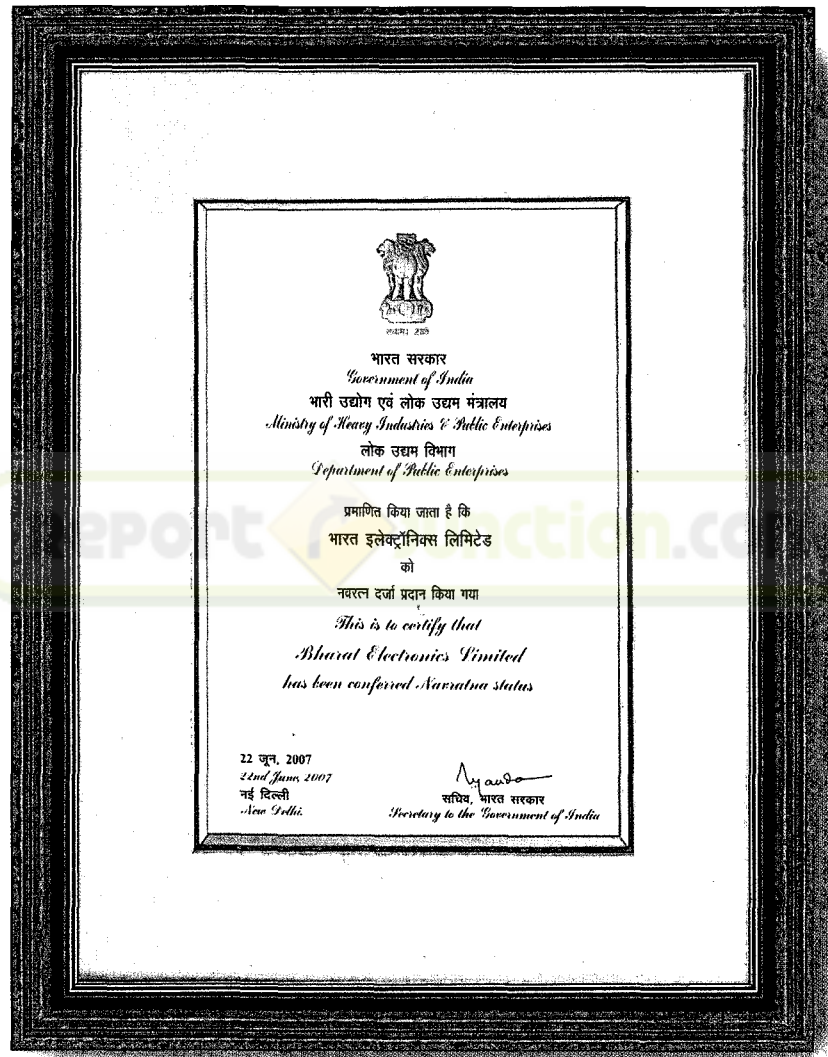


ANNUAL REPORT

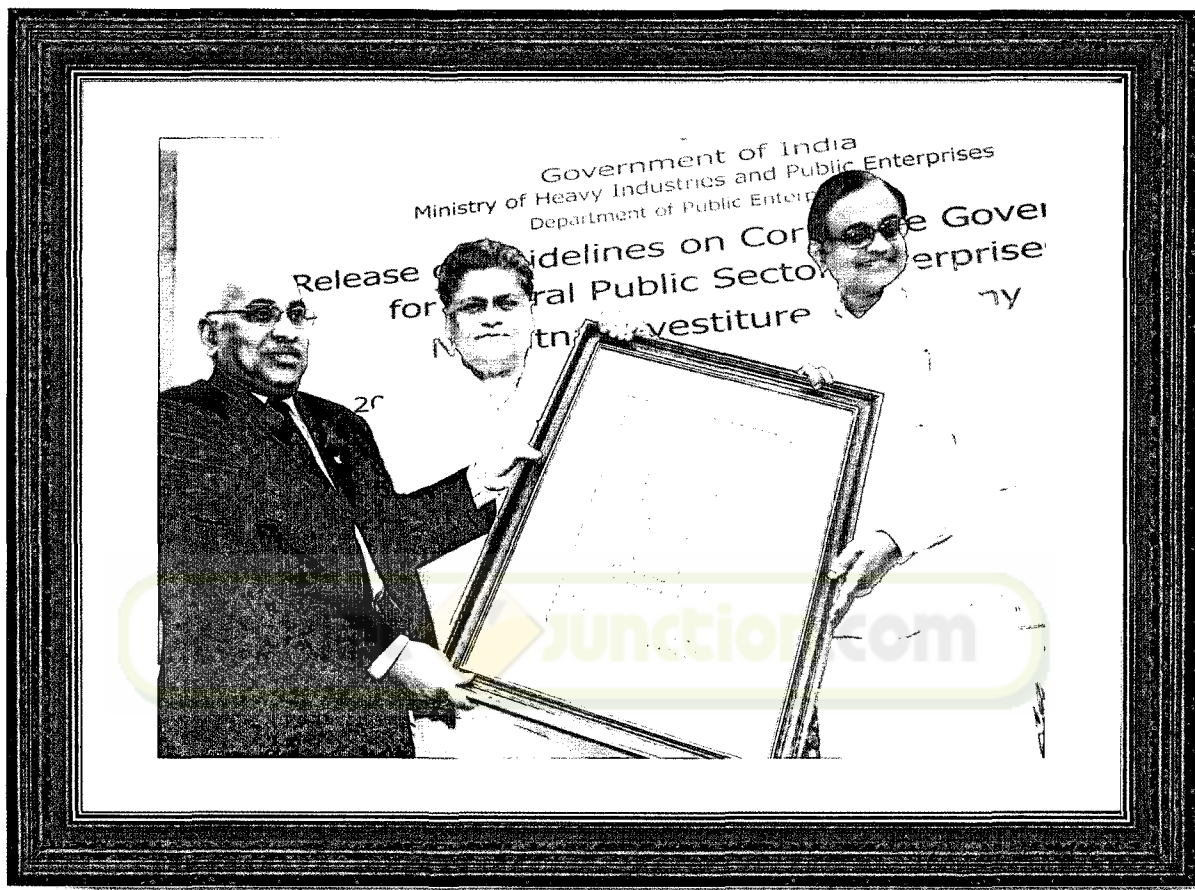
2006-07



BEL now a NAVRATNA Company



QUALITY. TECHNOLOGY. INNOVATION



Mr. V.V.R. Sastry, CMD, BEL receiving the Navratna Certificate
from Union Finance Minister, Mr. P. Chidambaram.
Also seen is Mr. Santosh Mohan Dev, Union Minister for Heavy Industries.



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Vision

To be a world-class enterprise in professional electronics.

Mission

To be a customer focused, globally competitive company in defence electronics and in other chosen areas of professional electronics, through quality, technology and innovation.

Values

- ▣ ***Putting customers first.***
- ▣ ***Working with transparency, honesty & integrity.***
- ▣ ***Trusting & respecting individuals.***
- ▣ ***Fostering team work.***
- ▣ ***Striving to achieve high employee satisfaction.***
- ▣ ***Encouraging flexibility and innovation.***
- ▣ ***Endeavouring to fulfil social responsibilities.***
- ▣ ***Proud of being a part of the organisation.***

Objectives

- ▣ ***To be a customer focused company providing state-of-the-art products & solutions at competitive prices, meeting the demands of quality, delivery & service.***
