

Notice

NOTICE is hereby given that the 46th Annual General Meeting of BEML Limited will be held on **Friday, the 13th August, 2010 at 10.30 hours** at BEML Kalamandira, BEML Township, New Thippasandra Post, Bangalore -560 075, to transact the following business :

I. ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Profit and Loss Account for the year ended 31st March, 2010, the Balance Sheet as at that date and the Reports of the Directors and Auditors thereon.
2. To declare Dividend for the year 2009-10.
3. To elect a Director in place of Shri P. Dwarakanath, who retires by rotation and being eligible, offers himself for re-appointment.
4. To elect a Director in place of Shri M. Pitchiah, who retires by rotation and being eligible, offers himself for re-appointment.
5. To elect a Director in place of Shri M. Nellaiappan, who retires by rotation and being eligible, offers himself for re-appointment.
6. To elect a Director in place of Shri J.P. Singh, who retires by rotation and being eligible, offers himself for re-appointment.
7. To fix the remuneration of the Auditors.

II. SPECIAL BUSINESS

8. Appointment of Directors
 - a. To consider and if thought fit, to pass, with or without modifications, the following resolution as an Ordinary Resolution:

"RESOLVED that Shri P.K. Mishra, be and is hereby appointed as Director of the Company with effect from 19th November, 2009 on the terms and conditions as stipulated by the Government."

- b. To consider and if thought fit, to pass with or without modifications, the following resolution as an Ordinary Resolution :

"RESOLVED that Shri V. Somasundaran, be and is hereby appointed as Director of the Company with effect from 27th January, 2010 on the terms and conditions as stipulated by the Government."

By order of the Board
For BEML Limited

M E V Selvam
Company Secretary

Place : Bangalore
Date : 19.07.2010

For BEML LIMITED



COMPANY SECRETARY



BHEL LIMITED

Notes

1. A Member entitled to attend and vote at the Meeting is entitled to appoint proxy / proxies to attend and vote instead of himself and proxy need not be a member of the Company.
2. Proxy form is attached. The Proxy form should be deposited at the Registered Office of the Company not less than 48 hours before commencement of the meeting.
3. Explanatory Statement pursuant to Section 173 of the Companies Act, 1956, in respect of special business is annexed hereto.
4. In terms of Clause 16 of the Listing Agreement, the Register of Members and Share Transfer Book will remain closed from 11.08.2010 to 13.08.2010 (both days inclusive) for the purpose of the Annual General Meeting.
5. The dividend declared at the meeting will be made available on or after 18.08.2010 in respect of shares held in Physical form to those members who are entitled to the same and whose names appear in the Register of Members of the Company after giving effect to all valid share transfers lodged with the Company at the end of business hours on 10.08.2010 and in respect of shares held in the electronic form to those "Deemed Members" whose names appear in the Statement of Beneficial Ownership furnished by the National Securities Depository Limited and the Central Depository Services (India) Limited.
6. Shareholders are requested to address all correspondence in relation to share matters to the Company's Registrar and Share Transfer Agent, M/s Karvy Computershare Private Limited at the following address:
M/s. Karvy Computershare Private Limited
No.17-24, Vithalrao Nagar
Madhapur
Hyderabad - 500 081
e-mail : pnrao@karvy.com
7. Member / Proxy holder must bring the Attendance Slip to the Meeting and hand it over at the entrance duly signed and executed.
8. Members who are holding shares in more than one folio are requested to intimate to the Registrar and Share Transfer Agent the details of all their folio numbers for consolidation into a single folio.
9. Members are requested to bring their copies of the Annual Report to the meeting.

Explanatory Statement pursuant to Section 173 of the Companies Act, 1956
Item No. 8 Appointment of Directors

The existing Articles of Association of the Company provides for appointment of all Directors by the President of India. Further, the Government of India holds over 54% of Equity Shares in the Company and is the majority shareholder. Accordingly the President of India has appointed Shri P. K. Mishra, Additional Financial Adviser & Joint Secretary, Department of Defence Production, Ministry of Defence, Government of India as Director on the Board with effect from 19.11.2009 vide Ministry of Defence letter No.10(1)/2004-D(BEML) Vol.II, dated 19.11.2009 and Shri V. Somasundaran, Additional Secretary (I and Systems), Department of Defence Production, Ministry of Defence, Government of India as Director on the Board with effect from 27.01.2010 vide Ministry of Defence Letter No. 10(1)/2004-D(BEML) Vol.II, dated 27.01.2010.

In view of the provisions of the Companies Act, 1956 relating to appointment of Directors, it is necessary to place this item before the members of the Company to secure the consent of the members for the appointment of the aforementioned Directors with effect from the date of their appointment as aforesaid.

Shri P. K. Mishra, Director

Shri P.K. Mishra has been appointed as Director on the Board of BEML Limited on 19th November, 2009. Shri P.K. Mishra belongs to 1984 batch of the IA&AS. Shri Mishra has wide international experience and was member of several Missions to appraise the working of UN agencies on behalf of the UN Board of Auditors.

He served as the Special Secretary to the Government of Orissa in the Department of Energy and was intimately associated with the Power Sector reforms in Orissa.

Shri Mishra also served as Special Secretary to the Government of Orissa in the Finance Department and was associated with the introduction of VAT in the State. He worked as Accountant General, Orissa and as Accountant General, Delhi. He was posted as Principal Director looking after the Audit of Public Sector Undertakings in the Office of the C&AG of India prior to his appointment as Additional Financial Adviser & Joint Secretary in the Ministry of Defence.

Shri V. Somasundaran, Director

Shri V. Somasundaran has been appointed as Director on the Board of BEML Limited on 27th January, 2010. Shri Somasundaran, belongs to 1979 batch of IAS with vast experience. He served on the Board of BEML during 30.12.2005 to 18.09.2006. He has held important positions in the Government of Kerala such as District Collector, Development Commissioner of Cochin Export Processing Zone, Managing Director-Kerala State Industrial Development Corporation, Secretary-Finance, Commissioner of Commercial Taxes, and later moved on to Central Government Services. He was promoted as Additional Secretary on 28.04.2010.

S/Shri P.K. Mishra and V. Somasundaran, being the appointees concerned, are considered to be interested in the respective resolutions.

The Board commends the resolutions for the approval of the members.

By order of the Board
For BEML Limited

Place : Bangalore
Date : 19.07.2010

M E V Selvamm
Company Secretary



Details of Directors seeking re-appointment as required u/c 49 (IV) (G) of the Listing Agreement

Shri P. Dwarakanath, Director (Metro & Rail Business)

Shri P Dwarakanath, is a Graduate in Mechanical Engineering, from National Institute of Technology, Warangal. He joined BEML as a Management Trainee in 1978 and held various important positions in the Company covering Rail & Metro and Defence areas. He was heading BEML, Bangalore Complex prior to taking over the charge of Director (Metro & Rail Business) with effect from 01.03.2008.

Shri M. Pitchiah, Director (Finance)

Shri M. Pitchiah is a Chartered Accountant of 1977 batch from the Institute of Chartered Accountants of India and 38th rank holder of the Institute. He started his career with M/s HMT as an Accounts Officer during 1978. Before joining BEML on 14.07.2008, he was General Manager (Finance) in HAL having served there for a period of 10 years. He has 29 years of valuable experience having worked in public sector and he has private sector exposure also. He has rich experience in Finance, Budgeting, Taxation, Finalization of Accounts and played key role in the follow-on public issue of BEML. He was also instrumental in recasting the purchase manual of the company. He took charge as Director (Finance) of the company with effect from 14th July, 2008. He is also on the Board of M/s Vignyan Industries Limited and M/s BEML Midwest Limited.

Shri M. Nellaiappan, Director (HR)

Shri M. Nellaiappan has been appointed as Director (Human Resources) on the Board of BEML Limited on 23rd March, 2009. Shri Nellaiappan holds post graduate qualifications in Social Work, Personnel Management & Industrial Relations and Finance. He has obtained his Doctorate in

Philosophy (Ph.D) through Aligarh Muslim University for his thesis on "Business Administration". Prior to joining BEML, he had served M/s Karnataka Power Corporation Limited (KPCL) for 36 years and was Director (HR) during last 4 years of his tenure at KPCL.

Shri J.P. Singh, Director

Shri J. P. Singh has been appointed as Director on the Board of BEML Limited on 7th July, 2009. Shri Singh is distinguished civil servant with over 36 years of executive experience and held key positions in the Union and State Government. He is an alumous of the Harvard University where he attended the Kennedy School of Government as a Mason Fellow. He also holds a Masters Degree in Political Science from the University of Allahabad.

Shri Singh has occupied varied positions in his career such as District and Divisional Administrator to later working as a Chief Executive and Chairman of the Board of numerous Corporate Bodies. He was responsible for turning around of several State and Central Corporations engaged in Industrial and Service activities such as Tourism Infrastructure, Co-operative Finance, Road Transportation, Industrial Finance, Mining and Minerals Exploration. He initiated measures for amendments in Labour Laws. He shaped the new National Minerals Policy in 2008 and piloted its passage.

He is widely travelled internationally having led delegations to multilateral bodies and conventions to participate in global conferences, workshops, seminars and conventions. He has conducted bilateral and country specific discussions to further joint economic activities with South Africa, Australia and Indonesia.

For BEML LIMITED

Directors' Report

The Directors have pleasure in presenting the 46th Annual Report and Audited Accounts for the year ended 31.03.2010.

FINANCIAL RESULTS

Particulars	(Rs. in lakhs)	
	2009-10	2008-09
Sales (Gross)	3,55,767	3,01,347
Value of Production	3,70,866	3,29,419
Profit (Before Depreciation Interest and Tax)	40,070	44,846
Interest	4,893	3,368
Depreciation	3,222	2,731
Profit Before Tax	31,955	38,747
Provision for Taxation	9,670	11,863
Profit After Tax	22,285	26,884
Profit available for appropriations	32,064	33,126
APPROPRIATIONS :		
Proposed Dividend	4,164	4,997
Dividend tax	708	849
General Reserve	2,228	17,500
Profit & Loss Account	24,964	9,780
Net Worth	2,03,639	1,90,708

TURNOVER AND PROFITABILITY

Your company has achieved an all time high turnover of Rs.3557.67 crores during the financial year 2009-10, an increase of Rs.544.20 crores registering a growth of 18% over the previous year. The value of production was Rs.3708.66 crores recording an increase of about 13% over the previous year. Despite the notable increase in sales volume, the profit before tax was Rs.319.55 crores as against Rs.387.47 crores recorded in the previous financial year. The reduction in profit was mainly on account of product mix including metro car sales, lesser quantum of sales of spares, and lesser turnover of exports coupled with severe competition that had pressure on margins. However, Company has initiated steps to maximize the profits.

DIVIDEND

The Directors recommend a dividend of 100% on the Paid-up Equity Share Capital of the Company for the year 2009-10 meeting the aspirations of the shareholders and foreseeing better performance during the current year.

EXPORTS

The International Business Division achieved a turnover of Rs.156.25 crores (including Trading) as against Rs.304.34 crores in the previous year. The drop in international business was mainly due to global recession and as also many orders could not be converted into sales for want of LC because of funds constraints with the customers. However, the international presence of the company has increased to about 56 countries including Brazil to which entry was made during the year.

