

55th

Annual Report 2018-19



Dedicated to Nation Building



BHEL LIMITED

DEFENCE & AEROSPACE | MINING & CONSTRUCTION | RAIL & METRO

www.bhelindia.in



CORPORATE VISION, MISSION AND VALUES

A) Vision

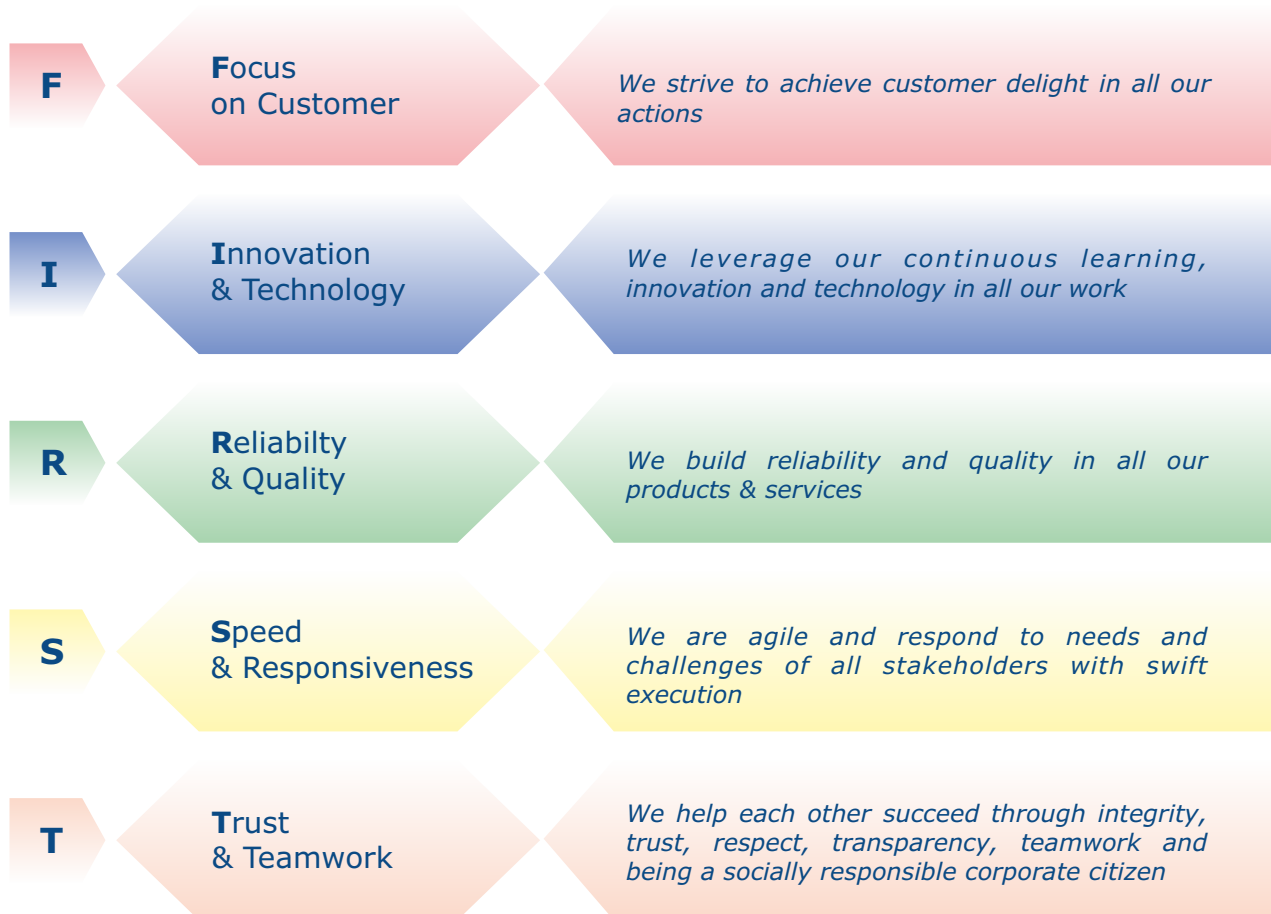
To become a market leader as a diversified Company, supplying quality products and services to sectors such as Mining & Construction, Rail & Metro, Defence & Aerospace and to emerge as a prominent international player.

