



**Safeguarding land,  
sea and air space**

**ANNUAL REPORT  
2017-18**

*Thank you stakeholders*









# Corporate Vision, Mission, Values and Objectives

## 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.

## 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 employees to realise their full potential through continuous learning & teamwork.
- To give value for money to customers and 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.

## Values

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

# The Past Decade

(₹ in Lakhs)

Particulars	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
Sales & Services	462369	521977	552969	570363	601190	617423	669457	754117	882470	1008484
Value of Production	527327	524788	552080	579358	628991	612690	665854	777537	924383	970595
Other Income	22997	37641	38933	70312	60993	42847	47795	53708	47101	20038
Materials	304106	302454	312931	366903	408463	358356	374453	406077	483222	513626
Employee Benefits Expense	75579	100958	104186	108123	111079	103043	126345	125726	154831	177233
Depreciation / Amortization	10560	11594	12204	12080	13071	14210	15396	17221	19152	25100
Interest / Finance Cost	1077	53	73	60	78	340	138	451	1178	127
Other Expenses (including Excise Duty, Prior period items, Extraordinary & Exceptional items)	49319	42867	45504	55019	57174	77439	67360	123978	141733	111340
Profit Before Tax	109684	104502	116115	107485	111459	117474	146669	173212	202942	194784
Provision For Tax	35108	32415	29968	24495	22476	24312	29945	42476	48180	54855
Profit After Tax	74576	72087	86147	82990	88983	93162	116724	130736	154762	139929
Dividend (Amount)	14960	15360	17280	16640	17840	18640	23360	40800	50257	49058
Dividend (%)	187	192	216	208	223	233	292	170	225	200
Equity Share Capital	8000	8000	8000	8000	8000	8000	8000	24000	22336	24366
Other Equity	370368	424526	490571	554221	622369	693724	780503	874360	728518	751735
Loan Funds	121	73	41	10	1	0	0	0	5000	6666
Gross Block	157990	170217	178900	190158	207323	222667	248515	114689	161699	221984
Cumulative Depreciation / Amortization	111245	121221	130529	139142	149778	157572	171405	17029	36168	61275
Inventory	242096	244871	246032	279182	327108	337014	342688	417747	490501	477552
Debtors / Trade Receivables	227653	216836	289681	268686	333467	412854	378614	371193	435488	570458
Working Capital	313556	365629	NA	NA	NA	NA	NA	NA	NA	NA
Working Capital (As per Revised Sch VI / Sch III)	NA	NA	430800	478994	544494	607714	690982	737289	530455	440924
Capital Employed	360301	414625	NA	NA	NA	NA	NA	NA	NA	NA
Capital Employed (As per Revised Sch VI / Sch III)	NA	NA	479171	530010	602039	672809	768092	834949	655986	601633
Net Worth	378368	432526	498571	562221	630369	701724	788503	898360	750854	776101
Earning Per Share (in Rupees) **	2.83	2.73	3.26	3.15	3.37	3.53	4.42	4.95	6.03	5.70
Book Value Per Share (in Rupees)	15.77	18.02	20.77	23.43	26.27	29.24	32.85	37.43	33.62	31.85
No. of Employees	11961	11545	11180	10791	10305	9952	9703	9848	9716	9726

\* In line with Ind AS

\*\* Adjusted for all the previous periods consequent to issue of bonus shares in the ratio of 1:10 during FY 2017-18.