QUALITY

'Diversifying' and 'Globalizing' being the main strategy of the company and 'Quality Assurance' being the motto of the department, action plans are designed and implemented to complement & supplement the Company's ambitious 'Vision' of becoming global market leader. Initiatives taken up during the year, to ensure Quality at all levels, are appended below :

a. Quality Management System :

ISO standards which provide guidance for good Quality Management System have been effectively implemented and followed. All manufacturing divisions have achieved the revised ISO 9001-2008 accreditation from the existing 2000 version. Quality Policy & Objectives have been reviewed and modified in line with the Company's Vision, Mission and to meet the requirements of ISO 9001-2008 version. Having diversified into Aerospace Engineering, Engine Division, Mysore Complex is in the final stage of

For BEML LIMITED



obtaining AS 9100 accreditation. Mysore and KGF Complexes have been accredited with ISO 14001-2004 EMS certification, thus proving BEML's commitment to protect and safeguard the environment. At Bangalore Complex, implementation of Integrated Management System Certification covering ISO 14001-2004 & OHSAS 18001-2007 is under process. Laboratories at R&D, KGF and Engine Division, Mysore continue to hold NABL accreditations.

b. Quality Improvement :

Quality Circle / Six Sigma / Kaizen / 5S teams are active throughout the company with many ongoing projects to bring in continual improvements in product and process quality. Company-wide competitions are being conducted and the teams are deputed for regional / national / international level competitions. Our QC teams have brought laurels by winning the competitions at Regional / National level and also have bagged "Silver Medal" in the international competition, ICQCC 2009 held at Sebu, Phillipines. To motivate the activity, management has renamed the existing "NONIMARA Award Competition" to "BEML-NONIMARA Award Competition", with effect from 2010-11, and has contributed an equivalent amount of \$10000 to the existing award fund, thus enhancing the prize amount awarded to the participants.

c. Vendor Development :

With the increased outsourcing activity, vendor development plays a vital role to improve quality of vendors' supplies. Necessary inputs and expert guidance in respect of process / system improvements are given to the vendors right from development stage to ensure quality in their supplies. To motivate vendors and to make vendors self-reliable, dedicated vendors whose

performance are good are encouraged by awarding "Self Certification" status for their supplies. "Cluster Vendor" concept - an idea to handhold and transform the vendor as "Zero Defect" supplier is practiced with few identified vendors by giving inputs with regard to the non-conformances observed in the supplies made, and necessary guidance in the areas covering technological aspects, skill improvement and quality initiatives like 5S, Kaizen etc.

d. Customer Satisfaction :

A satisfied and delighted customer is an asset to the company who will bring in repeat business to the company and quality is the route to this which is achieved through Cross functional teams/Quality improvement teams, which are active throughout the company across the global network, to address customer grievances / field failure issues and provide necessary feedback useful for enhancing product quality.

e. Qualitative Process Improvements :

Technology is the need of hour to have an edge over our competitors. Professional expertises are being sought for guidance to analyse the bottleneck areas and to assure quality in critical areas like welding, fabrication, painting, oil testing etc. Quality Engineering personnel at all levels are deputed to various training / seminar programmes covering topics in areas of technological updates and data analysis tools that are essential for taking up quality improvement projects.

RESEARCH & DEVELOPMENT

A well established Research & Development Centre of the company continues to play a vital role in the design & development of products, critical aggregates, indigenization activity etc. During the year, R&D has developed Snow cutter, 125 Ton Excavator, upgraded version of BD 65 with

joystick controls for work attachment, Arm chair steering control and hexagon ROPs cabin, transmission and torque converter for BH 50M.

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

FINANCE

The working capital requirements were met from the internal resources and 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.688.25 crores during the year by way of Excise Duty, Customs Duty, Sales Tax, Income Tax, Wealth Tax, Service Tax and Cess.

FOREIGN EXCHANGE EARNINGS AND OUTGO

During the year, the Company's export earning stood at Rs.133.91 crores. The total foreign exchange utilized during the year was Rs.670.19 crores.

A sum of Rs.1.17 crores was incurred towards deputation of personnel abroad for business/ export promotion, after-sales-services and training.

FIXED DEPOSITS

The company has not accepted / renewed any fixed deposits during the year.

VIGILANCE

- ♦ Fairness, accountability and transparency are the driving forces in the operations of the public sector enterprises, which are ensured by adopting well laid down systems and procedures and the Vigilance Department is aligned very much to work on this premise.
- ♦ Towards this direction, the Vigilance Department also ensures that the Company adheres to the guidelines issued by Central Vigilance Commission (CVC) from time to time in different aspects of its activities such

as, materials management, quality control, construction, maintenance, recruitment, etc.

- ♦ The Vigilance Department periodically carries out inspections of civil works contract of value more than Rs. 1 Crore on the lines of Chief Technical Examiners (CTE) on CVC. The Department also examines Purchase Orders (POs) each valued more than Rs. 2 Crores. In addition, the Department scrutinizes on random basis, POs of different values released by the Purchase Department. A number of surprise checks and inspections were also conducted in all the Divisions as well as Regional and District offices of Marketing Division, covering all over the country.
- ♦ The Vigilance Department also carries out system audit in all the Divisions to ensure that there are no loopholes in the systems and procedures and they are adequate to achieve the objective. 10 systems were audited during the year 2009-10.
- ♦ Realizing the importance of creating awareness, the Vigilance Department has been organizing vigilance sensitization programs and workshop to executives and employees in order to create awareness. This awareness programs organized are in addition to the observance of Vigilance Awareness Week every year as per the direction of CVC.
- ♦ Further, in order to make the Department easily accessible to all those concerned with the Company, a window has been created in the Company website, through which complaints could be lodged. Complaints are being received through this window as well.
- ♦ In all the Divisions of the Company, including Corporate Office and Marketing Division as well as the Subsidiary Unit, M/s Vignyan Industries Limited at Tarikere, medical claims, TA/DA claims of executives and



non-executives are scrutinized. Annual property returns submitted by the executives were verified covering 20% of the cadre. Complaints received from various sources are judiciously verified and reports timely submitted with recommendations and suggestion for improvement.

- ✦ In a nutshell, the Vigilance Department is thriving towards corporate growth in every possible ways.

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 entered into with the Stock Exchanges is annexed to this report.

GREENFIELD PROJECT

Your Company had laid foundation stone for the Greenfield Project at Kanjikode, Palakkad on 19th January, 2009. Subsequently, the construction process was taken and an infrastructure with 2 hangers spread over 2 lakh sq.ft. has been built and inaugurated on 16th May, 2010 and the Unit has become operational rolling out Defence products and Rail parts.

SUBSIDIARY COMPANY

M/s Vignyan Industries Limited (VIL) recorded a turnover of Rs. 35.91 crores with profit before tax of Rs. 2.92 crores recording a growth of over 41% in profit. The value of production of the company stood at Rs. 37.46 crores and profit after tax stood at Rs.1.71 crores.

M/s VIL has installed the Fast Loop Continuous System during the year and the production is set to increase around 550 tons per month in the current year. To diversify the production, M/s VIL is planning to install Forging Plant. Government of Karnataka has come forward to allot 38 acres of land to the company to meet the future expansion

plans and the proposal is under process.

The statement and particulars relating to VIL, pursuant to Section 212 of the Companies Act, 1956 is attached.

In accordance with Section 212(8) of the Companies Act, 1956, your company has been exempted from attaching the Balance Sheet, Profit & Loss Account, Auditors' Report, Directors' Report, etc., of the subsidiary company to the Balance Sheet of BEMIL Limited as per Government of India order No.47/22/2010-CL-III, dated 22.03.2010. However, the company will make available these documents upon request by any member of the company.

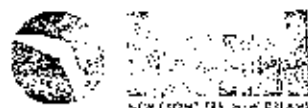
JOINT VENTURE COMPANY

A JV Company, M/s BEMIL Midwest Limited incorporated on 18th April, 2007 at Hyderabad with BEMIL having 45% share, M/s Midwest Granite Pvt. Ltd., and P T Sumber Mitra Jaya of Indonesia as partners with 55% share. The company has been established to capitalize the growing business opportunities in the mining segment. However, due to certain unauthorized transactions and the oppression and mismanagement by the nominees of Midwest Granite Pvt. Limited, BEMIL has filed a petition u/s 397 and 398 of the Companies Act, 1956 seeking suitable relief, and the matter is pending before the Hon'ble Company Law Board.

MICRO, SMALL AND MEDIUM ENTERPRISES

The Micro, Small and Medium Units continue to get support and preference from BEMIL wherever there is shortage of in-house capacity. The company extends technical guidance and requisite support to these industries wherever required. Our quality control personnel visit the industries to assist and ensure that the quality of the products meet the requisite standards.

During 2009-10, the company procured items worth Rs.517.38 crores from these units.



RAJBHASHA

- ❖ Your company ensured compliance of the Official Languages Act, 1963, and the Rules made thereunder and administrative instructions regarding use of Hindi received from the Department of Official Language and Ministry of Defence from time to time.
- ❖ In-house Hindi training for all the three courses viz., Prabodh, Praveen and Pragya under Hindi Teaching Scheme of Ministry of Home Affairs, Department of Official Language were arranged at Corporate office and all the complex offices. A total of 127 employees have been trained during the year.
- ❖ Seven officials of our Company have been trained in Computer Training programme in Hindi organised by National Informatics Centre in collaboration with Central Hindi Training Institute, Ministry of Home Affairs.
- ❖ To inculcate interest and efficiency among the staff, about 6 Hindi workshops were organized for 143 employees at Corporate Office and Business Complex Offices during the year.
- ❖ Hindi Fortnight was observed with great zeal in the Corporate Office and all the Business Complex Offices from 14th to 30th September, 2009. During this period, to motivate the employees competitions viz. Hindi Antakshari, Hindi Quiz, Hindi Crossword and Noting & Drafting, were organized and the winners of these competitions were awarded. Further, Hindi Day i.e. on 14th September, 2009 was observed in accordance with the guidelines issued by the Ministry of Defence and Department of Official Language, Ministry of Home Affairs.
- ❖ During the Valedictory day function of Hindi Fortnight 2009, the inaugural issue of Hindi house magazine of the Company "Kshiti" was released.
- ❖ During the period, all translation work and Hindi typing work relating to Annual Reports, Technical Reports, MoUs, Reports on SC/ST, RTI, Reservation Policy, Standing Orders, Product Profiles, Advertisement Materials and Standard Forms were attended to with full efficiency and dedication.
- ❖ All the sign boards outside the premises of the Company displayed tri-lingually i.e. Kannada (Regional Language), Hindi and English and the name plates which are displayed within the premises of the Company are also in trilingual form.
- ❖ A session on "Official Language Policy" is included in all in-house training programmes.
- ❖ Hindi Library is functioning in Corporate Office with good number of Hindi Books and Hindi periodicals. Hindi Dictionaries, Administrative Glossaries, Help-literatures are supplied to the staff to encourage them to do official works in Hindi.
- ❖ Website of BEML is made available in Hindi also.

AWARDS

- ❖ SCOPE Award received from Hon'ble Prime Minister for Excellence and Outstanding Contribution to the Public Sector Management Medium PSE Category for the year 2006-07 on October 15, 2009.
- ❖ Raksha Mantri's Award for Excellence, 'Institutional Award for Best Performance in Exports for the year 2007-08' was received from Hon'ble Raksha Mantri on November 6, 2009 at New Delhi.
- ❖ Construction World Award 2009 for the fastest growing construction equipment company by Union Minister for Roads Transport and Highways on 8th October, 2009 at Mumbai.
- ❖ Golden Peacock Award (Innovative management category) on 16th January, 2010 at Bangalore.



BEML LIMITED

- ♦ Your company has been awarded with the prestigious "National Safety award" for having registered Lowest Average Frequency Rate of Accidents under Scheme-I for the year 2007.

MANPOWER

The manpower strength as on 31st March, 2010 stood at 12,052 as against 12,600 of the previous year.

Representation of SC/ST and Ex-Servicemen category-wise as on 01.01.2010 and recruitment made are as under :

Representation of SC/ST/Ex-Servicemen as on 01.01.2010

Category/Group	Total Strength As on		No. of SC/ST and Ex-servicemen					
			Scheduled Caste		Scheduled Tribe		Ex-Service Men	
	1.1.09	1.1.10	1.1.09	1.1.10	1.1.09	1.1.10	1.1.09	1.1.10
Group-A	1517	1443	221	213	45	41	10	9
Group-B	1234	1223	198	208	61	62	7	9
Group-C	9656	8983	2080	1943	375	356	375	313
Group-D	130	94	47	43	5	4	-	-
Total	12537	11743	2546	2407	486	463	392	331

Recruitment during 2009

Group	General	SC	ST	EX-S	OBC	TOTAL
A	18	10	9	-	26	63
B	65	19	4	-	14	101
C	40	32	0	19	26	117

HUMAN RESOURCES DEVELOPMENT & INDUSTRIAL RELATIONS

The HR Department identified several thrust areas for continuously updating technical / professional knowledge and skills of employees and bring about attitudinal changes in fostering a performance driven work culture in all areas of operations particularly at shop floors. During the year, the company organized several in-house and external

training programs for 12,755 employees covering 28,649 man-days.

The overall industrial relation situation in the company was cordial during the year.

CORPORATE SOCIAL RESPONSIBILITY / SOCIAL WELFARE

BEML has contributed Rs. 2 Crs to Chief Minister's Relief Fund during the year which includes one day wages of all employees to mitigate the misery caused on account of flood havoc in Northern part of Karnataka. In addition to this, the company has decided to construct 500 dwelling units at the cost not exceeding Rs. 5 Crs and adopt and maintain for a period of 5 years through service provider.

