

Financial Statistics

Rs. in lakhs

	1965-66	1981-82	1986-87	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06
CAPITAL											
Equity Capital	681	1,200	3,000	3,687	3,687	3,687	3,687	3,687	3,687	3,687	3,687
Reserves and Surplus	40	5,126	16,056	54,937	55,497	55,689	55,978	54,827	56,437	69,781	84,284
Net Worth	653	6,326	18,901	57,752	57,774	55,700	55,559	53,219	56,888	69,439	85,390
Loans from Government of India	-	1,992	6,616	1,440	-	-	-	-	-	-	-
Loans from Banks	-	4,577	14,047	47,305	37,537	23,471	27,255	3,130	3,148	7,491	2,488
Other Loans	-	-	6,489	22,951	10,855	6,288	2,778	220	180	-	-
Gross Block	236	5,010	16,492	50,618	52,199	52,695	52,851	53,425	54,334	54,395	56,512
Depreciation	27	2,404	4,917	31,058	33,509	35,805	37,648	39,213	40,949	42,738	43,992
Inventories	339	9,529	20,930	67,961	61,079	63,868	63,886	74,850	57,327	62,080	64,908
Sundry Debtors	119	3,733	19,719	60,665	52,016	52,067	56,730	49,418	44,356	60,820	77,021
Working Capital	447	10,212	33,804	108,655	86,838	67,512	69,190	43,454	47,933	64,658	73,460
Capital Employed	656	12,817	45,379	128,215	105,528	84,402	84,392	57,666	61,318	76,315	85,980
REVENUE											
Sales	517	22,193	50,615	121,262	131,709	134,740	142,415	168,117	176,575	185,601	220,584
Value of Production	523	22,520	51,487	124,415	129,385	134,317	143,610	174,016	169,186	188,595	217,957
Value Added	243	7,800	22,636	50,677	51,700	54,777	53,292	62,566	63,867	85,090	90,333
Profit before Depreciation & Interest	61	4,158	8,799	11,722	11,438	6,525	5,741	6,017	6,995	29,757	30,416
Depreciation	21	284	837	2,572	2,679	2,340	2,214	1,931	1,829	2,299	1,412
Profit before Interest & Tax	40	3,874	7,962	9,150	8,759	4,185	3,527	4,086	5,166	27,458	29,003
Interest	-	886	3,361	8,878	6,399	3,120	2,226	300	148	179	461
Profit Before Tax	40	2,988	4,601	272	2,360	1,065	1,301	3,787	5,018	27,279	28,542
Provision for Tax	8	1,775	1,000	210	900	465	766	1,177	2,601	9,751	9,849
Profit After Tax	32	1,213	3,601	62	1,460	600	535	2,610	2,417	17,528	18,692
Debenture Redemption Reserve	-	-	500	-	-	-	-	-	-	-	-
Dividend (Excluding Tax)	-	72	300	-	735	367	441	735	735	3,674	3,674
RATIOS											
Turnover to Capital Employed	78.82	173.05	111.54	94.58	125.15	159.64	168.75	291.54	287.97	243.20	256.55
PBIT to Capital Employed	6.06	30.22	17.55	7.14	8.32	4.96	4.18	7.09	8.43	35.98	33.73
Profit Before Tax to Sales	7.69	13.46	9.09	0.22	1.79	0.79	0.91	2.25	2.84	14.70	12.94
Profit After Tax to Net Worth	4.86	19.17	19.05	0.11	2.53	1.08	0.96	4.90	4.25	25.24	21.89
Value of Production to Inventories (Mean)	156.30	240.12	249.41	186.12	200.54	215.00	224.82	250.89	256.00	315.89	343.27

