

2003-2004

CORPORATE OFFICE



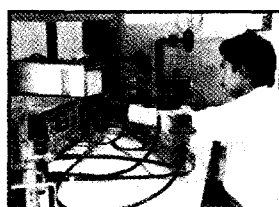
ANNUAL REPORT



Significant Landmarks



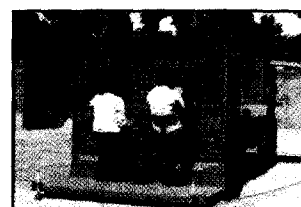
1954
Incorporation



1963
In-house R&D established



1967
Manufacture of Transmitting Tubes, Silicon Devices and Integrated Circuits



1976
First SFM Radar exported



1956
Production of First Communication Equipment



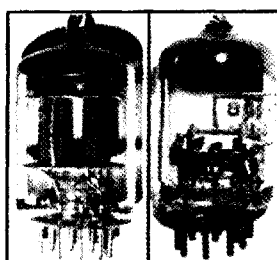
1964
Manufacture of Radio Transmitter for All India Radio



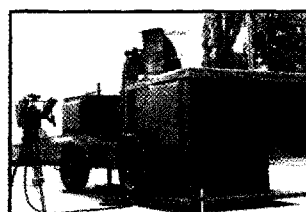
1972
TV Transmitters for Doordarshan



1979
Third Unit set up at Pune



1961
Production of Receiving Valves



1966
Military Radar manufacturing



1974
Second Unit at Ghaziabad for Air Defence Ground Environment Systems



1980
First overseas office at New York



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Corporate Mission and Objectives

Mission

*To be the market leader in Defence Electronics
and in other chosen fields and products*

Objectives

- To become a customer-driven company supplying quality products at competitive prices at the expected time and providing excellent customer support.
- To achieve growth in the operations commensurate with the growth of professional electronics industry in the country.
- To generate internal resources for financing the investments required for modernisation, expansion and growth for ensuring a fair return to the investor.
- To strive for self-reliance by indigenisation of critical materials and components in order to meet the nation's strategic needs.
- To retain the technological leadership of the Company in Defence and other chosen fields of professional electronics through in-house Research and Development as well as through Collaboration/Co-operation with Defence/National Research Laboratories, International Companies, Universities and Academic Institutions.
- To progressively increase overseas sales of its products and services.
- To create an organisational culture which encourages members of the organisation to realise their full potential through continuous learning on the job and through other HRD initiatives.



Board of Directors

Mr Y. Gopala Rao	- Chairman & Managing Director
Prof. N. Balakrishnan Chairman, Division of Information Sciences & Services, Indian Institute of Science, Bangalore	- Director
Mr. Basavarajalah	- Director (Bangalore Complex)
Mr. P.R.K. Hara Gopal	- Director (Finance)
Mr. K.N. Gupta Ex-Controller of Certifying Authorities, Ministry of Information Technology	- Director
Vice Admiral P. Jaitly, PVSM, AVSM, VSM Chief of Material, Naval Headquarters	- Director
Mr. Mohd. Haleem Khan Joint Secretary & Addl. Financial Adviser, Ministry of Defence	- Director
Mr. S.C. Khanna	- Director (Commercial & Management Services)
Lt.Gen. Davinder Kumar, VSM & Bar Signal Officer-in-Chief, Army Headquarters	- Director
Mr. K.U. Limaye Director, Electronics & Radar Development Establishment, Bangalore	- Director
Mr. S.K. Mehta	- Director (Research & Development)
Mrs. Rita Menon Joint Secretary (SY), Ministry of Defence	- Director
Mr. A. Muralidhar	- Director (Other Units)
Dr. M. Rammohan Rao Dean, Indian School of Business, Hyderabad	- Director
Mr. M.L. Shanmukh	- Director (Personnel)



Principal Executives

CORPORATE OFFICE

Chief Vigilance Officer

Mr. C.M. Bhat, IPS

Executive Directors

Mr. R. Ramachandra Murthy

Mr. T. R. Prasad

Mr. M. Eswara Rao

General Managers

Col. Surinder Dewan (Retd.)