Sponsoring of four severely disabled orphan children of the United Physically Handicapped School for the third consecutive year by providing food, clothing and education.

Your company has expressed solidarity towards the cause of helpless children in Prayasam, a Kolkata based NGO which look after social welfare of poor and destitute children in various places of West Bengal by issuing an advertisement of half page in the annual report of Prayasam.

Extension of out-patient medical facilities to ex-BGML employees and their families by deputing a doctor and 2 para-medical staff to the areas of Marikuppam, Champion Reef and Oorgaam and medicines are dispensed free of cost for general illness.

Provided medical treatment through company's medical centres and dispensaries to the common public dwelling in the adopted village of Dasarahosahalli at KGF.



BEML runs one Junior College and one Nursery School at KGF and one Nursery School at Bangalore. These institutions not only meant for BEML employees children it also caters to a large extent to the local population. In addition to this, BEML runs a Kendriya Vidyalaya Project School at KGF by providing school building with infrastructure facilities, mid-day meal programme and other facilities.

Your Company has setup a Park (with entertainment equipment to children) spread over 2600 sq. mtrs. at a cost of Rs.25.50 lakhs open to public in KGF campus.

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

In order to protect the environment, tree plantation were undertaken in and around the factory premises, township at KGF, Bangalore and Mysore. Saplings of various types of avenue trees / flower bearing trees were planted in the vacant lands belonging to the company for maintaining ecological balance in the surrounding areas. Further measures have also been taken to protect the existing flora and fauna.

Effluent treatment plants have been constructed inside the factory premises of the production units for treatment of domestic / industrial effluents. Further, treatment plants / oxidation ponds for treatment of natural process of treating effluents

have been installed in various locations inside the factory and township. The landscaping department in the production units are utilizing treated effluent water. Test certificates are being sent to the State Pollution Control Board every month. Artificial tanks have been constructed in Bangalore Complex to harvest rain water, restrict soil erosion and to raise ground water level.

In a bid to harness renewable energy, the company commissioned a 5 MW Wind Mill during the year 2007-08 in Gadag District of Karnataka. The energy generated by the plant is fed into the KPTCL grid and sold to Hubli Electricity Supply Co. Ltd., (HESCOM) and as of 30.06.2010, 245.87 lakh kWh power has been generated enabling green house gas reduction. Further, your company is contemplating to setup an additional 18 MW Wind Mill Farm to develop green energy towards being self sufficient on power requirements.

ENERGY CONSERVATION

The Company continues to give emphasis on conservation of energy. The efficiency of energy utilization is closely monitored to attain a higher level of effective conservation. Some of the measures adopted during the year for energy conservation are :-

1. The centralized compressed air system was decentralized by providing two new compressors and also air leak was arrested permanently.
2. Provided one float switch to control hot water pumps to operate at high and low level in the engine testing water cooling tower.
3. Introduction of 2 Nos. 5000 litres capacity solar water heating system in Workers Canteen



BEMIL LIMITED

for pre-heating of water at 60 degrees centigrade.

4. Replacement of Inverter welding sets (18KW) in place of old type Kirloskar make Motor Generator welding set of 30KW.
5. Introduction of 150W metal halide high bay fitting for street lights in place of 800W HPMV lamp at various places in the Unit premises.
6. Introduction of LED type DSL power supply indication lamps for EOT cranes and panel indication lamp in place of incandescent lamp.

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 Associates, Chartered Accountants, Bangalore, were appointed by Comptroller & Auditor General of India as Statutory Auditors for the year 2009-10.

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

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

DIRECTORS

The President of India appointed Smt. Anuradha Mitra, Additional Financial Adviser and Joint Secretary on 15.10.2009 as Director on the Board of the company in place of Shri Dilip Biswas. However, she was replaced by

Shri P.K. Mishra, Additional Financial Adviser & Joint Secretary with effect from 19.11.2009. The President of India later appointed Shri V. Somasundaran, Additional Secretary (Land Systems) as Director on the Board with effect from 27.01.2010 in place of Shri Satyajeet Rajan. The Board placed on record its deep appreciation of the valuable services rendered by Shri Dilip Biswas, Smt. Anuradha Mitra and Shri Satyajeet Rajan.

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 and there has been no material departure ;
- 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, 2010 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.

ACKNOWLEDGMENTS

Your Directors express their hearty thanks to the Company's valued customers, in particular Defence Services, M/s Coal India Limited and its



Subsidiaries, M/s Singareni Collieries Company Limited, Railway Board, M/s Steel Authority of India Limited, M/s Delhi Metro Rail Corporation and M/s Bangalore Metro Rail Corporation for their patronage and confidence in the Company. The Directors also express their gratitude to our Collaborators, M/s. Rotem, South Korea, M/s. Tatra Sipox Limited, UK, M/s Pearson Engineering Limited, UK, M/s Terex Corporation, USA, M/s. Bumar, Poland and others 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.

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

The Directors also gratefully acknowledge the valuable support and assistance received from various Ministries of Government, in particular Ministry of Defence, Ministry of Coal, Ministry of Mines, Ministry of Steel, Ministry of Railways and the Ministry of External Affairs. The Directors are also grateful to the Government of Karnataka for the support and co-operation extended.

Your Directors take this opportunity to place on record their deep appreciation for the invaluable contribution made and excellent co-operation rendered by the employees and executives at all

levels for the progress and prosperity of the Company.

For and on behalf of the Board of Directors

V.R.S. Natarajan
Chairman & Managing Director

For BEML LIMITED


COMPANY SECRETARY



BEMIL LIMITED

FORM - A (See Rule 2)

Form for disclosure of particulars with respect to Conservation of Energy

	Current Year 2009-10	Previous Year 2008-09
(A) POWER AND FUEL CONSUMPTION		
1) ELECTRICITY		
a) Purchased		
Units (Kwh)	45914827	47578089
Total Amount	226273582	227738230
Cost / Unit (Rs.)	4.93	4.79
b) Own Generation :		
i) Through Diesel Generator		
Units (Kwh)	2969324	4285456
Units per ltr. of Diesel oil (Kwh)	1.15	1.17
Cost/Unit (Rs.)	19.87	22.58
ii) Through Steam Turbine / Generator		
Units (Kwh)	Nil	Nil
Units per ltr. of fuel oil / gas (Kwh)	Nil	Nil
Cost / Unit (Rs.)	Nil	Nil
2) COAL (Specify Quality & where used)		
Quantity (Tonnes)	Nil	Nil
Total Cost (Rs.)	Nil	Nil
Average Rate (Rs.)	Nil	Nil
3) FURNACE OIL (Diesel for Boiler)		
Quantity (Kilo Litres)	4700000	4685000
Total amount (Rs.)	1645000	1641000
Average Rate (Rs.)	35.00	35.03
4) OTHERS / INTERNAL GENERATION		
Quantity	Nil	Nil
Total Cost (Rs.)	Nil	Nil
Average Rate (Rs.)	Nil	Nil
(B) CONSUMPTION PER UNIT OF PRODUCTION		
Products (with details) unit	2427	2491
Electricity	56805	50541
Furnace Oil	Nil	Nil
Coal (specify quality)	Nil	Nil
Diesel in litres	180	116
Others (specify)	Nil	Nil

ANNEXURE-I

Form B

Absorption disclosure particulars with respect to technology :

RESEARCH & DEVELOPMENT (R&D):

1. SPECIFIC AREAS IN WHICH R&D CARRIED OUT BY THE COMPANY:

The R&D at BEML has designed and developed number of high technology products and aggregates for Construction & Mining, Rail & Metro and Defence Sectors as per customer requirements without any collaboration and the same have been manufactured and launched for customer trails.

Depending on the sectorial needs for the year 2009-10 R&D, BEML has launched the following products / projects:

Mining & Construction :

1. 125 Ton Hydraulic Excavator.
2. Up-graded version of BD65 bull dozer.
3. Transmission & Torque convertor for BH 50MDumper.

Metro & Rail :

1. Intermediate Cars for DMRC Metro Cars
2. Catenary Maintenance Vehicle for Metro projects
3. Aluminium Wagons

Defence :

1. Snow Cutter
2. Mobile Decontamination System on BEML Tatra 8x8
3. High Mobility Truck Mounted 6x16 TCrane on BEML Tatra 8x8
4. Air brake system for BEML Tatra 8x8 Euro-II

2. BENEFITS DERIVED AS RESULT OF ABOVE R&D :

Major R&D initiatives have enlarged the product range and also provide latest technology for the existing products, that enables company to retain the existing customers, increase the market share and enter new markets. These new initiatives have enhanced the skill sets, knowledge, expertise and induced confidence in taking up new challenges that are arising from time to time.

Intermediate Cars (M&T Cars) for DMRC - RS4 Project:

The indigenous design, development, testing & commissioning of Intermediate Cars has led to the indigenous development of raw materials for car body (stainless steel) and bogies.

It may be noted that the Bogie Test setup has been put up exclusively for the Metro project and is the only such facility in India apart from that in RDSO. The type testing of Bogies at BEML R&D centre has been successfully completed using the established set up. The experience in Bogie testing has placed BEML as an alternate test center for Bogie testing in India and enabled BEML to independently take up Bogie testing.

With the successful development of Intermediate cars, BEML established capability of design, development, testing & commissioning.

SS EMU:

The Design & development of SS EMU project has been taken up by BEML R&D, Bangalore Complex for the first time in India



BEMIL LIMITED

against developmental order from Railway Board. BEMIL has applied for patenting the design of SS EMU.

Catenary Maintenance Vehicle (CMV):

The company has successfully designed & developed Standard Gauge Catenary Maintenance Vehicle for the first time in India for Metro projects. Huge market potential is projected for this product in the future with metro projects coming up in various cities in India.

3. FUTURE PLAN OF ACTION:

One of the key objectives of R&D is product diversification. Keeping in mind the future trends in technology in line with changing business scenario, R&D has in place, plan of action to take up a number of projects with enhanced allocation of resources. To achieve this, R&D infrastructure and resources are being continuously strengthened / upgraded as needed, to handle the latest technologies effectively.

BEMIL R&D, has planned to develop a series of products / aggregates covering all the three business segments i.e., Mining & Construction, Defence and Rail & Metro in the coming years.

4. EXPENDITURE ON R&D FOR 2009-10:

Company has spent Rs.9720.18 lakhs on R&D during 2009-10 which is about 2.73% of the turnover as shown below:

	(Rs. lakhs)
Capital	524.14
Revenue	9196.04
Total	9720.18
As % of Turnover	2.73

The company contemplates spending 3% of its turnover towards R&D during FY 2010-11 for technology up-gradation and new product development.

5. TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION

Efforts made and benefits derived in brief towards technology absorption, adaptation and innovation are:

- ♦ Acquisition & Absorption of new technologies
- ♦ Faster and newer introduction of competitive product
- ♦ Import Substitution
- ♦ Customer satisfaction and Business growth
- ♦ Indigenization and standardization

Future plan of action:

Infrastructure established for indigenization of components for Metro cars and some of the Defence products. Scanning and identification of technology / partners for mining and construction products including higher capacity dump trucks and underground mining equipment are on the cards.

Report on Corporate Governance

1. Company's philosophy on code of governance :

BEML believes that the principles of fairness, transparency and accountability are the cornerstones for good governance. In addition to complying with the statutory requirements, effective governance systems and practices inter alia towards transparency, disclosures, internal controls and promotion of ethics at work-place have been institutionalized. The company recognizes that good corporate governance is a continuing exercise and reiterates its commitment to pursue highest standards of corporate governance in the overall interest of its stakeholders including shareholders, employees, lenders and the Government.