# CONTENTS

Chairman's Letter	001	Highlights	004	Board of Directors	006
Principal Executives & Auditors	008	Awards	010	Board's Report	011
Dividend Distribution Policy of BEL - Annexure 1	028	Form AOC - II - Annexure 2	030	Report on CSR Activities - Annexure 3	031
Secretarial Audit Report - Annexure 4	034	Extract of Annual Return - Annexure 5	037	Management Discussion & Analysis Report - Annexure 6	045
Corporate Governance Report - Annexure 7	057	Sustainability Report - Annexure 8	074	Business Responsibility Report - Annexure 9	077
Independent Auditor's Report on Standalone Financial Statements	087	Comments of the C&AG	095	Balance Sheet	098
Statement of Profit and Loss	100	Statement of Changes in Equity	101	Cash Flow Statement	103
Notes to Accounts (1 - 37)	105	Significant Accounting Policies on Standalone Financial Statements	151	Auditor's Report on the Consolidated Financial Statements	159
Consolidated Financial Statements	163	Form AOC - I	229		

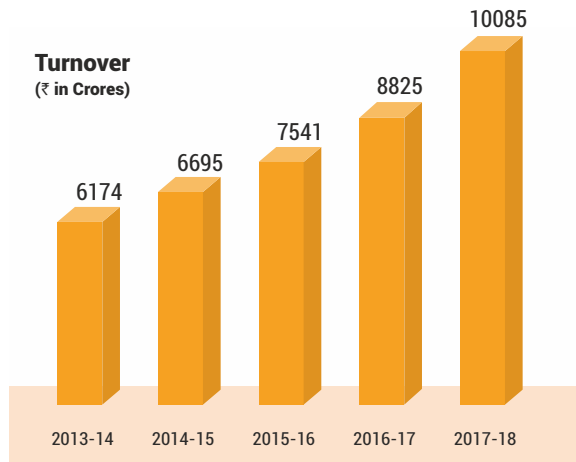
# Financial Highlights - FY 2017-18

Turnover	Production	Operating Profit	Turnover Per Employee	Net Worth	Equity
<b>₹ 1,008,484 Lakhs</b>	<b>₹ 970,595 Lakhs</b>	<b>₹ 174,873 Lakhs</b>	<b>₹ 103.69 Lakhs</b>	<b>₹ 776,101 Lakhs</b>	<b>20,397,780 Shares</b>
Turnover registered a growth of 14.28% from ₹ 882,470 Lakhs in 2016-17 to ₹ 1,008,484 Lakhs in 2017-18	Value of production has increased from ₹ 924,383 Lakhs in 2016-17 to ₹ 970,595 Lakhs in 2017-18, increase of 5%	Operating Profit rose by 11.37% from ₹ 157,019 Lakhs in 2016-17 to ₹ 174,873 Lakhs in 2017-18	Turnover per Employee has increased from ₹ 90.83 Lakhs in 2016-17 to ₹ 103.69 Lakhs in 2017-18	Net Worth has increased from ₹ 750,854 Lakhs in 2016-17 to ₹ 776,101 Lakhs in 2017-18	20,397,780 Equity Shares bought back for ₹ 37,226 Lakhs during 2017-18

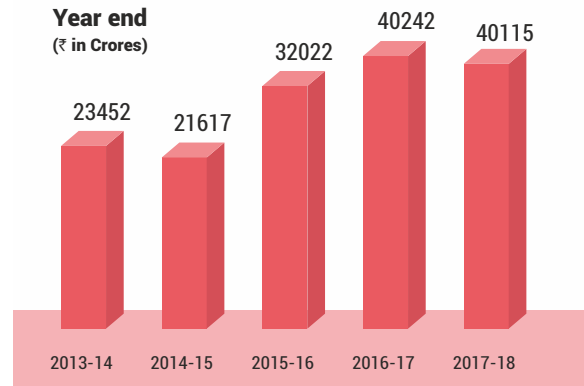


# Financial Highlights

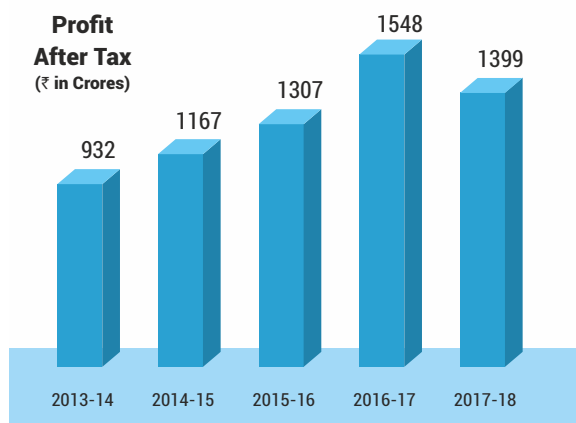
**Turnover**  
 (₹ in Crores)