B) Mission

- Improve competitiveness through collaborations, strategic alliances and joint ventures.
- 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 in diversified growth in new products and markets.
- Attract and retain people in a rewarding and inspiring environment by fostering creativity and innovation.
- Offer technology and cost effective total solutions for enhanced customer satisfaction.

C) Values

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



CHAIRMAN'S LETTER



Dear Stakeholder,

I am pleased to share with you that FY 2018-19 has been yet another year of excellent performance. With a sense of pride, I would like to place on record that your Company has set a new watermark by recording an all-time high revenue of ₹3,481 Crs despite constraints faced in Defence Business. I on behalf of the Board of Directors, present to you the Company's Annual Report for the financial year 2018-19 for your consideration and adoption at the ensuing Annual General Meeting.

Performance Highlights

Your Company has recorded highest ever revenue of ₹3,481 Crs during 2018-19 with a growth of 7% over previous year.

The Rail & Metro business achieved record sales and registered a growth of 48% over the previous year.

During the year ₹5,883 Crs worth orders have been booked. The Order Book of your Company as on 1st April, 2019 stood at ₹9,125 Crs, highest ever as against ₹6,723 Crs in the previous year, a growth of 36%.

Employee strength from 7,722 to 7,185, down by 537 (7%) and increased VoP by adopting system integration model through increased outsourcing.

Value added per employee is ₹21.00 lakhs as against ₹19.44 lakhs in the previous year, a jump of 8%.

Employee cost to revenue from operations, down by 2%, after implementing the pay revision for all employees and officers.

Competition

Amidst stiff competition, 87% of sales was achieved from orders obtained through competition mode which has increased from 83% in the previous year. Maintained a major market share in Dozers and Dumpers market of Mining & Construction equipment.

Rail & Metro segment has catapulted to the top position in Metro market by bagging the prestigious Mumbai Metro order for over ₹3,800 Crs, against stiff competition from World's leading Metro manufacturers. Additionally, bagged order from BMRCL for ₹400 Crs.

Research & Development

In-house Research & Development (R&D) is continuously engaged in new product development & up-gradation of existing products to meet customer requirements.

During the year, three new products viz., DETC, MEMU, and Track Width Mine Plough (TWMP) have been developed and 22 products have been upgraded.

In-house Designed and Developed Arjun Armoured Repair & Recovery Vehicle is presently under trials and further orders are expected which will result in FE savings for the country. Your Company is also working with industry partners to leverage technology for the benefit of customers such as introducing AI features in machines.

Towards protecting the Intellectual property of the Company, the innovation cell has succeeded in filing 65 patents in the current year covering innovations in product design, manufacturing and operations.

R&D Expenditure: ₹71 Crs.

68% of sales turnover achieved was from in-house R&D developed products up from 56% in the previous year.

Performance vis-à-vis MoU

In terms of the Memorandum of Understanding (MoU) signed with the Department of Defence Production, Ministry of Defence (MoD), Government of India for the financial year 2018-19, your Company performed very well in key performance parameters.

Self-Reliance

The Company has strengthened and established as a major player in a domain that is dominated by global players.

BELM epitomises the '**Make In India**' campaign launched by GoI, to enable India become a global economic power.

Your Company has achieved indigenization levels of over 90% in the mainline M&C products, Rail coaches & EMU's, over 80% in High Mobility Vehicles (HMV) and over 60% in Metro cars. Further efforts are underway to reach higher levels.

Launched "Made In India" Products 150T and 190T Dump Trucks successfully during the year 2018-19 against trial order from M/s. Coal India Limited. These electric drive dump trucks were designed and manufactured for the first time in India and are major import substitution products for the Mining sector.

Your Company is working towards 'ZERO IMPORT' policy of GoI and has released EoI for indigenisation of all the items presently being imported.