Mr. D. Krishna Gopal

Mr. K. Prakash

Mr. M.G. Raghuveer

Company Secretary

Mr. K.S. Nagesh

UNITS

General Managers

Bangalore

Mr. H.S. Bhadoria

Mr. A.K. Datta

Mr. G.S. Dayakar

Mr. D.A. Mohan

Mr. V. Muthuswamy

Mr. R.R. Raghavendra

Mr. P.R.K.L.N. Sastry

Mr. V.V.R. Sastry

Mr. S.C. Sharma

Mr. U. Vishnumurthy

Chennai

Mr. Anil Kumar

Ghaziabad

Mr. N.K. Sharma

Hyderabad

Mr. V.S. Radhakrishnan

Kotdwara

Mr. R. Padmanabhan

Machilipatnam

Mr. V. Sundararaman

Navi Mumbai

Mr. I.V. Sarma

Panchkula

Mr. Anand Kumar

Pune

Cdr. S. Roy Choudhury (Retd.)

CRL

Mr. Lakshmanaprasad S.

Executive Director

Mr. N.K. Khurana

Chief Scientist

BANKERS

State Bank of India

State Bank of Hyderabad

State Bank of Patiala

State Bank of Travancore

State Bank of Mysore

State Bank of Bikaner & Jaipur

HDFC Bank

Canara Bank

Syndicate Bank

Vijaya Bank

Bank of Baroda

Andhra Bank

AUDITORS

Statutory Auditors

M/s. Suri & Co.

Branch Auditors

M/s. Bubber Jindal & Co.

M/s. Joshi & Sahney

M/s. N.V. Sarma & Co.



The Past Decade

(Rs. in millions)

Particulars	1994-95	1995-96	1996-97	1997-98	1998-99	1999-2000	2000-01	2001-02	2002-03	2003-04
Sales & Services	9346.1	10689.8	12262.4	12613.0	11988.7	14941.5	17153.3	19419.9	25080.2	27985.9
Value of Production	9111.3	10495.0	12304.5	12555.8	12167.0	15432.9	17875.7	20299.8	25363.9	28078.3
Other Income	301.2	391.6	427.6	325.3	464.5	314.3	438.2	296.0	551.1	919.9
Materials	4673.9	5545.9	6268.3	6144.1	6161.6	7904.0	9192.8	10866.3	14790.7	14797.7
Salaries, Wages & Benefits	2035.5	2509.0	2354.2	2633.8	2859.4	3397.7	3942.3	3638.8	3676.1	4382.6
Depreciation	397.4	403.4	424.6	491.7	480.6	479.7	519.2	490.9	552.8	622.7
Interest	561.4	435.8	657.9	510.1	711.2	327.9	246.4	202.6	119.7	50.6
Manufacturing & Other Expenses	1586.2	1752.8	2070.4	2078.0	1716.7	1973.6	2214.1	2549.9	2914.1	4454.4
Profit Before Tax	158.1	239.7	956.7	1023.4	702.1	1664.3	2199.1	2847.3	3861.6	4690.2
Provision For Tax	0.2	32.7	444.8	489.4	165.8	585.0	647.0	850.5	1255.5	1529.2
Profit After Tax	157.9	207.0	511.9	534.0	536.3	1079.3	1552.1	1996.8	2606.1	3161.0
Dividend	128.0	128.0	160.0	160.0	160.0	200.0	320.0	400.0	560.0	800.0
Equity Capital	800.0	800.0	800.0	800.0	800.0	800.0	800.0	800.0	800.0	800.0
Reserves & Surplus	2438.5	2528.0	2894.9	3252.3	3613.0	4448.3	5647.8	7385.4	9299.7	11558.2
Loan Funds	2483.5	2175.2	3529.4	2233.7	1458.9	1097.4	822.6	836.8	407.5	329.5
Gross Block	5780.1	6318.1	6919.5	7196.7	7628.2	7722.2	8093.3	8626.5	9416.5	10409.6
Cumulative Depreciation	4015.2	4368.9	4755.3	5203.7	5618.7	5718.7	6197.0	6617.4	7094.3	7529.8
Inventory	4512.3	4726.4	4839.2	5037.3	5148.2	6715.5	8447.7	9413.0	9479.5	10154.0
Debtors	3888.1	4266.2	4761.7	5541.2	5846.3	6034.8	5999.3	6297.1	7122.4	6673.7
Working Capital	2372.0	1955.1	3046.2	2373.3	2558.9	3274.5	4551.9	5943.3	7044.1	8495.2
Capital Employed	4136.9	3904.3	5210.4	4366.3	4568.4	5278.0	6448.2	7952.4	9366.3	11375.0
Net Worth	3116.7	3174.3	3088.9	3508.8	4019.9	4912.5	6268.8	7771.2	9748.6	12290.8
No. of Employees	17805	17044	16255	15739	15618	14807	14177	13572	13750	13038