Funds Flow

Rs. in lakhs

	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06
SOURCES OF FUNDS								
Profit After Tax	62	1,460	600	535	2,610	2,417	17,528	18,692
Depreciation	2,445	2,451	2,296	1,843	1,564	1,736	1,789	1,254
Increase in Share Capital	-	-	-	-	-	-	-	-
Share Premium	1	-	-	-	-	-	-	-
Increase in Borrowings	459	-	-	274	-	-	4,163	-
Decrease in Working Capital	-	22,103	19,039	-	25,856	-	-	-
Investments	-	-	-	-	-	384	-	-
Others	774	-	-	-	2	2,058	-	1,449
	3,741	26,014	21,935	2,652	30,032	6,595	23,481	21,395
UTILIZATION OF FUNDS								
Fixed Assets	1,596	986	419	(58)	837	740	509	3,250
Increase in Working Capital	2,145	-	-	1,677	-	4,479	16,726	8,738
Decrease in Borrowings	-	23,305	18,634	-	26,684	21	-	5,066
Dividend & Tax thereon	-	897	405	441	829	831	4,185	4,190
Investments	-	287	210	26	-	-	(25)	-
Others	-	539	2,267	566	1,682	525	2,087	151
	3,741	26,014	21,935	2,652	30,032	6,595	23,481	21,395



Directors' Report

The Directors have pleasure in presenting the 42nd Annual Report and Audited Accounts for the year ended 31.03.2006.

FINANCIAL RESULTS

	(Rs. In lakhs)	
	2005-2006	2004-2005
Sales (Gross)	2,20,584	1,85,601
Value of Production	2,17,957	1,88,595
Profit (before Depreciation Interest and Tax)	30,415	29,757
Interest	461	179
Depreciation	1,412	2,299
Profit Before Tax	28,542	27,279
Provision for Taxation	9,849	9,751
Profit After Tax	18,693	17,528
Profit available for appropriations	20,336	17,827
APPROPRIATIONS:		
Interim Dividend including tax	1,257	623
Proposed Dividend	2,572	3,123
Tax on Dividend	361	438
General Reserve	12,000	12,000
Profit & Loss Account	4,146	1,643
Net Worth	85,390	69,439

TURNOVER AND PROFITABILITY

During the year, your company surpassed another milestone by crossing the Rs.2,000 crore turnover mark while attaining a record turnover of Rs.2,205.84 crores registering a growth of 18.85% over the previous year. Your company earned a Profit Before Tax of Rs.28,542 lakhs registering a growth of 4.63% over the previous year and the profit after tax stood at Rs.18,693 lakhs. The year 2005-06 had been a "YEAR OF TURNAROUND" for all the manufacturing divisions. This has been attained through various steps like cost reduction / economy measures and balancing the product-mix.

DIVIDEND

Interim dividend for the second successive year was paid which stood at 30% as against 15% declared for the previous year. The Directors recommend a final dividend of 70% on the Paid-up Equity Share Capital of the company thus bringing the total dividend to 100% for the year 2005-06

meeting the aspirations of the stakeholders and foreseeing similar performance during the current year.

EXPORTS

The Company posted an export turnover of Rs.6,149 lakhs of which Rs.5,107 lakhs constituted physical exports. Exports were made to Syria, South Africa, Morocco, Myanmar, Bahrain, Afghanistan, Ethiopia and Suriname. The company is looking at increasing its presence in the global market for future growth. Several countries have been identified for making a foray. In view of this, an export target of Rs. 11,000 lakhs has been fixed for the year 2006-07.

QUALITY

The company continues to take quality improvement initiatives for the entire range of products, business process and manufacturing process.

- The most significant quality initiative undertaken by the company is the introduction of Six-Sigma concept in all its manufacturing divisions. A number of projects to address the "areas of concern" have been identified and taken up for implementation through the Six-Sigma methodology.
- The company continues to hold quality management system certification to ISO 9001-2000 for all its manufacturing divisions.
- During the year various projects aimed at improving performance and reliability of important aggregates have been completed and yielded results ensuring customer satisfaction.
- In view of the increased emphasis and requirement on out-sourcing, the supplier base is being continuously monitored and updated to have a large pool of competent supplier base. More and more suppliers have been accorded status of self-certified suppliers. Vendor development through constant interaction and guidance is an integral part of supply chain management.
- Laboratory at Mysore Complex has received NABL accreditation. This is in addition to the laboratories at KGF Complex, which continue to hold similar accreditation received in the earlier periods.