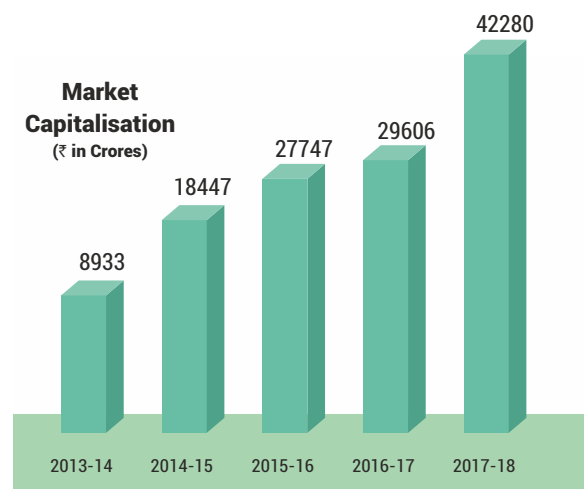
**Orderbook-  
 Year end**  
 (₹ in Crores)



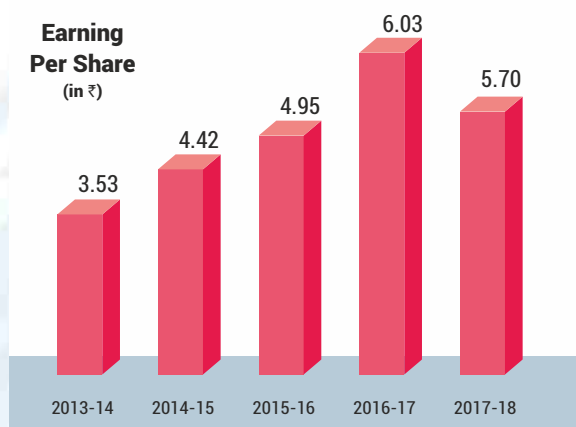
**Profit  
 After Tax**  
 (₹ in Crores)



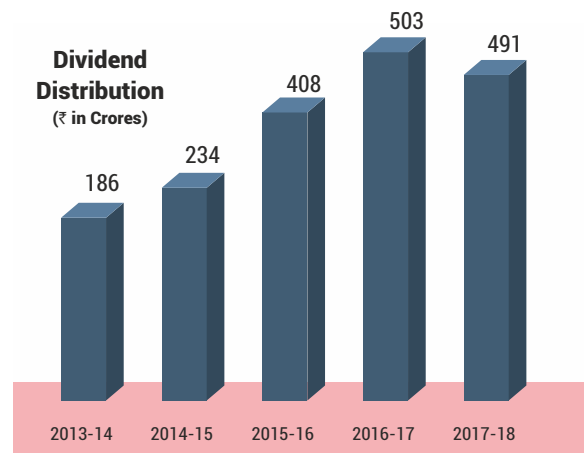
**Market  
 Capitalisation**  
 (₹ in Crores)



**Earning  
 Per Share**  
 (in ₹)



**Dividend  
 Distribution**  
 (₹ in Crores)





## Global Footprints



The Hon'ble Raksha Mantri, Mrs Nirmala Sitharaman, inaugurating the first Representative Office of BEL in Vietnam (VIRO)



The newly inaugurated Representative Office of BEL in Vietnam



The BEL team at Defence and Security Equipment International Exhibition (DSEI) 2017 held at London, UK