As part of this, your Company has planned to enter into JVs for local production of defence spares, aggregates, cabin, high value metro car aggregates with renowned MNCs.

Procurement from MSEs was 21% of the total indigenous procurement.

IT Initiatives

Your Company has continued to undertake various initiatives on the Information Technology front to enable business operations. File Life Cycle Management and Video Conferencing are having significant impact on cost reduction and transparency. Implemented workflow enabled processes such as Leave Application Management, Exit Management, HR Connect, IT Connect, IT Support, Open Innovation Portal.

Transparency with our supplier partners was improved through provisioning of on-line bill tracking, display of technical compliance sheet and price details for closed tenders.

Digital Initiatives

As part of digital initiative, implemented auto refund of EMD amount integrated with SRM and SAP platform.

Payments continue to be through on-line transfers.

Human Resources

Structural changes have been initiated by investing in people centric policies to enable the organisation to gear up to face the competitive challenge.

The increased sales during the year is reflective of the conducive working atmosphere and cordial industrial relations. This was due to the best efforts, dedication and co-operation of all executives and employees along with the proactive support from employee unions and other associations.

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.

Implemented On-line Promotion Test (OPT) & New Promotion Policy.

HR Strategy Meet with the Theme 'Together Towards Tomorrow', was organised to strengthen formulation & implementation of HR Strategies based on business needs.

Long Term Settlement of employees and wage revision of the executives was implemented.

Outlook

In Defence segment, major orders are expected for High Mobility Vehicles for various Missile Launcher projects. Orders are also expected for 20T Trailers, Mine Ploughs, Overhauling of ARVs, ARRV etc.

Defence & Aerospace

Your Company is taking up new design & development programmes to meet the acquisition needs of the Indian Army such as Mounted Gun Systems, Combat Vehicles, Bullet Proof Vehicles, Mine Protected Vehicles, Prime mover for Towing Trailer. BEML has been nominated as production agency by DRDO for productionising the De-mining equipments. Defence is also venturing into naval systems for the first time by pursuing in design and indigenous development of Infra-red signature suppression system. BEML is also keen to participate in Defence Offsets in the coming years to boost its technical strength and business opportunities.

As part of 'Make in India' strategy, your Company plans to establish a JV in India for manufacturing Defence spare parts. Also, indigenous development of Cabins for Right hand drive configuration is taken up for increasing indigenisation levels.

On Export front, your Company is in advanced stages of discussions for supply of High Mobility Vehicles to Bangladesh, Thailand and Armenia and is also pursuing opportunity from Mauritius for supply of LAPCs.

Your Company is committed to provide spares and services to Army by entering into Annual Maintenance Contracts (AMC).

In Aerospace segment, your Company is presently manufacturing aggregates for various missiles, Ground support and Ground handling equipments. Aiming for NADCAP certification for the special processes to explore global opportunities.

Continuous efforts are on with various customers for leveraging huge business opportunities available in National Programmes and with global OEMs to harness global business opportunities in civil aviation / under Make in India initiatives / Offset opportunities. Your Company is planning to establish infrastructure at SEZ Aerospace Park, Bengaluru.

Rail & Metro

In the Metro segment, your Company has been successfully executing metro rail projects in multiple cities including Bengaluru, Kolkata and Mumbai. With the increased thrust accorded by the Government of India for infrastructure creation which includes the urban transportation sector, we foresee exciting opportunities in the metros fuelled through the expansions of the existing networks in the Tier I cities and as well as through creation of new metro networks in Tier II cities. In addition, strategic impetus by the Government to the regional rapid transport systems and sub-urban railways will unlock substantial opportunities to BEML.

In the Rail segment, the development order for supply of LHB coach shells and Bogies has been completed and further orders are expected. Your Company is also executing order for 3-phase Main Line Electrical Multiple Units (MEMUs) and there exists huge future demand for the same. Indian Railways is planning substantial investment on modern rail track maintenance machinery and your Company is keen to address this market through strategic tie-ups.