RESEARCH & DEVELOPMENT

A well established Research & Development Centre of the Company continues to play a vital role in the design &

Directors' Report

development of products and critical aggregates, indigenization activity etc. During the year, R&D's innovative product Load Haul Dumper (LHD) –BL15 was rolled out successfully and also exhibited in the IMME – Kolkata. A four-cylinder indigenous engine B4D105 has been successfully built, tested, evaluated and fitted on one of the earthmoving equipment for user trials. The in-house developed 20T class Excavator BE200 has successfully completed user trials and released for production. The unified electronic controller system developed in-house to assist the operator to monitor the working of dumpers has been awarded patent.

The information on R&D, Technology Absorption, Adaptation and Innovation is at Annexure-I.

FINANCE

The working capital requirement was met from the internal resources and cash credit facilities from banks. There was no overdue installment of principal and interest.

The company's contribution to exchequer was of the order of Rs.49141.73 lakhs during the year by way of Excise Duty, Customs Duty, Sales Tax, Income Tax, Wealth Tax and Cess.

FOREIGN EXCHANGE EARNINGS AND OUTGO

During the year, the Company's export earning stood at Rs.4,460.72 lakhs. The total foreign exchange utilised during the year was Rs. 73,351.84 lakhs.

A sum of Rs. 121.02 lakhs was incurred towards deputation of personnel abroad for business / export promotion, after-sales-services and training.

FIXED DEPOSITS

The entire amount outstanding against fixed deposits matured was repaid. The company did not renew or accept any fresh deposits during the year. Fixed deposits aggregating to Rs.0.12 lakhs remains unclaimed.

VIGILANCE

The Vigilance Department is functioning with a view to assist Management to enhance transparency and equity in the operations of the company at all levels by having a well laid-out systems and procedures covering different aspects of vigilance.

Periodical meetings of vigilance officers were held with a view to have better interaction and to discuss matters of common interest from vigilance point of view. Complaints

received are investigated and reports are submitted to competent authorities. Vigilance department conducts surprise checks, verification of high value purchase orders, APRs of officers working in sensitive and non-sensitive areas on random / selective basis.

Vigilance department also conducts systems audit and CTE type inspection to ensure optimum compliance of the laid down rules / principles / procedures to ensure transparency and accountability. The vigilance department is functioning effectively on the basis of guidelines issued by CVC from time to time with the focus to establish an effective and well defined system, wherein transparency and accountability are the buzz words.

CORPORATE GOVERNANCE

A report on Corporate Governance including Management Discussion and Analysis Report along with a compliance certificate from the Auditors as required under the Listing Agreement with the Stock Exchanges, is annexed to this report.

SUBSIDIARY COMPANY

M/s Vignyan Industries Limited, Tarikere has reported improved results, attaining a turnover of Rs.2881.06 lakhs, value of production of Rs.2870.10 lakhs, Profit Before Tax of Rs.106.80 lakhs recording a growth of 33.70% in sales, 31.77% in value of production and 14.99% in profit before tax over the previous year. The operations of the company are progressively improving and efforts are on to diversify its product range and widen its customer base. The company is also modernizing its foundry besides exploring the export potential for its products.

The statement and particulars relating to M/s. Vignyan Industries Limited, Tarikere, pursuant to Section 212 of the Companies Act, 1956 are attached.

SMALL SCALE AND ANCILLARY INDUSTRIES

The Company continued to encourage Small Scale and Ancillary Units by providing technical guidance, requisite support, etc. Our quality control personnel visit the industries to assist and ensure that the quality of the products meet the requisite standards.

During the year 2005-06, the company procured items worth Rs.10264.95 lakhs from these units.

RAJBHASHA

The company continues to give importance for accelerating the use of Hindi in official work. In this process, around



Directors' Report

1578 employees have been trained in Prabodh, Praveen and Pragya courses with the assistance of Hindi teaching scheme. General orders, notices, circulars and annual reports are printed and issued bilingually. The Company has displayed all sign boards outside the premises and name plates within the premises trilingually. A session on 'Official Language Policy' is included in the in-house training programmes. To propagate the use of Hindi, anthakashri, essay writing competitions and Hindi workshops were held in all the divisions. In addition to this, Hindi day was celebrated during September, 2005 in all the divisions.