Directors' Report

To the Shareholders,

Your Directors are pleased to present their report on the performance and achievements of your Company for the year ended 31st March, 2004.

The Company was incorporated on 21.4.1954 and 2003-04 was the Golden Jubilee year. During the Golden Jubilee year, your Company achieved its highest ever turnover of Rs.27985.9 million recording an increase of 11.59% over the previous year's turnover of Rs.25080.2 million. The Value of production during the year 2003-04 rose by 10.7% to Rs.28078.3 million from Rs.25363.9 million in the previous year. Profit before tax rose by 21.5 % to Rs.4690.2 million as against Rs.3861.6 million in the previous year.

Operating results

The summarised operating results for the years 2003-04 and 2002-03 are given below:

(Rs. in millions)

	2003-04	2002-03
Value of Production	28078.3	25363.9
Turnover (Gross)	27985.9	25080.2
Profit Before Depreciation, Interest and Tax	5363.5	4534.1
Interest	50.6	119.7
Depreciation	622.7	552.8
Provision for Tax	1529.2	1255.5
Profit After Tax	3161.0	2606.1
Appropriations:		
Capital Reserve	0.9	1.8
Proposed Dividend	800.0	560.0
Corporate Dividend Tax	102.5	71.8
General Reserve	1000.0	1000.0
Balance in P & L Account	3286.9	2029.3

Distribution of value of production for 2003-04 is given below:

	Amount (Rs. in millions)	Percentage
Materials	14797.6	52.7
Employee cost	4382.6	15.61
Other Expenses (Net)	3534.6	12.58
Depreciation	622.7	2.22
Interest	50.6	0.18
Provision for Tax	1529.2	5.45
Profit after tax	3161.0	11.26
Total	28078.3	100.00

Appropriations & Dividend

Your Directors recommend the following appropriations of the disposable surplus:-

(Rs. in millions)

(i)	Dividend on paid up capital of Rs.800 million at 80%	: 640.0
(ii)	Special one time dividend on paid up capital at 20%	: 160.0
(iii)	Transfer to General Reserve	: 1000.0
(iv)	Balance retained in Profit & Loss Account	: 3286.9

Finance

Due to better working capital management and collections from customers, primarily and due to reduction in the interest rates, the Company was able to bring down the Interest cost from Rs.119.7 million during the previous year to Rs.50.6 million during 2003-04, a reduction of 57.7%. It is also heartening that the Company has been able to bring down Sundry Debtors from 104 days (in terms of days of sales) in 2002-03 to 87 days during 2003-04 and the level of Inventory (in terms of days of value of production) from 136 days in 2002-03 to 132 days in 2003-04, continuing the trend of the last few years. The Public Deposit amount has also come down from Rs. 396.3 million to Rs.322.7 million as on 31.3.2004. Public Deposits are accepted/renewed from employees and retired employees. The Public Deposit figure of Rs.322.7 million as on 31.3.2004 excludes Rs.6.06 million, which had matured, but had not been claimed. Out of this, an amount of Rs.0.79 million was subsequently paid/renewed.

Performance against MoU

As a Government Company, your Company has been signing every year a Memorandum of Understanding (MoU) with the Government of India, which sets out the targets for sales, profits etc., against which performance of the Company is evaluated and rated. The Company's performance under the MoU for the year 2003-04 based on internal evaluation is "Excellent". This is the sixth consecutive year, your Company has been getting "Excellent" rating.