2. Board of Directors :

- As on 31st March, 2010, the Board consisted of Eleven Directors of which six, including the Chairman & Managing Director, were Whole-time / Executive Directors, while two were Non-Executive Directors from the Ministry of Defence and three Non-Executive Independent Directors.
- During the financial year 2009-10, seven Board Meetings were held on 29.04.2009, 11.05.2009, 26.06.2009, 30.07.2009, 28.10.2009, 17.12.2009 and 29.01.2010.
- Constitution of Board of Directors and related information :

Name of the Director S/Short	Director Identification No.	Category	Attendance and No. of Board Meetings held	Attendance at last AGM	No. of outside Directorship (s) as on 31/3/10	No. of outside Board Committee membership (s) / Chairmanship (s) as on 31/03/10
V.R.S. Natarajan	00074698	Chairman & Managing Director, Executive	7/7	Yes	Two	Nil
V. Somasundaram ¹	03055263	Non-Executive Director	1/1	N.A.	Nil	Nil
P. K. Mishra ²	02889348	Non-Executive Director	0/2	N.A.	Nil	Nil
M. B. N. Rao ³	00287260	Non-Executive Director	1/4	Yes	Five	Four
J. P. Singh ⁴	02782928	Non-Executive Director	4/4	Yes	Nil	Nil
J. P. Butra ⁵	00654332	Non-Executive Director	3/4	Yes	Nil	Nil
V. Mohan	01386171	Director (Defence Business), Executive	7/7	Yes	One	Nil
M. Poongavanam	01865262	Director (Mining & Construction Business), Executive	7/7	Yes	Two	Nil
P. Dwarakanath	02107805	Director (Metro & Rail Business), Executive	6/7	Yes	Nil	Nil
M. Pitchiah	01178891	Director (Finance), Executive	7/7	Yes	Two	Nil
M. Nellappan	00154503	Director (HR), Executive	7/7	Yes	Nil	Nil
Satyajit Rajan ⁶	01917990	Non-Executive Director	3/6	No	Nil	Nil
Dilip Biswas ⁷	02323551	Non-Executive Director	3/4	No	Nil	Nil
Smt. Anuradha Mitra ⁸	00123320	Non-Executive Director	0/1	N.A.	Nil	Nil
Dr. Arabinoda Tripathy ⁹	00051742	Non-Executive Director	3/3	N.A.	One	Nil
Prof. S.N. Chary ¹⁰	00845743	Non-Executive Director	3/3	N.A.	Nil	Nil
N. R. Mohanty ¹¹	00237732	Non-Executive Director	3/3	N.A.	Five	Nil
Dr. Jayanta Bagchi ¹²	00845887	Non-Executive Director	3/3	N.A.	Nil	Nil

1. Appointed as Director w.e.f. 27.01.2010

2. Appointed as Director w.e.f. 19.11.2009

3. Appointed as Director w.e.f. 07.07.2009

4. Ceased to be Director w.e.f. 27.01.2010

5. Ceased to be Director w.e.f. 15.10.2009

6. Appointed as Director w.e.f. 15.10.2009 and

ceased to be Director w.e.f. 19.11.2009

7. Ceased to be Director w.e.f. 27.06.2009



Non-Executive Directors do not have any material pecuniary relationship or transaction with the Company, its management or its subsidiaries and do not receive any remuneration from the Company and they do not hold any shares of the Company.

- d) **Code of Conduct** : A certificate from the Chairman & Managing Director on compliance with the code of conduct laid down for all Board members and Senior Management for maintaining standards of business conduct and ensure compliance with legal requirements is furnished separately. Code of conduct adopted by the Board of Directors and Senior Executives of the company is put on the website of the company.
- e) **CEO/CFO Certification** : CEO/CFO Certification confirming the compliance with the terms of Clause 49(V) of the Listing Agreement has been given by Chairman and Managing Director and Director (Finance) respectively.

3. Audit Committee :

Constitution of the Audit Committee and related information :

<i>Name of the Director S/Shri</i>	<i>Category</i>	<i>Attendance / No. of Meetings held</i>
J.P. Singh	Chairman, Non-Executive	4/4
M.B.N. Rao	Member, Non-Executive	3/4
J.P. Batra	Member, Non-Executive	3/4
P. K. Mishra	Member, Non-Executive	1/2
M. Poongavanam	Member, Executive	6/6
Dilip Biswas ¹	Member, Non-Executive	3/3
Prof. S.N. Chary ²	Chairman, Non-Executive	2/2
N. R. Mohanty ³	Member, Non-Executive	2/2
Dr. Jayanta Bagchi ³	Member, Non-Executive	2/2

1. Member upto 15.10.2009

2. Chairman upto 27.06.2009

3. Member upto 27.06.2009

The terms of reference are as per guidelines set-out in the Listing Agreement read with Section 292A of the Companies Act, 1956.

During the financial year 2009-10, the Audit Committee met six times on 20.05.2009, 25.06.2009, 30.07.2009, 27.10.2009, 29.01.2010 and 05.03.2010.

4. Remuneration of Directors :

The remuneration payable to Whole-time Directors and their terms of service are fixed by the Central Government. The remuneration paid to Whole-time Directors for the financial year 2009-10 were as follows :

(Rs.)

Name of the Director S/Shri	Salary	Benefits	PF Con- tribution	Perqui- sites	Total
V.RS. Natarajan	1573481	238738	189252	392669	2394140
V. Mohan	1494509	427385	179742	294649	2396285
M. Poongavanam	1478608	54139	177578	254760	1965085
P. Dwarkanath	1311799	264117	157847	61028	1794791
M. Pitchiah	1293360	211751	155632	333438	1994181
M. Nellaiappan	1078642	275359	129178	62990	1546169

Part-time Directors are not paid any Remuneration / Commission except sitting fee paid for attending Board or its Committee Meetings which are as under :

Name of the Director S/Shri	Sitting fee paid (Rs.)
M.B.N. Rao	50000
J.P. Singh	110000
J.P. Batra	90000
Dr. Arabinda Tripathy ¹	30000
Prof. S.N. Chary ¹	50000
N.R. Mohanty ¹	50000
Dr. Jayanta Bagchi ¹	50000
Total	430000

1. Ceased to be Director w.e.f. 27.06.2009

Part-time Directors do not hold any shares in the company.

5 (a) Share Transfer Committee :

Share Transfer Committee is constituted with the following members :

- 1) Shri M. Nellaiappan, Chairman
- 2) Shri M. Poongavanam, Member
- 3) Shri M. Pitchiah, Member

Share Transfer Committee held 13 Meetings during the year. Shares lodged for transfer, transmission, transposition, etc., are completed within the stipulated period.

5 (b) Investors' Grievance Committee :

Investors' Grievance Committee consists of :

- 1) Shri M.B.N. Rao, Chairman, Non-Executive Director
- 2) Shri M. Nellaiappan, Director (HR), Member, Executive Director
- 3) Shri M. Pitchiah, Director (Finance), Member, Executive Director

Number of complaints received : 86

Number of complaints resolved : 86



6. Annual General Meetings :

- a) The last three Annual General Meetings were held as under :

<i>Financial Year</i>	<i>Date</i>	<i>Time</i>	<i>Venue</i>
2008-09	25.09.2009	1030 hrs	BEML Kalamandira, Bangalore
2007-08	30.09.2008	1030 hrs	BEML Kalamandira, Bangalore
2006-07	22.08.2007	1030 hrs	BEML Kalamandira, Bangalore

- b) Within the last three Annual General Meetings, a Special Resolution was passed approving the change of company name from Bharat Earth Movers Limited to BEML Limited at the 43rd AGM held on 22.08.2007.

- c) No resolutions were put through postal ballot subsequent to last AGM and no postal ballot is contemplated before the ensuing AGM.

7. Disclosures :

- a) During the year, there were no transactions of material nature with the Promoters, Directors or the Management, Subsidiary or Relatives that had potential conflict with the interests of the company.

Disclosure of related party transactions as per Accounting Standard-18 issued by the Institute of Chartered Accountants of India is given in Item No.A-6 of Schedule 25 of the Notes forming part of Annual Accounts. All the transactions covered under related party transactions were fair, transparent and at arms length.

- b) There were no non-compliance remarks by Stock Exchange or SEBI or any statutory authority on any matter relating to capital markets during the last three years.

- c) The company has complied with mandatory requirements to the extent stated above except in respect of

Composition of Board under Clause 49(IA) of the Listing Agreement.

8. Means of Communication :

- a) Quarterly Results are submitted to the Stock Exchanges at which the Company's Shares are listed and is given wide publicity by publishing in a leading English newspaper having wide circulation and also in a local daily.
- b) Quarterly financial results are displayed on the Company's Website www.bemlindia.com and the quarterly results together with shareholding pattern is filed through SEBI EDIFAR (Electronic Data Information Filing And Retrieval) on-line system.
- c) BEML NEWS & BEML BLITZ, News journals brought out periodically are sent to the Stock Exchanges.
- d) Corporate announcements and press releases are notified to the Stock Exchanges at which the company's shares are listed.
- e) Presentations are made to Institutional Investors, analysts and brokers.

9. Management Discussion & Analysis Report

- a. Industry structure and developments :

The company is a Mini Ratna Category I Public Sector Undertaking under the control of Ministry of Defence, operating in three distinct business segments

namely Mining & Construction, Defence, and Rail & Metro.

Organization

Each of the three major Business verticals viz., Mining & Construction, Defence and Rail & Metro is headed by a Director, who acts as CEO of the business. In addition to the above, Technology Division provides end-to-end technology solutions in Auto, Aero, Defence and Rail & Metro related areas. Trading Division deals in non-company products. Strategic Business Units (SBUs) and Product Heads are also set up under each of the above business to increase organizational effectiveness. The company's manpower strength stands at 12,052 as of end March, 2010.

Production Units

The Company has nine fully integrated manufacturing units located at Bangalore, Kolar Gold Fields (KGF), Mysore and Palakkad including a subsidiary Steel Foundry in Tarikere, Chikmagalur District.

KGF Complex : Earth Moving Equipment Division, Hydraulics and Powerline Division, Rail Unit-II and Heavy Fabrication Unit located in KGF produce a wide range of equipment such as Bulldozers, Hydraulic Excavators, Wheel Loaders, Dozers, Pipe Layers, Tyre Handlers, Hydraulic Cranes, Walking Dragline, Electric Rope Shovel, Engineering Mine Ploughs, Heavy Recovery Vehicles, Armoured Recovery Vehicles, Transmissions, Axles, hydraulic aggregates and allied assemblies for all the manufacturing units of BEML. Rail Unit II supports Bangalore Complex by supplying components / aggregates for Rail Coaches and wagons.

Mysore Complex : While Truck Division at Mysore produces off-highway Rear Dump Trucks, Motor Graders, Water Sprinklers, Aircraft Towing Tractors, Aircraft Weapon Loading Trolley and Tatra Trucks, Engine Division produces a wide range of Diesel Engines powering BEML's product range.

Bangalore Complex : The Bangalore Complex manufactures various types of railway products such as Railcoaches, AC EMUs, OHE Cars etc., for Indian Railways. The company has manufactured state-of-the-art stainless steel Metro Coaches and supplied to DMRC against the first order. The Complex also manufactures Defence products such as High Mobility Tatra Trucks and variants used for various application such as tank transportation, transportation and launching of guided missiles, radar mounting, Field Artillery Tractor and Crash Fire Tender, Pontoon Bridges, Tank Transportation Trailers, Ejector & Air Cleaner Assemblies, Milrail Coaches and Military Wagons.

Palakkad Unit : This new complex at Palakkad, Kerala manufactures products for Defence Business and Rail & Metro Business such as High Mobility Tatra Trucks, Pontoon Bridges, Sarvatra Bridge and Railcoach aggregates / parts.

Subsidiary Unit : Vignyan Industries Limited (VIL), Tarikere, was taken over by BEML in 1984 as a subsidiary unit. VIL supplies quality steel and alloy castings to various manufacturing units of BEML. To meet the increased demand for steel castings, the company has modernized the plant and augmented the capacity by installing new foundry equipment.



Marketing : BEML's products are sold and serviced through its large marketing network comprising 4 Zonal Offices, 10 Regional Offices, 17 District Offices, Activity Centres, Service Centres and Dealers.

International Business : BEML has established its global foot-print in more than 55 countries including Syria, Tunisia, UAE, Jordan, Suriname, South Africa, UK, Sri Lanka, Bangladesh etc. BEML is adopting new strategies to promote brand image and expand its international presence. Company has opened its overseas offices in Malaysia, Brazil, China and Indonesia.

Developments & Performance during 2009-10 :

The country saw a growth rate of 10.40% in respect of Industrial Production during 2009-10 compared to the previous year. In spite of global meltdown, BEML fared well by registering a growth of 18% in sales during 2009-10 compared to 11% during the previous year. The business segments - Defence and Rail & Metro showed remarkable growth. During 2009-10, the company made exports worth Rs. 156.25 Crs and could also make foray into new markets in countries like Nigeria, Brazil etc.