Weapon Locating Radar on display at the BEL outdoor stall at DSEI 2017



The Chief of Vietnam People's Navy at the BEL stall during IMDEX ASIA 2017 exhibition, held at Singapore



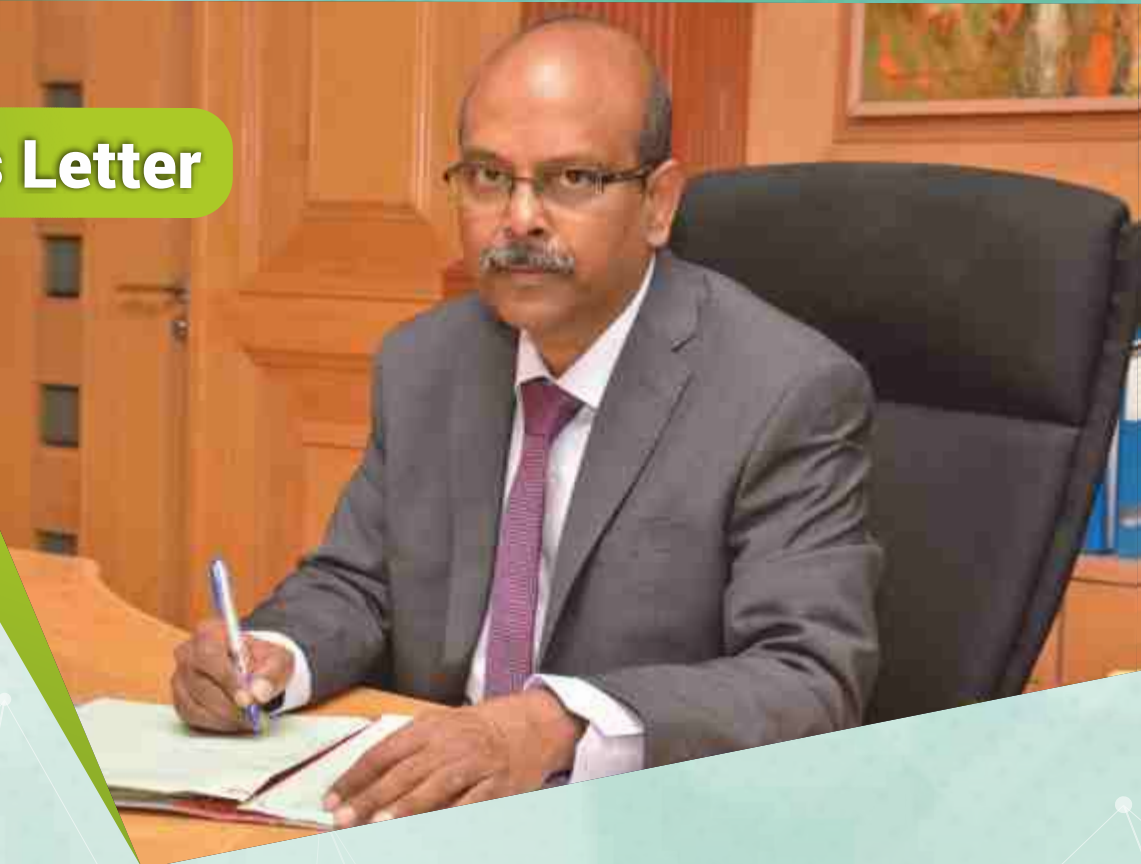
Visitors from the Royal Thai Armed Forces at the BEL stall at Defense & Security Exhibition, held at Bangkok



Signing of Contract for production of LRSAM systems, between BEL and IAI, Israel



## Chairman's Letter



### Dear Shareholders,

It gives me immense pleasure to share through this letter, the achievements and financial highlights of your Company during the past year. In the FY 2017-18 there were considerable challenges in the environment we operate. In spite of the challenges, your Company has achieved the growth targets with greater emphasis on R&D, technology updation and infrastructure modernisation to meet the fast changing business environment. Your Company has achieved significant growth in revenues. At ₹ 4,011,500 Lakhs (as on 1 April 2018) the order book continues to be healthy and also good order inflow projections are expected in the next 2-3 years. Your Company has continued to maintain its leadership position in supplying equipment / systems to Defence Forces and is on a steady growth path. I take this opportunity to share with you the performance highlights during the past year and the future outlook for the Company.

