Innovation Cell has been created to scout for new technologies, explore potential partnerships with academic institutions and start-ups to **develop new products and aggregates**, R&D awards have been instituted to identify and encourage R&D Engineers.

Engaging with premier academic institutions and working closely with R&D establishments like DRDO and ARAI to develop new products, have yielded significant dividends.

## Defence

Arjun Armoured Recovery and Repair Vehicle (ARRV) has been Designed & Developed and supplied to CVRDE.

Manufacturing of Trawl assembly for T-72 tanks and Development of aggregates for the Quick Reaction Surface to Air Missile (QRSAM) were also completed during the year.

Under 'Make in India' initiative, Medium Bullet Proof Vehicle (MBPV) and 155mm Mounted Gun System were developed and showcased at DEFEXPO 2018.

## Rail & Metro

First 3-car Metro Train set was supplied to BMRCL ahead of schedule.

2 Train sets to KMRCL have also been supplied and further orders will be executed during 2018-19.

Your Company has received developmental orders for supply of 20 sets of LHB Shells and Boggles.

## Mining & Construction

Your Company has bagged Trial-cum-sale Order for in-house designed and developed High End Dump Trucks (BH150E and BH205E).

Furthermore, orders for other High End products viz. Dozers (BD475-1), Excavators (BE1800D) are being pursued.

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

BHEL has drawn a road map to maximize geo-strategic reach, minimize import bill, and increase domestic production capacity and integration of innovation & research through '**Centers of Excellence**' to drive integrated R&D, collaboration among CPSEs on specific R&D projects and leveraging technology platforms.

## Performance vis-à-vis MoU

Your Company has performed well in all key performance parameters for the financial year 2017-18, in terms of the Memorandum of Understanding (MoU) signed with the Department of Defence Production, Ministry of Defence (MoD), Government of India.

## Self-Reliance

Your company is committed to the success of 'Make in India' programme launched by Government of India.

Achieved **level of indigenization** over **90%** in the mainline M&C products, Rail Coaches & EMU's, over **80%** in High Mobility Vehicles (HMV) and over **67%** in Metro cars. Further, efforts are underway to reach higher levels.

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 26% of the total indigenous procurement as against 20% stipulated by the Government of India.**

## IT Initiatives

Your Company under took various initiatives on the Information Technology front to enable business operations on e-mode viz. e-procurement, upgradation of SRM, data recovery center, video conferencing, procurement through government e-portal, bio-metric attendance 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

Under Digital initiatives, **100% digitization of all business activities for payments and receipts** have been implemented. Some of these are as follows:

- (i) Online payment to all vendors, employees and statutory authorities with no cash payment.
- (ii) For imprest payments, pre-paid cards have been issued to all employees concerned.
- (iii) Point of Sale machines have been installed at all Company Guest House locations.
- (iv) Company arranged seminars and presentations at work locations and townships to sensitize and promote the digital modes available for payments and receipts.

## Human Resources

Your Company views its **people as central to the success of its journey of value creation** thus focusing on creating a vibrant work environment.

The promotion policy of executives was reframed to ensure more objectivity and transparency in the process with the introduction of Assessment Development Centers for promotion to senior management levels and online promotion tests for middle and junior management levels.

**HR portal SAMPARK** was developed with the features of Employee Self Service, online performance system and online Vigilance clearance.

The **HR Utilization study** which was conducted has given valuable inputs for process re-engineering, and optimization of human capital.

Your Company has put in place a succession plan framework for critical positions and **Leadership Development Program** for various levels of management.

Senior executives are deputed on continuous basis to prestigious leadership programs in IIMs/ XLRI and abroad to keep them updated on various national & international developments.

**Centers of Excellence** have been established at all Manufacturing Complexes and imparted training and skill development programs to in-house employees as well as customers and students from educational institutes.

Over 1200 Graduates / Diploma / Trade Apprentices have been trained during the year – which was more than 10% of the laid norms.

Biometric attendance system with central monitoring facility was installed across the Company to bring in efficiency and transparency.



## Future Outlook

In Defence & Aerospace sector thrust on **import substitution through indigenization and the Make-in-India initiative** has opened up many opportunities.

## Defence & Aerospace

Plans are put in place to **diversify into new products** viz. Recovery & Repair vehicles for Battle Tanks, Mounted Gun Systems, Mine Protected Vehicles, Futuristic Infantry Combat Vehicles, Overhauling of High Mobility Vehicles & Armoured Recovery Vehicles, Mine Clearing Systems & aggregates for Missile Systems and Fighting Vehicles.

Spare parts business structure has been revamped to increase the business.

Your Company is also working with **other DPSUs for supply of Launching Vehicles and aggregates for various Missile Programs and Aerospace Components** in addition to its core business. Further, development of 1500 HP engine for Defence application is under progress, which will be first of its kind in India.

## Rail & Metro

In Rail & Metro segment, your Company has been successfully executing Metro Rail projects in multiple cities in India and is presently executing orders from Bangalore & Kolkata Metro corporations.

**Metro Rail projects have been planned in a number of Metro & Non-Metro cities** in India as part of urban development programme and should provide a steady growth opportunities for your Company.