AWARDS

BEML was awarded the Construction World-Nicmar Award from Government of India as the first amongst the fastest growing construction equipment companies.

KGF Complex bagged the National Safety Award instituted by the Government of India for lowest average frequency of accidents.

MANPOWER

The manpower strength as on 31st March, 2006 stood at 11,975 as against 12,189 of the previous year.

Representation of SC/ST and Ex-Servicemen category-wise as on 01.01.2006 and recruitments made are as under:

Representation of SC/ST/Ex-Servicemen as on 01.01.2006

Cate- gory / Group	Total Strength As on		No. of SC/ST and Ex-servicemen					
			Scheduled Caste		Scheduled Tribe		Ex-Service Men	
	1.1.05	1.1.06	1.1.05	1.1.06	1.1.05	1.1.06	1.1.05	1.1.06
Group-A	1574	1588	207	224	47	44	15	14
Group-B	611	529	82	61	12	7	12	11
Group-C	9953	9694	2173	2119	368	331	519	456
Group-D	210	204	64	55	11	10	0	0
TOTAL	12348	12015	2526	2459	438	392	546	481

Recruitment during 2005

Group	General	SC	ST	EX-S	OBC	TOTAL
Officers	38	07	01	01	—	47
Project Trainees	16	02	—	—	—	18

HUMAN RESOURCES DEVELOPMENT & INDUSTRIAL RELATIONS

Training and Development of Employees continues to be an area of prime focus with key personnel being sent for training within the country and abroad. Thrust was given for continuously updating technical / professional skills of employees for bringing about attitudinal changes in developing good work culture in all areas of operation. During the year the Company organized several in-house and external training programs for 7,143 employees covering 22,692 man-days. The Industrial Relation situation in the company was harmonious during the year.

SOCIAL WELFARE

Medical facilities (out-patient treatment) have been extended to 153 families of BEML adopted Dasarahasahalli village.

BEML has provided a school building and furniture for establishing Government Higher Primary School located at the Township. As a part of welfare measure, BEML is extending practical training facilities to the students in Nursing at BEML Medical Centre, KGF.

To commemorate the 114th Birth Anniversary of Dr. BR Ambedkar, books and clothes were distributed to the poor children of Ramabai Ambedkar School, Kuvempunagar, Mysore and fruits were distributed to the patients at PK Sanatorium Hospital and Bapuji Children Home, Mysore on the occasion of 49th Death Anniversary of Dr.B.R. Ambedkar.

PARTICULARS OF EMPLOYEES

There was no employee of the Company who received remuneration in excess of the limits prescribed under Section 217(2A) of the Companies Act, read with the Companies (Particulars of Employees) Rules, 1975.

ENVIRONMENT AND POLLUTION CONTROL

During the year about eighteen lakh saplings of various types were planted in and around the company's premises located at KGF and Mysore. This is an on-going process to protect and improve the environment.

Treatment plants have been constructed to treat the domestic / industrial effluents. Also treatment plants have been provided in the township to treat waste water. Treated effluent water is being utilized for gardening inside the premises and at the township. Oxidation ponds, which is a natural process of treating effluents have also been provided at various locations inside the factory and township.

Directors' Report

ENERGY CONSERVATION

The Company is continuously taking steps to conserve and minimize the use of energy. Some of the on-going measures adopted during the year for energy conservation are :-

1. Maintaining power factor at 0.90 and above in the system by switching on static capacitors provided at each load center stations.
2. Provision of Vaporax steam generators in place of electrically heated steam generators in canteens.
3. Provision of time switch control system for roof lighting and roof extractors in hangars to control ON/OFF of the system to optimum required level.
4. Thermostatic controls provided to pre-treatment tanks to enable cutting off heaters at preset temperature.
5. Introduction of 2 nos. 5000 litres capacity solar water heating system in workers canteen for pre-heating of water to 60 degrees centigrade.
6. Replacement of 250 watts HPSV lamp fittings in place of 400 watts HPMV lamp fittings in Machine Shop and Sheet Metal Hangar.