- ▣ ***To generate internal resources for profitable growth.***
- ▣ ***To attain technological leadership in defence electronics through in-house R&D, partnership with defence/research laboratories & academic institutions.***
- ▣ ***To give thrust to exports.***
- ▣ ***To create a facilitating environment for people to realise their full potential through continuous learning & team work.***
- ▣ ***To give value for money to customers & create wealth for shareholders.***
- ▣ ***To constantly benchmark company's performance with best-in-class internationally.***
- ▣ ***To raise marketing abilities to global standards.***
- ▣ ***To strive for self-reliance through indigenisation.***



Board of Directors

Whole time Directors

1. Mr. V.V.R. Sastry, Chairman & Managing Director
2. Mr. P.R.K. Hara Gopal, Director (Finance)
3. Mr. S.K. Mehta, Director (Research & Development)
4. Mr. M.L. Shanmukh, Director (Human Resources)
5. Mr. A.K. Datt, Director (Other Units)
6. Mr. H.S. Bhadoria, Director (Bangalore Complex)
7. Mr. N.K. Sharma, Director (Marketing)

Part-time Government Directors

8. Mr. Alok Perti, Joint Secretary (Shipyards), Ministry of Defence, Department of Defence Production
9. Lt.Gen. S.P. Sree Kumar, AVSM, Signal Officer in Chief, Army Headquarters