Order book position

The Company had orders on hand of Rs.67398.9 million as on 1.4.2004 as against an order book position of Rs.69440 million as on 1.4.2003.

Golden Jubilee year

The year 2003-04 was the Golden Jubilee year of your Company and an occasion to highlight the significant points in the Company's growth to its present position. Your Company started with a mandate of meeting the defence electronic equipment requirements of the country, initially with a few foreign collaborations. From a humble beginning in 1954, the Company has grown over the years



to be a leader in defence electronics in India, with 9 manufacturing Units. During the last 50 years, the Company developed indigenously a number of products with the active support of the customers and DRDO Laboratories. The indigenously developed product sales during 2003-04 reached 63 % of the total sales. The active product range of your Company extends to more than 350 products. The Company has also diversified into non-defence products. The Company has played a very significant role in meeting the requirements of the Defence Services for electronic communication and radar equipment. The Company was the pioneer in establishing components industry in India. During the 1980's your Company installed a number of TV Transmitters all over the country almost at the rate of one per day under the project code-named "Project Hurry". The first major export to our Collaborators, which met quality and price standards, related to exports of Radars to Contraves, Switzerland, which is another milestone worth remembering. Association with C-DoT in the manufacture of switching equipment from Kotdwara Unit is another leaf in the history of your Company. More obvious is the transformation of electoral system in the country with Electronic Voting Systems for which more than 500,000 machines were supplied to the Election Commission of India by your Company. Another event in the recent history is the support provided by your Company's engineers and technicians to the Armed Forces during the Kargil conflict.

During the Golden Jubilee year, your Company took a number of initiatives aimed at reaching out to its valuable customers and society. Besides funding the BEL Hall of Electronics at Visveshwaraiah Industrial & Technological Museum at Bangalore, your Company organised a two-day technical seminar on "Emerging Technologies and Products in Defence Electronics" at Delhi in December 2003 wherein officers from the three Defence Services and Para-Military Forces were brought together for interaction with engineers and scientists of your Company and DRDO. As a responsible corporate citizen, your Company undertook a number of activities to help the society in the field of education, health, etc., as part of the Golden Jubilee activities.

Specific achievements and new business initiatives

Important achievements and new business initiatives during the year 2003-04 include:

- Execution of a large order of VHF Manpack/Vehicular Stars 'V' 5W/25W Radios, completing supplies ahead of the delivery schedules.
- Handing over of the first block of SAMYUKTA (a joint DRDO-Army-BEL programme for development,

production and integration of ground based Integrated Electronic Warfare System for the Indian Army) to the Chief of Army Staff by the President of India at ELSEC, Hyderabad, on January 19, 2004. Your Company has been the head of the consortium partners and prime production agency.

- Successful completion of the 2nd phase of APNET for the Government of Andhra Pradesh. With this success, orders for similar projects are expected from many other State Governments.

New Products

Important new products introduced by the Company during the year were:

- VPS Mk. III, a hand held Radio operating in the UHF band, with built-in high-grade speech encryption capability. This has been successfully trial evaluated by the Indian Army.
- Battle Field Surveillance Radar, Short-Range Radars - Your Company has recently bagged the first commercial order for this Radar from the Indian Army. This is a completely indigenous Radar designed by DRDO at LRDE, Bangalore, in which your Company was closely associated. Your Company has already received several export enquiries for this product and is in the process of offering the product for demo/field evaluations.
- Intelligent Message Terminal - It is a computer-based communication terminal for transmission and reception of messages simultaneously through data, fax, telex and teleprinter circuits and is semi-ruggedised for military use.
- Battle Management System - It is designed to greatly improve the combat effectiveness of a tank by depicting its position using Global Positioning System (GPS), communicating it to other tanks/Commander's tank in real time and providing a comprehensive view of the battlefield to senior officers.