The particulars as prescribed under sub-section (1)(e) of Section 217 of the Companies Act, 1956, read with the Companies (Disclosure of particulars in the Report of the Board of Directors) Rules 1988, are annexed to this report.

AUDITORS

M/s. Rao & Swami, Chartered Accountants, Bangalore, were appointed as Statutory Auditors for the year 2005-06.

In pursuance of the directives received from the Department of Company Affairs, Cost Audit was conducted for IC Engines and Heavy Earthmoving Equipment.

Reply of the Board of Directors to the observations made in the report of the Auditors on the Accounts are given in addendum to this report.

DIRECTORS

The President of India was pleased to appoint Shri V. Somasundaran, Joint Secretary (Exports) as Director on the Board in place of Shri Alok Perti. The President was also pleased to appoint Shri A. Prasad, Prof. Prakash G Apte, Shri Birendra Kumar and Shri KV K Seshavataram as Part-time Directors on the Board. Shri Ravindra Kumar Rustagi, Executive Director (HR), NTPC was appointed as Director (HR) on the Board by the President of India. The

President was pleased to appoint Dr. Arabinda Tripathy, Prof. S.N. Chary, Shri N.R. Mohanty and Dr. Jayanta Bagchi as Part-time Directors on the Board of the Company. Shri Tapan Ray and Shri Alok Perti ceased to be Directors consequent upon resignation from the Board. The Board placed on record its deep appreciation of the valuable services rendered by Shri Tapan Ray and Shri Alok Perti.

DIRECTORS' RESPONSIBILITY STATEMENT

The Board of Directors of the Company confirm :

- i) that in the preparation of the annual accounts, the applicable accounting standards have been followed along with the explanation relating to material departures ;
- ii) that the selected accounting policies were applied consistently and the Directors made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 31st March, 2006 and of the profit of the Company for the year ended on that date ;
- iii) that proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities ; and
- iv) that the annual accounts have been prepared on a going concern basis.

ACKNOWLEDGEMENTS

Your Directors express their grateful thanks to the Company's valued customers, in particular Defence Services, M/s Delhi Metro Rail Corporation (DMRC), M/s Coal India Limited and its Subsidiaries, M/s. Singareni Collieries Company Limited, Railway Board for their patronage and confidence in the Company. The Directors also express their grateful thanks to M/s. Bucyrus International, USA, M/s. Bumar, Poland, M/s. Rotem, South Korea, M/s. Tatra Sipox Limited, UK, M/s Pearson Engineering Limited, UK, and other collaborators for their valuable assistance to the Company.

The Directors express their appreciation to the State Bank of India and other members of Consortium of Banks and Financial Institutions for their continued support to the Company's operation. The Directors also thank all the shareholders / investors for reposing continued confidence in the Company.



Directors' Report

The Directors wish to thank the Comptroller & Auditor General of India, the Principal Director of Commercial Audit & Ex-officio Member, Audit Board, Statutory Auditors and Suppliers for their valued co-operation.

The Directors also gratefully acknowledge the valuable assistance and guidance received from various Ministries of Government, in particular Ministry of Defence, Ministry

of Coal, Ministry of Mines and the Ministry of Railways. The Directors are also grateful to the Government of Karnataka for the co-operation extended.

Your Directors take this opportunity to place on record their appreciation for the valuable contribution made and co-operation extended by the employees and officers at all levels for the progress and prosperity of the Company.