Indian Railways is looking to improve its operational efficiencies through Medium speed trains, Intercity EMUs, and BEML is positively positioned to capitalize on these opportunities. Starting with the prestigious Mumbai Ahmedabad High Speed Rail Project, we expect the High Speed Rail market in India will see a huge upward trend and your Company is looking to garner the substantial portion of these opportunities through technical tie-ups.

Mining & Construction

High end equipment such as 150T & 190T Dumpers and 180T Excavator designed & developed by in house R&D have successfully undergone user trials and further orders are expected shortly for 15 nos of Dumpers and 5 nos of Excavators. Design & development of Rope Shovel, Walking dragline and 240T Dumper is under progress.

Your Company has taken up initiatives to launch new products and upgrade existing products to meet emission norms and add new features to match major global competitors. Further, your Company has drawn Roadmap for design and development of AI enabled products.

Coal India's increased Capex outlay and Government's emphasis on infrastructure projects, the demand for Mining & Construction equipment is going up which augurs well for the Company. Strategies are put in place for appointment of distributors PAN India & Tie-ups with Financing agencies to improve market share of construction equipment.

Coal India has expressed willingness for Joint development of Continuous Miners and Surface Miners as part of "Make In India" initiative. Your Company is scouting for technology partners of international repute for Continuous Miners, Surface Miners, Longwall Mining and Telematics & autonomous mining towards business expansion.

Exports

On export front, strategies have been adopted for improving Global presence through Region-wise Strategy, Appointment of Distributors (10 distributors have been appointed in SAARC, ASEAN, AFRICA and MIDDLE EAST countries), LoC opportunities, Collaboration with other DPSUs, Participation in Exhibitions etc. Your Company is focusing on Africa, Middle East, SAARC countries viz. Sri Lanka, Nepal, Bangladesh & Mauritius for export of Mining & Construction equipment, Defence equipment, Rail Coaches, EMUs & Metro Cars.

Your Company looks to the future with confidence, driven by an inspiring vision, values of trusteeship & vitality powered by a dedicated world class team of human resources. Our aim is to march towards becoming a Navratna Company in the near future.

A CAPEX of ₹64 Crs was incurred during the year to upgrade and augment the existing production facilities.

Your Company is committed to maintain the highest standards of Corporate Governance in all spheres of Business activities carried out and continues to lay strong emphasis on transparency, accountability and integrity. 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 vigilance activities were carried out in a holistic manner covering prevention, detection and enforcement viz., linking of ERP system to SRM platform, stores inventory management, on-line vigilance clearance, on-line submission of Annual Property Returns.

I have full confidence that with the dedicated, committed and proven strength of team BEML, your Company is sure of reaching further heights in 2019-20 and beyond.

CSR & Sustainable Development

Social Responsibility and Sustainability 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.

Your Company has contributed generously to Karnataka & Kerala Chief Ministers Relief Fund and Prime Minister's Relief Funds towards flood relief work.

In realizing the goal of 'Go Green', your Company has installed 23MW Wind Mill Projects and 250KWp Solar Power units. With this and other initiatives, 75% of energy requirement of the Company is being met through "Green Energy" resulting in mitigation of carbon footprint.

Customer Satisfaction

Customer Relationship Management System app (BEML CARES) was launched to enable direct on-line logging of complaints through Hand held devices. This enables customers to log their complaint and monitor the status through smart phone. System also enables allocation of service resources and is interfaced with ERP system, for centralized tracking and generation of reports.

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 follow:

- Bagged 'PSE Excellence Award 2017' from Indian Chamber of Commerce (ICC) for outstanding contribution in steering the Company to greater heights.
- Metro Team won "International Quality Gold Award – 2018" for case study on 'Minimizing Weld distortion in Metro Bogie Frame Manufacturing'.
- Received 'Top Challengers Award 2018' for excellent performance during FY 2017-18 and "Best Mining Equipment Seller Award" in Crawler Equipment - Dozers and Rigid Dump Truck segment for mining sectors.
- Bagged "CII Design Excellence Award 2018" for 'Design and Development of BD65 Torque Converter'.
- Received 'Governance Now' 6th PSU Award under Resilient Growth (Miniratna-1) category for its achievement and commitment to raise the standard in the public sectors.