The company has achieved important landmarks during the year namely:

1. Established offices at Indonesia and Brazil.
2. Manufactured and supplied India's first indigenous Standard Gauge Metro Car to DMRC.
3. Intermediate cars for DMRC RS4 project is undergoing trials.

4. The company has launched a host of new R&D developed products.
5. Major order received for supply of one number Walking Dragline from NCL.

b. Opportunities and Threats :

With the thrust on power and availability of ample coal reserves, coal mining has continued to grow at a steady pace, thus providing regular demand for mining equipment. Whereas, construction sector off take during the first two quarters was very low resulting in overall reduction in demand for construction equipments. However during the last quarter, the demand from road sector has increased and is showing positive signs. During 2010-11, the demand for construction equipment is likely to go up.

Railways aims to spend Rs. 131.4 billion on wagons, other locomotives. It also plans construction of a dedicated freight corridor. Railways have identified six routes as possible high speed corridors for running bullet trains at the speed of 250 to 350 km per hour. Railways is coming up with 10 year plan 'Vision 2020' and aims at adding 25,000 route km to the railway network by following public private partnership model in projects. Exponential growth is expected in Metro business segment with all cities with 3 million population going the Metro way. With all these opportunities Rail and Metro business is poised for a robust growth in the coming years.

In the Defence segment also business opportunities are growing with the defence budget going up every year. The company expects to garner increased volume of orders for ground support equipment for Defence. Besides this,

company is making efforts to maximize the business by tapping the opportunities opened up by Defence offsets through the company's Technology Division and Aerospace Manufacturing Division. The company has set for itself a sales target of Rs. 3,800 Crs for 2010-11 (MoU) and is currently holding orders worth Rs. 5,083 Crs (appx). The company is confident of meeting the target with matching returns, barring unforeseen circumstances.

The major challenges faced by the company are:

1. To bridge technology gaps and meet expected demand for higher capacity equipment in line with the global market trend.
2. To maintain cost competitiveness to stay ahead in business.
3. To counter competition from MNCs by innovative marketing strategies.
4. To ensure share of Defence business.
5. Ensuring timely execution of Metro Coach orders within the specified delivery schedule.
6. Meet the increasing market demand in respect of Rail Coaches, AC EMUs etc.

c. Segment-wise / Business Group-wise performance during 2009-10 :

Sl. No.	Segment	Turnover Rs. in Crs	% age
1	Mining & Construction Business	1839.08	51.69
2	Defence Business	679.35	19.10
3	Rail & Metro Business	1020.84	28.69
4	Others	18.40	0.52
	Total	3557.67	100.00

The company has been exempt from providing segment-wise data of its

business in view of the critical and sensitive business in which it operates.

d. Outlook :

1. The Indian mining and construction equipment industry has been on an upturn supported by increased financing availability, step-up in infrastructural investments and pick-up in demand for commodities globally. Large proposed investments over the next several years in Power and Infrastructure sector has the potential to sustain the growing demand for Mining and Construction equipments. The company has taken several proactive measures to increase the share of Mining & Construction business by strengthening the service setup & dealer network, introduction of new products and thrust on exports.
2. Defence has been allocated Rs. 1,47,344 Crs an increase of 3.98% over the BE 2009-10. The outlay for Defence comprises of Rs. 87,344 Crs for Revenue expenditure and Rs.60,000 Crs for Capital expenditure which is currently driven by equipment modernisation programmes in each of the three Services. The company is planning to expand its Defence product range to meet the long term procurement plan of MoD through Technology tie-ups and Research & Development. The Palakkad Manufacturing Plant is going to be an exclusive setup for manufacturing Defence products apart from some Rail and Metro aggregates. With this increased capacity, the company will be able to meet the increased demand from



Defence sector. In order to increase the sales to Defence sector and also to tap offsets opportunities, the company has entered into manufacture of Ground Handling / Ground support equipment and Toolings for Aerospace Industry through its Aerospace Manufacturing Division.

3. Railway's 'Vision 2020' and the upcoming Metro projects in various cities will ensure substantial growth in demand for Rail and Metro products. The company has an exclusive unit to manufacture Metro Coaches ramping up the production rate by adopting modern manufacturing techniques keeping in view the steep increase in demand for metro trains. Chennai and Hyderabad are going the metro way and BEML is hopeful of bagging these orders. Further orders from Railways is also expected for the regular coaches and SS EMUs developed by BEML.

The emerging business environment and the market dynamics will be driving the demand for all the business group and augurs well for the Company. Further, the sound order book position as on 1st April, 2010 goes a long way in achieving the set targets. Appropriate strategies and action plans have been put in place to encash these opportunities to enable your company achieve and excel the set targets.

c. Risks and Concerns :

The company follows a system of making all major business decisions after a thorough discussion and analysis of risks and returns involved. Through this approach it strives to identify opportunities that enhance organizational values while managing or mitigating risks

that can adversely impact the company's future performance. The company has also engaged the services of a professional Risk Management firm to study all aspects of the company's business / operations, identify the risks and recommend measures to mitigate the same.

f. Internal control systems & their adequacy :

The company has an internal control system designed to provide high degree of assurance regarding optimization and safeguarding of resources, quality and reliability of financial and operational information, compliance with applicable statutes and corporate policies. It is the company's endeavour to align all its processes and controls with global best practices.

The internal audit process is designed to review the adequacy of internal control checks in the system and covers all significant areas of the company's operations. The internal audit department performs risk based audits, based on an internal audit plan, which is reviewed each year in consultation with the statutory auditors and the Audit Committee.

The Audit Committee reviews audit reports submitted by the internal auditors and follow up on the implementation of corrective actions periodically.

An enterprise-wide SAP is implemented. This will accompany by re-engineering and simplification of business processes to improve agility and customer service. By the end of 2010, your company will have an end-to-end SAP platform that will provide a robust foundation to address several emerging business needs.

g. Discussion on financial performance with respect to operational performance:

(Rs. in lakhs)

Particulars	2009-10	2008-09
Sales (Gross)	3,55,767	3,01,347
Value of Production	3,70,866	3,29,419
Profit before tax	31,955	38,747
Profit after tax	22,285	26,884
Networth	2,03,639	1,90,708
Inventory	1,65,308	1,67,058
Debtors	1,36,074	1,54,527
Total inventory in no. of days of VoP	163	180
Debtors / Sales in days	140	187
Profit Before Tax to Sales	8.98%	12.86%
Profit After Tax to Networth	10.94%	14.10%

The company posted a turnover of Rs.3557.67 Crs, VoP of Rs.3708.66 Crs recording a growth of 18% in turnover and about 13% in Value of Production over the last year. The company has recorded a profit before tax of Rs. 319.55 Crs as against Rs. 387.47 Crs in the previous year. The reduction in profit was mainly on account of product mix including metro car sales, lesser quantum of sales of spares, and lesser turnover of exports coupled with severe competition that had pressure on margins. However, company has initiated steps to maximize the profits.

h. Material developments in Human Resources / Industrial Relations front, including number of people employed:

The company intensified focus on training and development of manpower. Training and development at middle management levels was in focus during the year. The company introduced competence management by way of a structured approach in major locations. A company wide associate survey was undertaken to obtain feedback on various aspects, covering all employees. The company intensified its communication with all levels and categories of employees by way of different internal forums. The company also continued to

excel in the field of training apprentices and workmen.

The industrial relations has been harmonious and cordial. The manpower strength as of 31.03.2010 stood at 12,052. During the year, 12,755 employees were imparted training to sharpen their skills and update their knowledge.

Cautionary Statement-Certain statements made in the Management Discussion and Analysis report related to the Company's objectives, projections, outlook, expectations, estimates and others may constitute 'forward looking statements' within the meaning of applicable laws and regulations. Actual results may differ from such expectations, projections and so on whether expressed or implied. Several factors could make significant difference to the Company's operations. These include climatic conditions and economic conditions affecting demand and supply, government regulations and taxation, natural calamities and so on over which the Company does not have any direct control.

10. General Shareholder Information :

- AGM Date : 13.08.2010
Time : 10.30 Hours
Venue : BEML Kalamandira,
BEML Township,
New Thippasandra Post,
Bangalore - 560 075

- Financial Calendar

- Financial year : 01.04.2010 to 31.03.2011
- First Quarter Results : August, 2010
- Second Quarter Results : November, 2010
- Third Quarter Results : February, 2011
- Fourth Quarter Results : May, 2011
- Annual General Meeting : Aug/Sept., 2011

- Date of Book Closure :

- 11.08.2010 to 13.08.2010 (Both days inclusive)



BEMIL LIMITED

- Listing on Stock Exchanges

The Bangalore Stock Exchange Limited,
Bangalore.

The Bombay Stock Exchange Limited,
Mumbai.

The National Stock Exchange of India
Limited, Mumbai.

Listing fee has been paid upto-date to the
respective Stock Exchanges.

- Stock Code

Bombay Stock Exchange : 500048

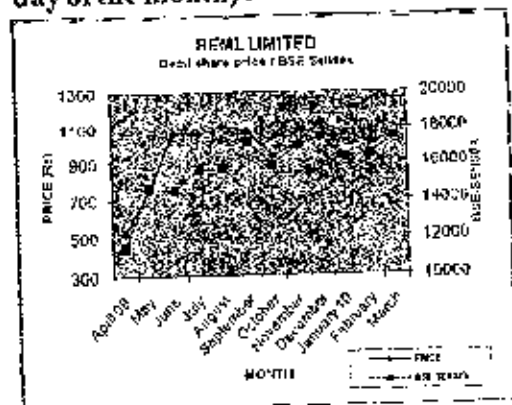
National Stock Exchange : BEMIL

Bangalore Stock Exchange : BEMIL

- Market Price Data : High and Low during each month for the financial year 2009-10 :

Month/Year	BSE		NSE	
	High Rs.	Low Rs.	High Rs.	Low Rs.
April - 2009	542	386	542	383
May	825	502	825	500
June	1154	737	1153	737
July	1124	905	1130	909
August	1146	1039	1184	1014
September	1220	1020	1270	1028
October	1125	913	1124	912
November	1114	930	1055	925
December	1147	973	1142	984
January - 2010	1275	1006	1275	1005
February	1190	1000	1190	1001
March	1080	1017	1080	1016

- Performance in comparison to broad based - BSE Index (basis : last trading day of the month) :



- Registrar and Share Transfer Agent :

M/s. Karvy Computershare Private Limited,
are the Registrar and Share Transfer Agent
(RTA). The address of the RTA is as under :

M/s. Karvy Computershare Private Limited
No.17-24, Vithalrao Nagar

Madhapur

Hyderabad - 500 081

e-mail : pnrao@karvy.com

- Share Transfer System :

The Company's shares are traded in
compulsory demat mode and are
transferable through depository system.
Both electronic and physical modes of share
transfers are handled by M/s Karvy
Computershare Private Limited.

The share transfers which are received in
physical form are processed and the share
certificates are returned within stipulated
time from the date of receipt, subject to the
documents being valid and complete in all
respects.

- Shareholding Pattern as on 31.03.2010 :

Category	No. of Shares	% to equity
Promoters		
The President of India	2,25,00,000	51.03
Institutional Investors		
Mutual Funds and UTI	55,91,660	13.44
Banks / Financial Institutions / Insurance Companies (Central / State Government Institutions / Non Government Institutions)	40,81,333	9.80
FIs	56,15,855	13.49
Others		
Private Corporate Bodies	11,41,440	2.74
Indian Public - Individual	24,74,380	5.94
NRI's / OCBS	2,18,052	0.53
Others - Trusts & Clearing Members	15,571	0.04
Total	4,36,44,500	100.00

- Distribution of Shareholdings as on 31.03.2010 :

Category	Total No. of Shareholders	% of Total Holders	Total Shares Held	% to Total Equity
1 - 100	59848	94.61	1403096	3.37
101 - 200	1685	2.66	270703	0.63
201 - 500	1004	1.59	357771	0.86
501 - 1000	352	0.56	280384	0.67
1001 - 5000	220	0.35	312777	1.23
5001 - 10000	37	0.06	275750	0.66
10001 and above	110	0.17	38542020	92.53
Total	63256	100.00	41644500	100.00

- Dematerialization of shares and liquidity :

Out of 4,16,44,500 shares, 2,25,00,000 shares are held by the President of India (Promoter) in physical form. Of the balance 1,91,44,500 shares, 1,89,06,220 shares were held in dematerialised form as of 31st March, 2010 which works out to 98.76% of the paid-up capital held by public.