### Highlights of the Year

Your Company achieved a turnover of ₹ 1,008,484 Lakhs during 2017-18 against ₹ 882,470 Lakhs in 2016-17, thereby registering a significant growth of 14%. BEL achieved an export sale of US\$ 26.3 Million. Some of the countries, where your Company's products were exported are Sri Lanka, Myanmar, Maldives, Mauritius, Vietnam, Indonesia, Israel, Germany, Sweden and USA. The major Products / Systems exported during the year include Advanced Composite Communication System (ACCS), Compact Airborne Surveillance System, Bharti Radio, Cable Looms, Mechanical Parts, Coastal Surveillance System, Spares for TRS 2215 Radar & V/UHF Radio.

All the 9 manufacturing units of the Company have performed well. The Profit After Tax for 2017-18 is ₹ 139,929 Lakhs against ₹ 154,762 Lakhs last year, a decrease of 10% over previous year. This was mainly due to decrease in interest income, increase in tax provision and wage revision. The Net Worth of the Company has increased from ₹ 750,854 Lakhs in year 2016-17 to ₹ 776,101 Lakhs in 2017-18.

R&D has been the main focus area of your Company for increasing indigenisation and value addition in our products / systems. The total expenditure on R&D as a percentage of turnover during the year was 9.8% which is one of the highest among the defence PSUs. It is our continued effort towards indigenous development that has led us to achieve 89% of our turnover from indigenous products. Only 11% of our revenues came from products manufactured through ToT from foreign OEMs. Defence being the mainstay of the Company, has contributed 85% of sales revenue, with the balance 15% coming from the non-defence sector.

Some of the major products / systems introduced during 2017-18 are Intelligence Gathering System, Ship Data Network, Advanced Communication System for Ships, Radio On The Move for Weapon Systems, Fire Control System and P15, TI Sight for T-90, TI Sight for T-72, HHTI Bi-Ocular, Electro Optic System, EVM-M3, VVPAT-M3, Mine Field Recording System (MFRS), Multi Purpose Reflex Weapon Sight (MRWS), Radio Relay Upgrade, Secure Phone, 6 kW Solid State Power Amplifier (SSPA) etc.

**A significant growth of 14% in turnover**

**R&D expenditure 9.8% of turnover**

**Revenue through Defence business is 85%**

Your Company has received orders worth about ₹ 10,000 Crores. Major orders received during the year include Voter Verifiable Paper Audit Trail, Commander TI Sights for T-72, Low Intensity Conflict EW System, Hull Mounted Sonar for P71, Electronic Voting Machine, Surveillance Radar Element, Network For Spectrum (NFS) Satcom Terminal, Integrated Mobile System, Passive Night Vision Devices, CoMPASS etc.

I have the privilege to inform you that your Company has filed applications for 25 Patents in 2017-18 as against 20 patents filed in 2016-17. As many as 71 technical papers were published by scientists and R&D engineers of BEL in various National and International journals / seminars / conferences.