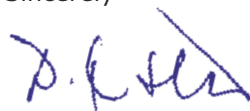
Acknowledgements

I would like to thank the Government of India, Administrative Ministry, the Ministry of Defence and in particular, the Department of Defence Production, MoHUA, NITI Aayog, PMO and other allied Administrative Departments of the Government of India, for its constant support and encouragement.

I also wish to take this opportunity to thank my fellow Board members on the Board for their invaluable support.

I would like to extend my grateful appreciation to all Unions, Associations, Employees and Executives for their untiring efforts and contribution. I would like to conclude by thanking our valuable customers, suppliers and other stakeholders for their trust and support.

Sincerely



Deepak Kumar Hota
Chairman & Managing Director
Bengaluru

BOARD OF DIRECTORS



Shri Deepak Kumar Hota
Chairman & Managing Director
and Director (HR) Addl. Charge



Dr. Md. Nazmuddin
Government Nominee Director



Shri R H Muralidhara
Director (Defence Business)



Shri Suraj Prakash
Director (Finance)



Shri Suresh S Vastrad
Director (Rail & Metro Business)



Shri M V Rajasekhar
Director (Mining &
Construction Business)



**Shri Sudhir Kumar
Beri**
Independent Director



Shri M G Raghuvier
Independent Director



Shri B P Rao
Independent Director



**Dr. Gurmohinder
Singh**
Independent Director



**Shri Arvind Kumar
Arora**
Independent Director

Brief Profile of Board of Directors



Shri Deepak Kumar Hota
Chairman & Managing Director (CMD)
and Director (HR) Addl. Charge

Shri Deepak Kumar Hota is an Economics Graduate from St. Stephens College, New Delhi with a Masters Degree in Personnel Management & Industrial Relations from XLRI, Jamshedpur.

He started his career in HPCL, where he headed the entire HR function of Refinery and Marketing organization across India and went on to become the only HR professional to head the HPCL's Marketing Research & Planning function. Subsequently, he took over as CEO of HPCL Bio-Fuels.

He joined BEML as Director (HR) in July 2013 and spearheaded various transformational HR initiatives such as building Leadership pipeline, competency framework, succession planning etc.

Shri Deepak Kumar Hota with his rich experience in HR & business operations rose to the position of Chairman & Managing Director (CMD), BEML in July 2016. As CMD, he took defining steps enabling BEML to gain competitive edge in the intense competitive business environment. Since the time he assumed charge as CMD, he is also holding additional charge as Director (HR).

His astute business acumen has catapulted BEML to the top position in Metro coaches market against stiff competition from world's leading metro manufacturers. His untiring efforts resulted in the Company achieving the highest ever Sales. He has also been principally responsible for the use of IT as a major enabler across BEML's businesses.

Shri Deepak Kumar Hota, during his illustrious career has won several accolades and awards such as NHRD Award for Most Seasoned HR Professional of the year 2014, Most successful HR & CEO 2016 by NIPM, XLRI Distinguished Alumnus Award (Practicing Manager) 2016, ICC PSE Excellence Award 2017, CEO with HR Orientation Award by World HRD Congress 2018, FORE-TOP RANKERS Exemplary Leadership Award 2018 and Top Challengers Award - 2017-18 at Construction World Global Awards 2018.



Dr. Md. Nazmuddin
Government Nominee Director

Dr. Md. Nazmuddin is a Post-graduate in Economics and also holds M.Phil and Ph.D in Economics from Jawahar Lal Nehru University, New Delhi. He joined Indian Economic Service (IES) during 1993. Dr. Nazmuddin has been appointed as Government Nominee Director on the Board of BEML Limited w.e.f. 28.02.2019. Presently posted as Economic Advisor in the Ministry of Defence and handling the work related to International Cooperation, Offsets and Policy Related issues of the Department. During his service he handled matters relating to formulation and implementation of policy for development of Transport Sector, Textiles Sector, Handloom Sector and Telecom Sector. He also published various articles in journals, books and paper presentations in seminars and conferences.