- Outstanding GDRs / ADRs / Warrants :
Not applicable

- Plant Locations :

- Bangalore Complex, P.B.No. 7501, New Thippasandra Post, Bangalore 560 075
- KGF Complex, BEML Nagar, Kolar Gold Fields 563 115
- Mysore Complex, Belvadi Post, Mysore 571 186 and

d. Palakkad Complex, Kinfra Park, Kanjikode, Palakkad 678 007

- Address for correspondence :

- The address of the Registered Office of the Company is:

M/s BEML Limited
BEML Soudha,
No. 23/1, 4th Main,
S.R. Nagar,
Bangalore 560 027
Karnataka State

- Shareholders correspondence may be sent to the above address or to the Registrar and Share Transfer Agent, M/s Karvy Computershare Pvt. Ltd., Hyderabad and shares held in demat mode may be referred to the concerned depository participant.

Certificate of Compliance with the Code of Conduct for Board of Directors and Senior Management Personnel

To the Members of BEML Limited,

I, V.R.S. Natarajan, Chairman & Managing Director of the Company, hereby certify that the Board of Directors and Senior Management personnel have affirmed that they will comply with the Code of Conduct.

On behalf of the Board of Directors

Bangalore
Date : 17.06.2010

V. RS. Natarajan
Chairman & Managing Director



CORPORATE GOVERNANCE COMPLIANCE CERTIFICATE

To :

The Members of BEML Limited

We have examined all the relevant records of BEML LIMITED for the purpose of certifying compliance of the conditions of Corporate Governance under Clause 49 of the Listing Agreement with the Stock Exchanges for the financial year ended March 31, 2010. We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of certification.

The compliance of conditions of corporate governance is the responsibility of the Management. Our examination was limited to the procedure and implementation process adopted by the Company for ensuring the compliance of the conditions of the corporate governance. This certificate is neither an assurance as to the future viability of the Company nor of the efficacy or effectiveness with which the management has conducted the affairs of the Company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the company has complied with the mandatory conditions of the Clause 49 of the Listing Agreement, except that it has not fulfilled the requirement of Clause 49(I)(A)(ii) of the Listing Agreement which specifies that where the Chairman of the Board is an Executive Director, at least half of the Board should comprise of independent directors. The company has adopted the Non-mandatory requirements in respect of tenure of the Independent Directors which does not exceed nine years.

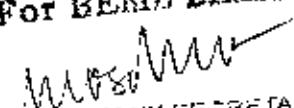
For V. Sreedharan & Associates
Company Secretaries

(V. SREEDHARAN)
Partner

F.C.S - 2347 : C.P. No. 833

Date : 17.06.2010
Place : Bangalore

For BEML LIMITED


V. SREEDHARAN
COMPANY SECRETARY

Significant Accounting Policies

1. Fixed Assets:

Capitalization and Depreciation:

- i) The values of Fixed Assets are at cost. Expenditure on Land Development is capitalised. Cost of leasehold land is amortized over the period of lease on pro-rata basis.
- ii) Financing cost relating to borrowed funds or deferred credits is capitalised to the extent such costs are attributable to the period up to the completion of construction / acquisition of fixed assets for new projects or substantial expansion.
- iii) Expenditure on administration and general overhead attributable to construction or acquisition of fixed assets are not capitalised, as such expenses, besides being not significant, are not relatable to a specific asset.
- iv) Depreciation is charged on Straight Line Method basis at rates as per Schedule XIV of the Companies Act, 1956 (or such higher rates which in the opinion of the management is appropriate), calculated from the month following the month of capitalization. Depreciation on additions (physical or value) or extensions to existing assets is provided so as to co-terminate with the life of the original asset or extended useful life based on technical assessment.
- v) Expenditure on reconditioning, rebuilding and major overhaul of machinery and equipment are capitalized only if technical assessment indicates increase in the future benefits from the existing assets beyond the previously assessed standards of performance. Ex: an increase in capacity, etc.

2. Inventory Valuation:

- i) Raw materials, Components, Stores and Spare parts are valued at Weighted Average Cost or estimated net realizable value, whichever is lower.
- ii) Work-in-progress is valued at actual cost of materials, labour and production overheads based on normative capacity or adjusted / estimated realisable value, whichever is lower.

- iii) Finished stock is valued at actual cost or estimated realisable value whichever is lower.
- iv) Estimated costs are considered wherever actual costs are not available.
- v) The cost is adjusted for decline in value by writing down the value based on specific identification. Further, provision for obsolescence is made depending on movement.
- vi) Based on technical assessment, provision is made for revalidation/refurbishment of finished goods to reflect the current status thereof.
- vii) Scrap is valued at estimated realisable value.

3. Advances from customers:

Advances from customers include advances / progress payments received as per letters of intent / sale contracts and is net after adjustments for despatches with customers under respective contracts.

4. Sales/ Other Income:

- i) Sales for products viz., equipments, aggregates, attachments and ancillary / dealership products is recognized when these are unconditionally appropriated to the valid sales contract or under dealership agreements.
- ii) In the case of contracts for supply of complex equipments/systems where the normal cycle time of completion and delivery period is more than 12 months and the value of the equipment/system is more than Rs.25 crores, revenue is recognized on the 'percentage completion method'. Percentage completion is based on the ratio of actual costs incurred on the contract up to the reporting date to the estimated total cost of the product.

Since the outcome of such a contract can be estimated reliably only on achieving certain progress, revenue is recognized up to 25%



progress only to the extent of costs thereafter revenue is recognized on proportionate basis and a contingency provision equal to 20% of the surplus of revenue over costs is made while anticipated losses are recognized in full.

- iii) Sales for spares is recognized on despatches / customer acceptance against valid sales contracts.
- iv) Where sale prices are not established, sales are recognized provisionally at prices likely to be realized.
- v) Sales include excise duty wherever applicable but excludes sales tax and transit insurance and is adjusted for anticipated price reductions from contractual obligations such as de-escalation.
- vi) Duty drawback claims on exports are accounted on preferring the claims.
- vii) Claims for escalation are recognized on acceptance by the customer.
- viii) Where the contract provides for installation and commissioning and price for the same is agreed separately, revenue for installation and commissioning is recognized on conclusion of installation and commissioning. Where installation and commissioning fee is not separately stipulated, the estimated cost as technically assessed for such installation and commissioning to be incurred are provided for. However, the revenue for the product delivered is recognized.
- ix) Revenue in respect of contract involving consortium is recognized and disclosed at full value in compliance with the terms of consortium agreement and cost of items supplied by the other members of the consortium is deducted there from.

5. Employee Benefits:

- i) Short term employee benefits are recognized as an expense at the undiscounted amount in the

profit and loss account of the year in which the related service is rendered.

- ii) Post employment and other long term employee benefits are recognized as an expense in the profit and loss account for the year in which the employee has rendered services. The expense is recognized at the present value of the amounts payable, determined using actuarial valuation techniques. Actuarial gain and losses in respect of post employment and other long term benefits are charged to the profit and loss account.

6. Accounting for Foreign Currency Transactions:

- i) Transactions in foreign currency are recorded in rupees by applying to the foreign currency amount the exchange rate existing at the time of the transaction.
- ii) The outstanding balances of monetary items relating to foreign currency transactions are stated in rupees by adopting the rate of exchange prevailing at the date of Balance Sheet. Exchange differences consequent to reinstatement are credited / charged to revenue.
- iii) The gain or loss in the conversion and / or settlement of liabilities incurred for acquisition of fixed assets is either credited or charged to revenue during the period such gain or loss arise.
- iv) Differences upon settlement of transactions, other than those covered by (iii) above are credited / charged to revenue.
- v) In the case of forward exchange contracts, the premium or discount arising at the inception of the contract is accounted for over the life of the contract. Exchange differences on such a contract are recognized in the statement of profit or loss in the reporting period in which the exchange rate changes.

7. Contractual Obligations:

Warranty liability for contractual obligation in respect of equipments sold to customers is ascertained on the basis of an annual technical assessment.

8. Research & Development:

- i) Research & Development expenditure is charged off in the year of incurrence except in the case of development of new products. The expenditure on development of new products is carried under inventory as these are meant for sale. Expenditure on fixed assets relating to Research & Development is capitalized.
- ii) Expenditure on the development of new products is treated in line with Accounting Policy No. 2(ii) and 2(iii) depending upon the stage of completion.

9. Prior Period Items:

Prior period adjustments are those adjustments, which are over Rs. 1 lakh in each case, arising out of correction of errors and omissions made in the past years.

10. Under/ Over Absorption of Cost:

Adjustments for under / over absorption of costs on jobs, is made only if the extent of under/over recovery exceeds one percent of turnover.

11. Taxes on Income:

Deferred Tax is recognized, subject to the consideration of prudence, on timing differences, being the difference between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods.

12. Leased Assets:

Assets given under operating leases are capitalized and depreciation charged at applicable rates. Lease rentals recovered are recognized in the profit and loss account. Direct costs are expensed on incurrence.

13. Others:

- i) The cost of special tools and jigs is amortised over production based on technical assessment. The value is not as per books.
- ii) Hand tools are charged to expenses at the time of issue.
- iii) Expenditure incurred on purchase of Technical Know-how fee is amortised over a period of six years on technical assessment.
- iv) Expenditure on Voluntary Retirement Scheme is expensed in the year of incurrence.
- v) Investments: Long-term investments are carried at cost. Permanent decline in the value of such investments is recognized and provided for. Current investments are carried at lower of cost and quoted / fair value.

Refer our report of even date

For and on behalf of the Board of Directors

For RAO ASSOCIATES
Chartered Accountants

G. SUDHINDRA
Partner

Membership No.26171
FRN No. 003080S

Place : Bangalore
Date : 28.05.2010

M. PITCHIAH
Director (Finance)

M E V SELVAMM
Company Secretary

V.RS. NATARAJAN
Chairman & Managing Director



BEML LIMITED

Balance Sheet

as at 31st March

(Rs. Lakhs)

	Schedule	2010	2009
Sources of Funds			
Shareholders Funds			
Share Capital	1	4,177.22	4,177.22
Reserves & Surplus	2	199,606.70	187,360.41
		203,783.92	191,537.63
Loan Funds			
Secured Loans	3	75,305.49	47,090.88
Unsecured Loans	3A	15,549.86	9,673.08
		90,855.35	56,763.96
	4	-	4.00
Deferred Tax Liability		294,639.27	248,305.59
Application of Funds			
Fixed Assets			
Gross Block (at cost)	5	79,870.87	74,950.62
Less : Depreciation		52,483.83	49,401.95
Net Block		27,387.04	25,548.67
Add : Capital Work-in-progress	6	3,221.04	2,361.00
		30,608.08	27,909.67
	7	819.89	794.89
Investments	14A	3,419.75	-
Deferred Tax Assets			
Current Assets, Loans & Advances			
Inventories	8	165,300.30	162,057.86
Sundry Debtors	9	136,073.75	154,526.67
Cash and Bank Balances	10	56,715.06	26,351.00
Other Current Assets	11	734.83	1,501.76
Loans and Advances	12	46,134.55	41,027.13
		404,958.49	385,464.42
Less : Current Liabilities & Provisions			
Current Liabilities	13	89,224.17	113,077.58
Provisions	14	56,088.20	53,615.48
		145,312.37	166,693.06
Net Current Assets		259,646.12	218,771.36
Miscellaneous Expenditure	15	145.43	829.67
(to the extent not written off or adjusted)		294,639.27	248,305.59
Notes on Accounts	25		
[Schedule 1 to 25 and Accounting Policies annexed herewith form part of Accounts]			

Refer our report of even date

For and on behalf of the Board of Directors

For RAO ASSOCIATES

Chartered Accountants

G. SUDHINDRA

Partner

Membership No.26171

FRN No. 003080S

Place : Bangalore

Date : 28.5.2010

M. PITCHIAH
Director (Finance)

V.R.S. NATARAJAN
Chairman & Managing Director

M K V SELVAMM
Company Secretary

For BEML LIMITED

COMPANY SECRETARY



BEML LIMITED

Cash Flow Statement for the year ended 31st March

(Rs. Lakhs)