Part-time Independent Directors

10. Dr. V. Bakthavatsalam, Former M D, Indian Renewable Energy Development Agency
11. Prof. N. Balakrishnan, Associate Director, Indian Institute of Science, Bangalore
12. Dr. Ashok Jhunjunwala, Professor (Electrical Engg.), Indian Institute of Technology, Chennai
13. Prof. Goverdhan Mehta, CSIR Bhatnagar Fellow, Indian Institute of Science, Bangalore
14. Dr. S.P. Parashar, Director, Indian Institute of Management, Indore
15. Mr. K.G. Ramachandran, Director, Infosys Leadership Institute, Mysore
16. Dr. M. Rammohan Rao, Dean, Indian School of Business, Hyderabad
17. Prof. S. Sadagopan, Director, International Institute of Information Technology, Bangalore
18. Mr. Bhupindar Singh, Former C M D, State Trading Corporation of India

Permanent Special Invitees to all the Board meetings

1. Air Marshal B.N. Gokhale, PVSM, VM, Vice Chief of Air Staff, Indian Air Force
2. Vice Admiral D.S.P. Varma, PVSM, AVSM, VSM, Chief of Material, Indian Navy



Principal Executives

CORPORATE OFFICE

Chief Vigilance Officer

Mr. C.M. Bhat, IPS

General Managers

Mr. V. Sundararaman

Mr. G.D. Gupta

Mr. R.P.S. Gahlaut

Mrs. Elaine Mathias

Mr. M. Mallaraj Urs

Mr. M.S. Venkatesha Murthy

Mr. Jagdish Kumar Batheja

Mr. H.S. Bhatia

Mr. S. Ramachandran

Company Secretary

Mr. C.R. Prakash

UNITS

General Managers

Bangalore

Mr. M.G. Raghuveer

Mr. D.A. Mohan

Mr. I.V. Sarma

Mr. M.S. Sreedhara

Mr. A.A. Mohan Ram

Mr. K.L. Rajaram

Mr. H.N. Ramakrishna

Mr. H.S. Satyanarayana

Mr. Philip Jacob

Mr. Amol Newaskar

Mr. C. Nageshwar Rao

Chennai

Mr. Anil Kumar

Ghaziabad

Mr. Anand Kumar

Mr. Chander Prakash

Mr. Sushil Chand Jain

Hyderabad

Mr. Sunil Kumar Sharma

Kotdwara

Mr. Ramesh Kumar Marhatha

Machilipatnam

Mr. Vijay Gundannavar

Panchkula

Mr. R.K. Singhal

Pune

Mr. Ramesh Chandra Nautiyal

Navi Mumbai

Mr. M.V. Narayanan

CRL, Bangalore

Dr. Ajit T. Kalghatgi

Chief Scientist

CRL, Ghaziabad

Mr. K.C. Pandita

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. Bora Kasat & Co.

M/s. Raghavachari and Co.



The past decade

(Rs. in million)

Particulars	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07
Sales & Services	12613.0	11988.7	14941.5	17153.3	19419.9	25080.2	27985.9	32120.9	35362.8	39526.9
Value of Production	12555.8	12167.0	15432.9	17875.7	20299.8	25363.9	28078.3	32349.7	34500.3	40127.5
Other Income	325.3	464.5	314.3	438.2	296.0	551.1	919.9	1222.8	1185.8	1963.5
Materials	6144.1	6161.6	7904.0	9192.8	10866.3	14790.7	14797.7	17582.3	18506.3	21252.5
Salaries, Wages & Benefits	2633.8	2859.4	3397.7	3942.3	3638.8	3676.1	4382.6	4416.1	4369.3	5170.0
Depreciation	491.7	480.6	479.7	519.2	490.9	552.8	622.7	714.7	794.4	845.9
Interest	510.1	711.2	327.9	246.4	202.6	119.7	50.6	90.6	256.4	8.0
Manufacturing & Other Expenses	2078.0	1716.7	1973.6	2214.1	2549.9	2914.1	4454.4	3909.2	3207.1	4289.9
Profit Before Tax	1023.4	702.1	1664.3	2199.1	2847.3	3861.6	4690.2	6859.6	8552.6	10524.7
Provision for Tax	489.4	165.8	585.0	647.0	850.5	1255.5	1529.2	2396.4	2722.5	3343.1
Profit After Tax	534.0	536.3	1079.3	1552.1	1996.8	2606.1	3161.0	4463.2	5830.1	7181.6
Dividend	160.0	160.0	200.0	320.0	400.0	560.0	800.0	896.0	1168.0	1440.0
Equity Capital	800.0	800.0	800.0	800.0	800.0	800.0	800.0	800.0	800.0	800.0
Reserves & Surplus	3252.3	3613.0	4448.3	5647.8	7385.4	9299.7	11558.2	15000.8	19493.1	24923.1
Loan Funds	2233.7	1458.9	1097.4	822.6	836.8	407.5	329.5	153.6	88.1	17.1
Gross Block	7196.7	7628.2	7722.2	8093.3	8626.5	9416.5	10409.6	11292.8	12403.1	13248.0
Cumulative Depreciation	5203.7	5618.7	5718.7	6197.0	6617.4	7094.3	7529.8	8099.4	8699.3	9391.3
Inventory	5037.3	5148.2	6715.5	8447.7	9413.0	9479.5	10152.9	10649.6	10371.4	12463.5
Debtors	5541.2	5846.3	6034.8	5999.3	6297.1	7122.4	6675.4	6991.2	10176.9	16934.1
Working Capital	2373.3	2558.9	3274.5	4551.9	5943.3	7044.1	8495.2	11090.3	15177.7	20099.6
Capital Employed	4366.3	4568.4	5278.0	6448.2	7952.4	9366.3	11375.0	14283.2	18881.5	23956.3
Net Worth	3508.8	4019.9	4912.5	6268.8	7771.2	9748.6	12290.8	15763.7	20270.8	25713.5
No. of Employees	15739	15618	14807	14177	13572	13750	13038	12390	12262	12357