Diversification

During the year 2003-04 your Company's supplies to the civilian sector was about 23% of the total turnover. The Company continues to explore opportunities to diversifying into civilian market. Some new initiatives for the civilian market have been:

- Simputer launched - The country's first home grown, hand-held computer (Simputer) was commercially launched jointly by your Company and M/s. Pico Peta under the brand name 'Amida' in Bangalore on March



26, 2004. Your Company is manufacturing this product based on a design by M/s Pico Peta Simputers. The Simputer makes mobile computing very easy and one can connect to the web on the move with the CDMA mobile phone (where service is available) and browse the internet. This can also be connected to a variety of digital devices like digital camera through the USB port. Text can be written in one's own handwriting in any language and can be e-mailed.

- Set Top Boxes for Cable TV and Direct-to-Home (DTH) applications have been launched by your Company in February 2004. Your Company's design is based on state-of-the-art technology and comes in a sleek, compact package. Your Company has large volume production capability to meet the market requirements.
- Micro Electro Mechanical Components (MEMs) based on semiconductor technology are emerging as a high potential product globally both for defence and civilian applications. Your Company has initiated action for design and manufacture of MEMs.
- Solar power-based systems have been identified as one of the thrust areas. Orders for supply and installation of Solar based power plants are being executed in Chattisgarh and Rajasthan. With the increased demand for these systems, your Company is setting up a 10 MW Multicrystalline Solar Cells Manufacturing Plant which is to start production during 2004-05. This is in addition to the existing 2 MW Monocrystalline Solar Cells Plant.
- Cordect WLL System for TN Police - Your Company has received an order in competition with national telecom companies in an open tender, from Tamil Nadu Police for Cordect Wireless in Local Loop (WLL) System which will provide wireless connectivity to the various police officers and offices in Chennai city.
- Satcom network for IB - Your Company has been successful in obtaining in open tender an order from Intelligence Bureau of Ministry of Home Affairs for supply of Voice Data Network using Satcom technology at 200 locations. Your Company has also received a separate order for supply of encryptors for this network.
- Distance Education in Karnataka - Your Company has bagged a prestigious order for the setting up of a KU Band Hub Station at Bangalore and 885 remote V-SAT terminals in Chamarnagar District of Karnataka. This project is part of the joint initiative of the Government of Karnataka and ISRO for distance education.

Exports

Your Company achieved an export sales figure of US \$ 9.08 Million including direct and deemed exports for the year 2003-04. Your Company is focusing on export as a major thrust area for growth. Market development activities are being rigorously pursued in SAARC countries, African continent and South East Asia region apart from work share arrangements for your Company with collaborators in Israel and Europe.

Defence equipment and spares to Egypt, Switzerland, Israel & Indonesia, Non-Defence products to Malaysia, Azerbaijan etc., and MgMnO₂ batteries manufactured at your Company's Pune Unit to USA were the major export orders executed. Continuing with this trend, your Company aims to better its performance next year and achieve targeted export sales of US \$ 13.82 million with large value orders expected from African and SAARC countries to be executed in 2004-05.

Subsidiary/Joint ventures

The Company's subsidiary company, BEL Optronics Devices Limited (BELOP), Pune, which manufactures Image Intensifier Tubes, has performed well during the year. It has recorded a turnover of Rs.384.14 million as against a turnover of Rs.282.21 million achieved during the year 2002-03 - an increase of 36.12%. BELOP has turned the corner and has achieved a profit of Rs.12.14 million as against a loss of Rs.28.05 million incurred during 2002-03. The subsidiary company expects to improve on this performance during the year 2004-05 as it is expecting to receive good orders during 2004-05.

In accordance with Section 212(8) of the Companies Act, 1956, (the Act), the company has obtained exemption from the Government from attaching the Balance Sheet, Profit & Loss Account, Auditors Report, Directors' Report, etc., of the subsidiary company (BELOP) to the Balance Sheet of BEL. Hence, these documents of BELOP are not attached to the Balance Sheet of your Company. The Company will make available these documents upon request by any member of the Company. However, a statement as per Section 212 of the Act relating to the Subsidiary Company is annexed to this report.

The Joint Venture Company (JVC) with General Electric, USA, viz., GE BEL (P) Limited achieved a turnover of Rs.4122.6 million during 2003-04 as against Rs.3634.7 million achieved during 2002-03. The Profit Before Tax was Rs.916.6 million in 2002-03 and Rs.530.6 million during 2003-04.