	2010		2009	
	Sub items	Main items	Sub items	Main items
A. CASH FLOW FROM OPERATING ACTIVITIES				
NET PROFIT BEFORE TAX & EXTRA-ORDINARY ITEMS		31954.79		38746.73
Adjustment for Depreciation	3222.36		2730.88	
Profit / Loss on sale of Investments / Fixed Assets	(2.36)		5.34	
Amortisation	1610.43		1166.95	
Interest paid	4892.92		3924.78	
Interest received	(2291.71)		(2925.17)	
Dividend received	(20.20)		(13.47)	
Other Provisions	4201.06	11612.50	7034.90	11924.21
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES		43567.29		50670.94
Adjustment for Trade and other Receivables	11911.02		(28054.37)	
Inventories	(3242.44)		(69099.87)	
Trade Payables	(23853.43)		15409.89	
Tools & Jigs	(697.01)		(259.49)	
Miscellaneous Expenses	(287.59)	(16169.43)	(366.96)	(82370.80)
CASH GENERATED FROM OPERATIONS		27397.86		(31699.86)
Direct Tax Paid (Net)		(17579.46)		(9539.93)
NET CASH FROM OPERATING ACTIVITIES		9818.40		(41239.79)
B. CASH FLOW FROM INVESTING ACTIVITIES				
Purchase of Fixed Assets	(5997.24)		(7179.19)	
Sale of Fixed Assets	78.82		16.46	
Purchase of Investments	(25.00)		-	
Dividend received	20.20		13.47	
Interest Received	3117.05		3355.07	
NET CASH USED IN INVESTING ACTIVITIES		(2806.17)		(5794.19)
C. CASH FLOW FROM FINANCING ACTIVITIES				
Proceeds from Short Term Borrowings	28214.61		16764.08	
Proceeds from Unsecured Loans	4722.00		9673.08	
Public Issue expenditure	-		(70.01)	
Interest Paid	(3738.14)		(3924.78)	
Dividend Paid	(5846.64)		(3166.92)	
NET CASH USED IN FINANCING ACTIVITIES		23351.83		19275.45
Net increase / (Decrease) in Cash and Cash Equivalents		30364.06		(25758.53)
Cash and Cash Equivalents as at 1.4.09		26351.00		52109.53
Cash and Cash Equivalents as at 31.3.10		56715.06		26351.00

Figures of previous year regrouped wherever necessary

Refer our report of even date

For and on behalf of the Board of Directors

For RAO ASSOCIATES
Chartered Accountants

G. SUDHINDRA
Partner
Membership No. 26171
FRN No. 003080S
Place : Bangalore
Date : 28.5.2010

M. PITCHIAH
Director (Finance)

VRS. NATARAJAN
Chairman & Managing Director

M E V SELVAMM
Company Secretary

For BEML LIMITED

COMPANY SECRETARY

Schedules to Financial Statements

(Rs. Lakhs)

Particulars	2010	2009
1. Share Capital		
Authorised :		
10,00,00,000 Equity Shares of Rs. 10/- each	10,000.00	10,000.00
Issued :		
4,19,00,000 Equity Shares of Rs. 10/- each	4,190.00	4,190.00
Subscribed :		
4,16,44,500 Equity Shares of Rs. 10/- each	4,164.45	4,164.45
Add : Forfeited Shares	12.77	12.77
	<u>4,177.22</u>	<u>4,177.22</u>
Note : 60,63,000 Equity Shares of total value of Rs. 6,06,30,000 have been issued for consideration other than cash		
2. Reserves and Surplus		
Capital Reserve - Surplus on Sale of Assets	105.66	105.66
Balance as per last Balance Sheet		
Securities Premium Account	61,204.07	61,274.08
Balance as per last Balance Sheet	-	70.01
Less : Public Issue Expenses	<u>61,204.07</u>	<u>61,204.07</u>
	1.44	1.44
Reserve for Nonimara Excellence Award		
General Reserve	116,269.57	98,769.57
Balance as per last Balance Sheet	2,228.48	17,500.00
Add : Transfer from Profit and Loss Account	7,826.60	-
Less : Incremental Gratuity Liability (Refer Note No. 4(b))	<u>(2,660.26)</u>	-
Less : Deferred Tax on Gratuity Liability	5,166.34	-
Net : Incremental Gratuity Liability	<u>113,331.71</u>	<u>116,269.57</u>
	24,963.81	9,779.67
Balance in Profit & Loss Account	<u>199,606.70</u>	<u>187,360.41</u>
3. Secured Loans	75,305.49	47,090.88
Loans from Banks		
(Cash credit and short term credit availed from Banks secured by hypothecation of inventories (except those pertaining to rail coaches), book debts, receivables, other movable assets and plant & machineries etc.)	<u>75,305.49</u>	<u>47,090.88</u>
3A. Unsecured Loans	14,166.00	9,444.00
Loans from other Corporates	1,383.86	229.08
Add : Interest accrued and due	<u>15,549.86</u>	<u>9,673.08</u>
4. Deferred Tax Liability	4.00	-
Opening balance	(4.00)	306.80
Add : Adjustment during the year	-	(302.80)
Less : Balance transferred to Deferred tax asset	-	<u>4.00</u>



BEMIL LIMITED

Schedules to Financial Statements

(Rs. Lakhs)

5. Fixed Assets :

5. Fixed Assets :										
Particulars	Gross Block			Depreciation				Net Block		
	Cost as at 31.3.09	Additions during the year	Deductions retirements and of assets during the year	Cost as at 31.3.10	Provision upto 31.3.09	Provision for the year	Deductions retirements and of assets during the year	Provision upto 31.3.10	As at 31.3.10	As at 31.3.09
Land (Free Hold)	1,395.88	-	-	1,395.88	-	-	-	-	1,395.88	1,395.88
Land (Lease Hold)	42.18	-	-	42.18	18.40	3.57	-	21.97	20.21	23.77
Roads and Drains	1,001.33	12.09	(5.87)	1,007.55	455.94	15.30	-	471.24	536.31	545.39
Water Supply Installation	402.63	16.93	-	419.56	307.44	7.81	-	315.25	104.31	95.19
Buildings	12,051.25	787.95	(4.33)	12,834.87	4,499.51	298.67	0.33	4,798.51	8,036.36	7,551.74
Railway Sidings	482.02	265.70	-	747.72	117.31	34.19	25.78	177.28	570.44	364.71
Plant, Machinery & Equipment	53,886.71	3,735.15	(101.96)	57,519.90	39,668.68	2,635.40	(100.20)	42,203.88	15,316.02	14,218.03
Electrical Installations	2,708.66	88.37	(10.18)	2,786.85	2,457.82	71.60	(9.00)	2,520.42	266.43	250.84
Office Furniture & Equipment	1,474.09	55.72	(0.51)	1,529.30	1,129.57	53.70	(0.25)	1,183.02	346.28	344.54
Transport Vehicles	1,505.86	175.29	(94.09)	1,587.06	747.28	102.12	(57.14)	792.26	794.80	758.59
Total	74,950.61	5,137.20	(216.94)	79,870.87	49,401.95	3,222.36	(140.48)	52,483.83	27,387.04	25,548.68
Previous Year	68,027.79	7,243.62	(320.80)	74,950.61	46,970.06	2,730.88	(299.00)	49,401.94	25,548.67	21,057.73

Schedules to Financial Statements

(Rs. Lakhs)

Particulars	2010	2009
6. Capital Work-in-progress		
Building etc., under construction	26.48	33.27
Machinery under erection	44.21	92.73
Equipment under inspection and in transit	3,150.35	2,216.53
Advances for Capital Expenditure	-	18.47
	<u>3,221.04</u>	<u>2,361.00</u>
7. Investments		
Non-Trading (Unquoted - fully paid up) - Long term (at cost)		
In Vignyan Industries Ltd., Subsidiary Company		
2,69,376 Equity Shares of face value of Rs. 100 each	252.60	252.60
In BEML Midwest Ltd., Joint Venture Company		
54,22,500 Equity Shares of Rs. 10 each	542.25	542.25
In Ordinary Shares of Co-operative societies		
250 Shares of Rs. 10 each of BEML Consumer	0.03	0.03
Co-operative Society Ltd., KGF		
10 Shares of Rs. 100 each of Gulmohar Mansion	0.01	0.01
Apartments Co-operative Housing Society Ltd., Bangalore		
In BEML Brazil Participacoes Ltda.	25.00	-
	<u>819.89</u>	<u>794.89</u>
8. Inventories		
Raw materials and components	37,754.92	68,423.95
Less : Consortium Scope	-	13,953.29
Net Raw materials and components	<u>37,754.92</u>	<u>54,470.66</u>
Stores and Maintenance Spare parts including construction materials	2,094.54	2,871.97
Scrap	388.94	480.04
Hand tools	1,241.17	1,627.75
Stock-in-trade :		
Finished stock	23,164.75	11,496.77
Spare	36,869.94	32,058.67
Work-in-Progress	54,357.52	50,835.65
Goods under inspection and in Transit	9,428.52	8,216.35
	<u>165,300.30</u>	<u>162,057.86</u>
9. Sundry Debtors (Unsecured)		
Debts outstanding for a period exceeding six months	43,301.70	55,043.48
Considered Good	2,258.35	863.48
Considered Doubtful	<u>45,560.05</u>	<u>55,906.96</u>
Other Debts Considered Good	92,772.05	107,740.09
Less : Consortium scope	-	8,256.90
	<u>92,772.05</u>	<u>99,483.19</u>
	<u>138,332.10</u>	<u>155,390.15</u>
	<u>2,258.35</u>	<u>863.48</u>
Less : Provision for Doubtful Debts	<u>136,073.75</u>	<u>154,526.67</u>



BHEL LIMITED

Schedules to Financial Statements

		(Rs. Lakhs)	
	Particulars	2010	2009
10.	Cash and Bank Balances	21.28	19.00
	Cash on Hand	38,252.35	5,707.37
	Cheques on Hand	3,436.43	4,124.63
	With Scheduled Banks : In Current Accounts	15,005.00	16,500.00
	In Deposit Accounts (Refer Note C(6) of Sch. 25)	56,715.06	26,351.00
11.	Other Current Assets	9.67	9.67
	Gold coins on hand	61.73	887.07
	Interest accrued on Bank Deposits	663.43	605.02
	Special tools & jigs (net)	734.83	1,501.76
12.	Loans and Advances		
	Loans	16,250.41	10,205.30
	Loans considered good (Secured)		
	Advances	17,612.47	31,234.68
	Advances recoverable in cash or in kind or for value to be received		16,579.48
	Less : Consortium scope	17,612.47	14,655.20
	Net advances	646.98	2,167.15
	Prepaid expenses & Other advances	8,696.24	12,908.98
	Balances with Government Departments for Customs Duty,		
	Excise duty, etc., including receivables	789.56	2,678.42
	Balance with Public Utility Concerns		2,072.30
	Less : Consortium scope	789.56	606.12
	Net Balances with Public Utility concerns	1,526.58	-
	Advance payment of Tax (net of provision)	1,067.56	900.00
	Advance payment for investment	30,339.39	31,237.45
	Total Advances	46,589.80	41,442.75
		455.25	415.62
	Less : Provision for doubtful advances	46,134.55	41,027.13
	Particulars of Loans & Advances (summary)	7,178.64	2,811.29
	(i) Considered Good & fully secured		
	(ii) Considered Good where no securities are held other than debtors' personal security	38,955.91	38,215.84
		455.25	415.62
	(iii) Considered Doubtful & provided for	46,589.80	41,442.75
		155.98	38.91
	Notes : (i) Due by Officers of the Company		
	(ii) Maximum amount due at any time during the year by officers of the Company	147.02	45.43

Schedules to Financial Statements

(Rs. Lakhs)

Particulars	2010	2009
13. Current Liabilities		
Sundry Creditors :		
Due to Micro, Small & Medium Enterprises	1,937.52	489.39
Others	43,120.86	85,671.16
Less : Consortium scope	—	13,953.29
Net others	45,058.38	71,717.87
Advances and Deposits	31,650.45	53,006.13
Less : Consortium scope	—	26,908.68
Net Advances and Deposits	31,650.45	26,097.45
Other Liabilities	12,452.00	14,714.46
Interest accrued but not due on Loan / Deposit	0.34	0.34
Amount transferable to Investors Education Fund (not due)	63.00	58.08
Unpaid/Unclaimed Dividend	89,224.17	113,077.58
14. Provisions		
Income Tax and Fringe Benefit Tax (net of payments)	700.33	5,186.07
Proposed dividend and tax thereon	4,872.20	5,846.64
Provision for Gratuity	9,505.80	532.99
Provision for Leave Salary	10,630.46	10,681.70
Provision for Wage revision	12,014.27	9,845.72
Others	18,365.14	21,522.36
	56,088.20	53,615.48
14A Deferred Tax Asset		
During the year	3,423.75	302.80
Less : Deferred tax liability transferred during the year	4.00	302.80
	3,419.75	—
15. Miscellaneous Expenditure (to the extent not written off or adjusted)		
Pre-operation expenses	79.35	
Opening Balance	66.08	79.35
Additions during the year	145.43	79.35
Expenditure on Voluntary Retirement Scheme		
Opening balance	750.32	1,393.82
Add : Expenditure incurred during the year	221.51	287.61
	971.83	1,681.43
Less : Amortised during the year	971.83	931.11
	—	750.32
	145.43	829.67

25. Notes annexed to and forming part of Financial Statements for the period ended 31st March 2010

A. DISCLOSURE UNDER MANDATORY ACCOUNTING STANDARDS

1. Accounting Standard 1 (Disclosure of Accounting Policies)

In view of the requirement under AS15 (Revised 2005) not to carry forward the deferred expenditure relating to Voluntary Retirement Scheme to accounting periods commencing on or after 1st April, 2010 and the consequential change in Accounting policy 13(iv) on Voluntary Retirement Schemes, the balance amount of Rs. 750.32 Lakhs outstanding as on 1st April 2009 has been charged to Profit and Loss Account of the year.