Financial Highlights

- ☐ Turnover has increased from Rs. 35362.8 million in 2005-06 to Rs. 39526.9 million in 2006-07, a growth of 11.78%.
- ☐ Profit After Tax has increased from Rs. 5830.1 million in 2005-06 to Rs. 7181.6 million in 2006-07, an increase of 23.18%.
- ☐ PAT to Sales Ratio has increased from 16.49% in 2005-06 to 18.17% in 2006-07.
- ☐ Earnings per Share has increased from Rs. 72.88 in 2005-06 to Rs. 89.77 in 2006-07.
- ☐ Book Value per Share has increased from Rs. 253.38 in 2005-06 to Rs. 321.42 in 2006-07.
- ☐ Net Worth has increased from Rs. 20270.8 million in 2005-06 to Rs. 25713.5 million in 2006-07, a growth of 26.85%.
- ☐ Order book position has increased to Rs. 91300 million as on 01.04.2007 from Rs. 66330 million as on 01.04.2006.
- ☐ Turnover from indigenous technology was 81% in 2006-07, as compared to 73% in 2005-06.



Directors' Report

To the Shareholders,

Your Directors have pleasure in presenting this report on the performance and achievements of your Company for the year ended 31st March, 2007.

Your Directors are happy to inform you that in recognition of its past performance and considering its potential for faster growth towards its journey in becoming a globally competitive company, Government has conferred on your Company the status of "Navratna Public Sector Enterprise". By elevating the Company from "Miniratna" to the "Navratna" status, the Government has conferred on it greater autonomy and freedom in capital expenditure, formation of joint ventures, etc.

Continuing with its past proven performance track record and steady growth, your Company has achieved an all time high turnover of Rs. 39526.9 million during the year 2006-07 as against Rs. 35362.8 million in the previous year, registering an increase of 11.78% over previous year. The Value of Production for 2006-07 was Rs.40127.5 million as against Rs. 34500.3 million in the previous year, an increase of 16.31%. The Profit After Tax for 2006-07 was Rs. 7181.6 million as against Rs. 5830.1 million last year, 23.18% higher than the previous year. Supplies to the Defence Sector constituted 76% of the sales, balance 24% being supplies to the civilian sector.

All the nine manufacturing Units of the Company have performed well and achieved profit. 25 new products and systems were rolled out during the year under report. Indigenously developed products contributed to 81% of turnover during 2006-07 as against 73% in the previous year.