For and on behalf of the Board of Directors

V.RS. Natarajan

Chairman & Managing Director





Balance Sheet

As at 31st March 2006

Rs. in lakhs

	Schedule	2006	2005
Sources of Funds			
Shareholders Funds			
Share Capital	1	3,687.22	3,687.22
Reserves & Surplus	2	<u>84,283.81</u>	<u>69,781.05</u>
		87,971.03	73,468.27
Loan Funds			
Secured Loans	3	2,488.27	7,554.02
Deferred Tax Liability			
	4	<u>112.88</u>	<u>264.07</u>
		90,572.18	81,286.36
Application of Funds			
Fixed Assets			
Gross Block (at cost)	5	56,511.51	54,395.37
Less: Depreciation		<u>43,991.58</u>	<u>42,737.80</u>
Net Block		12,519.93	11,657.57
Add: Capital Work-in-progress	6	<u>1,759.06</u>	<u>625.08</u>
		14,278.99	12,282.65
Investments			
	7	252.64	252.64
Current Assets, Loans & Advances			
Inventories	8	64,908.20	62,079.61
Sundry Debtors	9	77,020.60	60,820.14
Cash and Bank Balances	10	38,000.17	39,691.80
Other Current Assets	11	649.26	1,450.45
Loans and Advances	12	<u>14,771.39</u>	<u>21,801.29</u>
		195,349.62	185,843.29
Less: Current Liabilities & Provisions			
Current Liabilities	13	118,430.34	113,696.07
Provisions	14	<u>3,459.70</u>	<u>7,425.80</u>
		121,890.04	121,121.87
Net Current Assets			
		73,459.58	64,721.42
Miscellaneous Expenditure			
(to the extent not written off or adjusted)	15	2,580.97	4,029.65
		90,572.18	81,286.36
Notes on Accounts			
[Schedule 1 to 25 and Accounting Policies annexed to and forming part of Accounts]	25		

Refer our report of even date
for **M/s. RAO & SWAMI**
Chartered Accountants

For and on behalf of the Board of Directors

N. RAMESH
Partner

P. MAZUMDAR
Director (Finance)

V.RS. NATARAJAN
Chairman & Managing Director

K.C. MEDAPA
Company Secretary

Place : Bangalore
Dated : 26-7-06



Profit and Loss Account

For the year ended 31st March 2006

Rs. in lakhs

	Schedule	2006	2005
Income			
Sales		220,584.38	185,600.98
Less : Excise Duty		14,630.42	12,321.87
Net Sales	16	205,953.96	173,279.11
Other Income	17	7,117.31	5,878.10
Increase / (Decrease) in WIP/FGI		(2,627.43)	2,994.30
Excise Duty on Finished stock, etc.,	18	1,444.75	1,368.69
		211,888.59	183,520.20
Expenditure			
Cost of Raw Materials & Spares			
Consumed / sold	19	127,623.64	103,505.53
Employees Remuneration & Benefits	20	33,357.04	35,616.37
Depreciation	5	1,412.37	2,299.00
Other Expenses	21	26,989.81	21,216.41
		189,382.86	162,637.31
Less: Expenditure other than materials allocated to Capital & Other Accounts	22	6,484.08	6,485.60
		182,898.78	156,151.71
Interest	23	461.30	178.72
		183,360.08	156,330.43
Profit for the year		28,528.51	27,189.77
Prior Period Adjustments	24	(13.34)	(89.75)
Profit Before Tax		28,541.86	27,279.52
Provision for Tax	24A	9,849.32	9,751.19
Profit After Tax		18,692.54	17,528.33
Add : Balance of Profit and Loss a/c. C/F		1,643.10	299.29
Profit available for appropriation		20,335.64	17,827.62
Appropriations :			
Proposed Dividend		2,572.12	3,123.28
Tax on Dividend		360.74	438.04
Interim dividend and Tax thereon		1,256.94	623.20
General Reserve		12,000.00	12,000.00
Balance Tranfered to Balance Sheet		4,145.84	1,643.10
		20,335.64	17,827.62
Basic / Diluted Earnings per Share (in Rs.)		50.87	47.70

Notes on Accounts

25

[Schedule 1 to 25 and Accounting Policies annexed to and forming part of Accounts]

Refer our report of even date

For and on behalf of the Board of Directors

for **M/s. RAO & SWAMI**
Chartered Accountants

N. RAMESH
Partner

P. MAZUMDAR
Director (Finance)

V.RS. NATARAJAN
Chairman & Managing Director

K.C. MEDAPA
Company Secretary

Place : Bangalore
Dated : 26-7-06