**Filed  
application  
for 25 patents**

### Some of the performance highlights of your Company are :

- Inauguration of 16 MW Solar PV Power Plant at Ordnance Factory, Medak (OFMK).
- Inauguration of BEL Academy of Excellence to address the training needs of BEL employees, as well as of its customers and vendors / partners.
- Inauguration of Advanced EMC Testing Facilities having Anechoic Chamber of size 11m x 21m x 30m which can conduct testing of Systems / Platforms weighing up to 70 Tonnes. It can be used to carry out system level EMC testing for many projects of national importance like AKASH, IACCS, LRSAM, Weapon Locating Radar and Battlefield Management System.
- Defence Innovation Organisation (DIO) was incorporated on 10 April 2017 as a 'Not for Profit' Company as per the provisions of Section-8 of the Companies Act 2013 with Authorised Share Capital of ₹ 1.0 Crore (BEL: 50%; HAL: 50%).
- "Excellent" MoU Rating for 2016-17 from DPE.
- Inauguration of Near Field Antenna Test Range (NFTR) facility at BEL Bengaluru for calibration and testing of Radars and communication antennae. The NFTR facility at Bengaluru is the third such set-up in BEL and the only one in the Defence industry in India.
- High level Shock Testing Facility established at BEL Bengaluru capable of imparting mechanical shocks up to 120g level for equipment weighing up to 800 kg.
- Secured Manufacturing Test facility established in BEL Bengaluru and Panchkula units for production of EVMs and VVPATs.
- Inauguration of a state-of-the-art Electronic Artillery Fuze manufacturing at BEL Pune.
- BEL participated in the Defence Industry Development Meet, which was inaugurated by Mrs Nirmala Sitharaman, Hon'ble Raksha Mantri, at Chennai on 18 January 2018 and showcased various items for indigenization for domestic vendors including micro and small enterprise.
- BEL empanelled totally 216 organizations, which includes 27 collaborative R&D partners, 128 design service providers, 28 consultants and 33 production service providers and three organizations for supporting both design and production.

### You will be happy to know that your Company has received several accolades, the most noteworthy being :

- Raksha Mantri's Awards (2014-15)
  - a) Indigenization Award : Doppler Weather Radar.
  - b) Design Effort : Lynx U2 Naval Gun Fire Control System for Indian Navy.
- Raksha Mantri's Awards (2015-16)
  - a) Institutional Award : Best Performance in Export.
  - b) Division/Factory/Shipyard Award : Best Performing Division of DPSUs : Naval Systems (Radar & Fire Control System).
  - c) Indigenization Award : Light Weight Portable Laser Target Designator.
  - d) Design Effort : Test Bed of Automated Air Defence Control and Reporting System.
- Prime Minister's Shram Awards to BEL Employees for the year 2013-14 & 2014-15.
- Scope Award for Excellence and Outstanding Contribution in the special Institutional category of Digitalization for the year 2016-17.
- All India Management Association (AIMA) Managing India Award for the 'Outstanding PSU of the Year'.
- Governance Now Awards : for Business Diversification, Adoption of Technological Innovations, HR Excellence, Environmental Sustainability and Research & Development.
- Dun & Bradstreet India's Top PSU Award 2017 in the Manufacturing Category under Medium & Light Engineering Sector.
- Amity Leadership Award for Business Excellence, for outstanding contributions to the field of Surveillance and Defence industry.
- Vigilance Excellence Award-2017 for 'Excellent Contribution' in the category of "Best Institutional Practice to Fight Corruption" for the successful implementation of companywide e-filing system called "File Lifecycle Management (FLM)".
- INSSAN Award for Excellence in Suggestion Scheme: BEL Bengaluru Unit has been awarded 1<sup>st</sup> Prize for Excellence in Performance of the Suggestion Scheme for the year 2016-17 in Engineering Industry Group.
- First Prize in the PSU category for "Responsible Organisation Excellence Award" for the year 2016-17 from Associated Chambers of Commerce & Industry of India (ASSOCHAM).
- ELCINA-EFY Award for Excellence in Export for the year 2016-17 from Electronic Industries Association of India.

### Future Outlook

Government's emphasis on 'Make in India' initiative in Defence sector provides a great opportunity for the Company to enhance its indigenization efforts and to address the opportunities in Indian Defence sector.