Operating results

The summarised operating results for the years 2006-07 and 2005-06 are given below:

(Rs. in million)

	2006-07	2005-06
Value of Production	40127.5	34500.3
Turnover (Gross)	39526.9	35362.8
Profit Before Depreciation, Interest and Tax	11378.6	9603.4

	2006-07	2005-06
Interest	8.0	256.4
Depreciation	845.9	794.4
Provision for Tax	3343.1	2722.5
Profit After Tax	7181.6	5830.1
Appropriations:		
Capital Reserve	2.1	22.6
Interim Dividend paid for the year	320.0	320.0
Proposed Final Dividend	1120.0	848.0
Dividend Tax	235.2	163.8
General Reserve	1000.0	1000.0
Balance in P & L Account	13707.8	9203.5

Distribution of value of production for 2006-07 is given below:

(Rs. in million)

	Amount	Percentage
Materials	21252.5	52.96
Employee cost	5170.0	12.88
Other Expenses (Net)	2326.4	5.80
Depreciation	845.9	2.11
Interest	8.0	0.02
Provision for Tax	3343.1	8.33
Profit After Tax	7181.6	17.90
Total	40127.5	100.00

Appropriations & dividend

Your Directors recommend the following appropriations from the disposable surplus:

(Rs. in million)

(i)	Interim Dividend on paid up capital of Rs.800 million at 40%	320.0
(ii)	Final dividend on paid up capital at 140%	1120.0
(iii)	Dividend Tax	235.2
(iv)	Transfer to General Reserve	1000.0
(v)	Balance retained in Profit & Loss Account	13707.8

For the third consecutive year, your Company declared and paid during 2006-07 an interim dividend of 40% of the paid up capital.



Finance

During the financial year 2006-07 your Company has been able to meet all its funds requirements without resorting to borrowings despite an increase in working capital requirement due to increased level of activity as well as implementation of certain projects where the Company's funding during the implementation stage is required as per the tender conditions. Entire requirement of working capital and the funding for capital expenditure has been met from the internal resources. This has been possible by a vigilant and prudent cash management effort. The inventory position of your Company has increased from 110 days of production as on 31.03.2006 to 113 days of production. The increase is mainly in RMC/WIP which is required to cater to the increase in the planned turnover of the financial year 2007-08. There has been an increase in debtors from 105 days of sales as on 31-03-2006 to 156 days of sales as on 31.03.2007 mainly because of: (a) increased sales during fag end of the year due to late receipt of orders/cycle time of production of the products sold (b) products sold with payment terms different from the standard payment terms, etc. However, the ongoing efforts in collection will continue to realise the debtors as per the terms of payment. Public deposits with the Company came down from Rs. 72.9 million on 31.03.2006 to Rs. 12.2 million as on 31.03.2007. No fresh deposits were accepted during the year. Rs. 3.9 million of deposits that had matured but has not been claimed as on 31st March 2007 has been included under current liabilities.

Performance against MoU

As a Government Company, BEL has been signing every year a Memorandum of Understanding (MoU) with its Administrative Ministry, the Ministry of Defence (MoD). Your Directors are happy to share with you that your Company has been achieving 'Excellent Performance' rating under the MoU for the past nine years, including 2006-07. The MoU between BEL and MoD for the year 2007-08 was signed on 26th March 2007. Sales target set in the MoU for 2007-08, for achieving 'Excellent

Performance' rating is Rs. 47250 million, including exports equivalent to US \$ 22 million.

Order book position

The order book position of your Company as on 1st April 2007 was Rs. 91300 million, out of which Rs. 36960 million is executable during 2007-08.

Important achievements and new business initiatives

Some of the significant orders executed by your Company during the year 2006-07 include supply of Flycatcher Radar, Reporter Radar, Surveillance Radar Element, Electronic Warfare Systems, Hand Held Thermal Imager, Integrated Observation Equipment, Advanced Land Navigation System for use in Tanks/ Armored Vehicles, implementation of Convergent Billing for MTNL, Upgraded Electronic Voting Machines and solar products. These equipments have been supplied to different customers, e.g. Army, Navy, Air Force, Paramilitary forces, MTNL, Election Commission of India and others.

New products

More than 25 new products/systems were introduced and supplied by the Company during the year. New products supplied to the Army include Safari Mk II, Advanced Land Navigation System, Intelligent Message Terminals, VPS Mk III (a hand-held, UHF radio) and Anti Tank Guided Missile (ATGM) Simulator.

New products supplied to the Navy include new generation Sonars for Submarines, Drishti - an Electronic Warfare System and Lynx - a Fire Control System. New products to the Air Force include High Accuracy Direction Finder. BEL also supplied Advanced Ground Control Station and Avionics Preparation Vehicle for Unmanned Aerial Vehicles.

New products/projects in the civilian segment are upgraded Electronic Voting Machine, Convergent Billing, Power Steering Unit for automobiles, Synchronous Transfer Mode Multiplex equipment for BSNL and Bharati, a Frequency Hopping VHF Radio.