Your Company has **received developmental Orders** for supply of **LHB Coach Shells and Bogies**. Sub-urban trains are also graduating to IGBT-based 3 phase electrics and BHEL is geared up to supply first set of Main Line Electric Multiple Units during current year.

Maintenance equipment requirements are also increasing for Overhead Inspection Cars, Track Laying, Rail Grinding & Track Cleaning Machines.

In the above scenario, the Company will focus on **emerging new business opportunities** including Medium / High Speed Coaches and also develop new products / aggregates to align with the market requirements.

## Mining & Construction

In Mining & Construction segment, with the Government's increased emphasis on infrastructure projects, the **demand for construction equipment is going up** which augurs well for the Company.

Towards **business expansion**, your Company has planned to enter into High-end Mining Equipment, Continuous Miner & Mine Cruiser and also design & development of Rope Shovels through in-house R&D / Partnership.

## Exports

Your Company **continues to pursue international business opportunities** for increase in Export Business and is in the process of augmenting distributor network in identified countries for supplying Rail & Metro and Defence Equipment in addition to Mining & Construction equipment.

Your Company has an **order book position of over ₹6700 Crs.**

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 ₹70 Crs** during the year and has planned an **outlay of ₹148 Crs.**

Your Company stays mindful of and responsible to corporate governance developments and responsible for the oversight and review of the Company's rules and regulations and dealing in a transparent, fair and corruption free operational environment.

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 2018-19.

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.

### CSR & Sustainable Development

Sustainability and Social Responsibility are an integral part of the Company's business strategy. Your Company has brought in a wider perspective to Corporate Social Responsibility and Sustainability through various programs on health, education, Swachh Bharat Campaign, skill-building, reducing carbon emissions etc.

The projects undertaken by your Company to reach the **goal of utilizing 75% renewable energy** for captive consumption and reduce the carbon footprint, is almost nearing realization. Number of other initiatives to ensure cleaner environment and complete change over to LED lighting was undertaken across the Company. Bio gas plants have been set-up for utilization of organic and canteen waste.

### Customer Satisfaction

Your Company has initiated various measures for availability of **Spare Parts and serviceability 24x7** and has opened 3 new Service Centers / Spare Parts Office at Jodhpur, Likabali and Pune to support Defence Forces.

Every part of our strategy is dedicated to ensure reliability of supplied equipment, lowering owning and operating costs and provide highest customer satisfaction.

## Awards

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

- 'Metro Team' won the prestigious **QCI – DL Shah National Quality Award 2017** - A case study on 'Ensuring Zero Defect in Metro Coach Bogey manufacturing by Business Process Reengineering' based on Six Sigma using Taguchi Method.
- Received **Certificate of Yellow Dot Award from Government of Karnataka** for 50+ years of invaluable contribution in the field of infrastructure and construction sector to build a strong Nation.
- Bagged the **SKOCH ORDER-OF-MERIT Award** for qualifying amongst 'Top 80 Technology Projects in India' for Design and Development of '180T Electric Excavator BE1800E'.
- Bagged '**Top Public Sector Exporter in Southern Region (GOLD)**' award for the year 2015-16 organized by Federation of Indian Export Organization (FIEO), under Ministry of Commerce.
- Our employee from Mysuru Complex was awarded Prime Minister's '**Shram Shree Award**' for the year 2016.
- Two R&D engineers received **Technology Innovation awards from SODET** (Society of Defence Technologists) for Design & Development of 'Stainless Steel EMU' & 'Design and Development of All Wheel Steering System (AWS) for BEML HDT 8x8 Vehicle'.

## Acknowledgements

On behalf of the Board of Directors of the Company, I would like to thank our valuable customers, our extended partners including suppliers and 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.

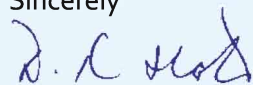
I wish to take this opportunity to thank all my fellow Directors on the Board for their invaluable guidance and support rendered for running the operations of your Company.

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

Finally I thank you all for your continued trust, confidence and support.

Best regards

Sincerely



**Deepak Kumar Hota**

Chairman & Managing Director  
Bengaluru



## BOARD OF DIRECTORS



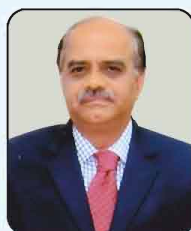
**Shri D K Hota**  
Chairman & Managing Director



**Shri Rajib Kumar Sen**  
Government Nominee Director  
Economic Advisor  
Ministry of Defence



**Shri B R Viswanatha**  
Director (Mining &  
Construction Business)



**Shri R H Muralidhara**  
Director  
(Defence Business)



**Shri Suraj Prakash**  
Director (Finance)



**Shri Sudhir Kumar Beri**  
Independent Director



**Shri M G Raghuveer**  
Independent Director



**Shri B P Rao**  
Independent Director



**Shri Gurmohinder Singh**  
Independent Director

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Cleanliness Drive at Mysuru Brindavan Garden.



Observing Swachhta Pakhwada 2017.



PM's Shram Shree award for BEML Employee



Say no 'Plastic pet water bottles' and promoting to use RO treated water.



New Bio Gas Plant at Bangalore Complex towards Go-Green Initiative.