2. Accounting Standard 7 (Accounting for Construction Contracts)

(Rs.in Lakhs)		
Particulars	2009-10	2008-09
a) Contracts revenue recognized during the year	3493.62	9943.38
b) Percentage of completion method is used to determine the contract revenue recognized in the period.		
c) Ratio of the actual cost incurred on the contracts up to 31.3.2010 to the estimated total cost of the contracts, is used to determine the stage of completion.		
<u>Disclosure in respect of Contracts in Progress as at 31st March 2010</u>		
a) Aggregate amount of cost incurred	112.03	9411.46
b) Recognized profit (less recognized losses, if any) (net of provision for contingency)	NIL	126.54
c) Amount of advances received and outstanding	NIL	NIL
d) The amount of retention	NIL	NIL
e) In respect of contracts in progress as at 31 st March 2010, the costs incurred have not reached any stage of material and measurable physical proportion of contract work and hence no revenue is recognized in the accounts.		

3. Accounting Standard 11 (Foreign Exchange Fluctuations)

Effect of Foreign Currency Fluctuation included in the Profit & Loss account for the year is Rs.1529.77 lakhs (Cr) (Pr. Year Rs. 2376.62 Lakhs (Dr))

4. Accounting Standard 15 (Employee Benefits)

(a) Leave Salary

This is an unfunded defined benefit plan categorized under other long term employee benefits in terms of Revised Accounting Standard 15. The defined benefit obligation of compensated absence has been actuarially valued and liability provided accordingly.

(b) Gratuity

The employees' gratuity fund scheme managed by a Trust is a defined benefit plan. The present value of obligation is determined based on actuarial valuation using the Projected Unit Credit Method.



BEML LIMITED

(Rs. Lakhs)

(Rs. Lakhs)

1	Changes in the Present value of obligation	Current year	Previous year		
	Present value of obligation at 1.4.2009	22905.69	23059.96		
	Interest Cost	1832.45	1844.80		
	Current Service Cost	1091.22	565.28		
	Benefits Paid	2073.44	1932.49		
	Actuarial (gain)/loss on obligations	8741.89	(631.86)		
	Present value of obligation at 31.3.2010	3274.81	22905.69		
2	Changes in the Fair value of Plan assets	Current year	Previous year		
	Fair value of plan assets at 1.4.2009	22450.88	22073.96		
	Expected return on plan assets	2149.20	2077.42		
	Contributions	532.99	260.00		
	Benefits paid	2073.44	1932.49		
	Actuarial (gain)/loss on plan assets	(10.56)	(28.01)		
	Fair value of plan assets at 31.3.2010	23070.19	22450.88		
3	Reconciliation of obligations and fair value of plan assets	Current year	Previous year		
	Present value of obligation at 31.3.2010	32497.81	22905.69		
	Fair value of plan assets at 31.3.2010	23070.19	22450.88		
	Funded Status	9427.62	454.81		
	Liability recognized during the year	9427.62	454.81		
4	Expenses recognized during the year	Current year	Previous year		
	Current Service Cost	1091.22	565.28		
	Interest Cost	1832.45	1844.80		
	Expected return on plan assets	2149.20	2077.42		
	Actuarial (gain)/loss on obligation	8741.89	(631.86)		
	Actuarial (gain)/loss on plan assets	(10.56)	(28.01)		
	Contributions	-	726.00		
	Net Cost	9505.80	454.81		
5	Investment Details	%	%		
	GOI Bonds	1	6		
	Others	6	9		
	Investment with LIC	93	85		
6	Actuarial Assumptions	Gratuity		Leave Salary	
		Current year	Previous year	Current year	Previous year
		(Funded)	(Funded)	(Unfunded)	(Unfunded)
	Mortality Table (LIC)	1994-96	1994-96	1994-96	1994-96
		(Ultimate)	(Ultimate)	(Ultimate)	(Ultimate)
	Discount rate	8%	8%	8%	5.85%
	Rate of return on plan assets	9.57%	9.41%	-	-
	Rate of escalation salary	7%	7%	8%	8%

The estimates of rate of escalation in salary considered in actuarial valuation takes into account inflation, seniority, promotion and other relevant factors. The above information is certified by the actuary.

Consequent upon amendment to Payment of Gratuity Act enhancing the ceiling for payment of Gratuity from Rs.3.50 Lakhs to Rs.10 Lakhs, the additional liability till 31st March 2009 amounting to Rs. 5166.34 Lakhs (Net of Deferred Tax Rs. 2660.26 Lakhs) has been adjusted against the opening balance of reserves and the incremental liability for the year ended 31st March 2010 amounting to Rs. 1165.36 Lakhs has been charged to Profit and Loss Account for the year.

5. Accounting Standard 17 (Segment Reporting)

(a) Primary Reporting – Business Segment – Customers

		(Rs. Lakhs)					
	Particulars	Railway Customers	Defence Customers	Earth Moving Equipment Customers	Other Customers	Total Current Year	Total Previous Year
1	Revenue						
	External Sales	102084(*)	67935	184253	1495	355767	301347
	(*) Includes value of Consortium supply						
2	Results :						
	Segment Results	(5357)	10777	38424	232	44076	50647
Less	Unallocated Corporate Expenses					9513	11378
	Operating Profit						
Less	Interest Expense					34563	39269
Add	Interest Income					4893	3368
Less	Income Taxes					7292	2925
Less	Prior Period Adjustments					9670	11862
	Net Profit					7	80
						22285	26884

(b) Segmental Capital Employed

Fixed assets used in Company's business or liabilities have not been identified to any of the reportable segments, as the fixed assets are used interchangeably between segments. The Company believes that it is currently not practicable to provide segment disclosures relating to total assets and liabilities since a meaningful segregation of the available data is onerous.

(c) Secondary Reporting

Since, more than 90% of total sales is within India, geographical reporting is considered not applicable.



BEMIL LIMITED

6. Accounting Standard 18 (Related Party Transactions)

i. Name of the Subsidiary Company - M/s. Vignyan Industries Ltd. (VIL), Tarikere.

Details of Transactions

Particulars	(Rs. Lakhs)	
	Current Year	Previous Year
Sales *	958.73	784.51
Purchases *	3853.67	3786.23
Dividends Received	20.20	13.47
Corporate Guarantee given to Bankers of VIL	750.00	750.00
Amount payable towards supplies	75.84	86.27
Services rendered	-	20.25

* Include rejections & VAT

ii. Name of the Joint Venture Company - M/s. BEMIL Midwest Ltd., Hyderabad, Shareholding 45%.

Details of Transactions

Particulars	(Rs. Lakhs)	
	Current Year	Previous year
Sales	-	2.86
Purchases	-	97.95
Advances recoverable	152.31	71.74
Corporate Guarantee given to Bankers	1915.00	1915.00
Amount payable towards supplies	319.64	318.69

iii. Name of the Associate-BEMIL Brazil Participacoes Ltda (The name has been changed to BEMIL Brasil Industrial Ltda)

Details of Transactions

Particulars	(Rs. Lakhs)	
	Current Year	Previous year
Investment	25.00	-

iv. Remuneration to key management personnel

Name	(Rs.)	Designation
Shri. V.RS. Natarajan	2394140	Chairman and Managing Director
Shri. V.Mohan	2396285	Director (Defence)
Shri. M. Poongavanam	1965085	Director (Mining & Construction)
Shri. P.Dwarakanath	1794791	Director (Metro & Rail)
Shri. M.Pitchiah	1994181	Director (Finance)
Shri. M.Nellaiappan	1546169	Director (HR)

7. Accounting Standard 19 (Leases)

i) Office premises taken on lease

The Company's significant leasing arrangements are in respect of operating leases in respect of some of its office premises. These lease arrangements, which are not cancellable, are generally for 5 years and are usually renewable by mutual consent. The aggregate lease rentals paid are disclosed under Rent in Schedule 21.

ii) Cars given on Lease

A. a) Gross Carrying amount		Rs. 312.31 Lakhs
b) Accumulated depreciation		Rs. 34.07 Lakhs
c) Accumulated impairment losses		NIL
(i) Depreciation recognized in Profit & Loss Account		Rs. 23.12 Lakhs
(ii) Impairment losses recognized in Profit & Loss Account		NIL
(iii) Impairment losses reversed in Profit & Loss Account		NIL
B. Future minimum lease payments under non-cancellable operating leases – Leased cars		
(i) Not later than one year	(ii) Later than one year but not later than five years	(iii) Later than five years
Rs. 31.96 Lakhs	Rs. 122.21 Lakhs	Rs. 106.32 Lakhs
C. Total rents recognized as income in the Profit & Loss Account		Rs. 24.42 Lakhs

8. Accounting Standard 20 (Earnings Per Share)

Particulars	Current Year	Previous Year
Net Profit after Tax (Rs. Lakhs)	22284.82	26884.24
Average Number of Shares	41644500	41644500
Earnings Per Share (Basic and Diluted) - Face Value	53.51	64.56
Rs. 10/- Per Share (Rs.)		

9. Accounting Standard 21 (Consolidated Financial Statements)

- Consolidated accounts of the company with its subsidiary, Vignyan Industries Limited are attached.
- Beml Brasil Participacoes Ltda (the name has been changed to BEML Brasil Industrial Ltda,) an Associate, is formed under the requirements of the governing laws of Brasil as per which the entity is not a company as defined in Companies Act, 1956, and is not having equity share capital but having Quota to which BEML has subscribed as per the requirements of Brazilian laws to conduct business as an extended arm of BEML in Brasil and hence treated as long term Investments under Accounting Standard 13, carried at cost under Accounting Policy 13(v). The Overseas entity has not prepared its Financial statements as on 31.03.2010. As such consolidation requirements if and to the extent applicable under AS21 and AS 23 could not be complied with.



BEMIL LIMITED

10. Accounting Standard 22 (Deferred Tax)

(Rs. Lakhs)		
Particulars	Current Year	Previous Year
(a) Components of Deferred Tax Liability		
(1) Depreciation	3138.83	2967.31
(2) Amortization and others	225.09	205.23
Total (a)	3363.92	3172.54
(b) Components of Deferred Tax Asset		
(1) Sec. 43B items	2573.10	2632.62
(2) Provisions and others	1198.23	535.92
(3) Technical Know-how & Preliminary Expenses	352.08	-
(4) On incremental Gratuity Liability on account of increase in Gratuity limit to Rs.10 lakhs.	2660.26	-
Total (b)	6783.67	3168.54
(c) Net Deferred Tax Liability / (Asset) (a-b)	(3419.75)	4.00

11. Accounting Standard 26 (Intangible Assets)

Aggregate amount of Research and Development Expenses:

(Rs. Lakhs)		
Particulars	Current Year	Previous Year
Revenue Expenditure*	9196.04	3077.31
Capital Expenditure**	524.14	120.89

* The aggregate amount of Research and Development expenditure recognised as expenses during the period is as below:

(a) Research and Development Revenue Expenditure

(Rs. Lakhs)		
Expenditure in R&D included in	Current Year	Previous Year
Material Cost	590.97	65.98
Employee Remuneration	1655.59	1849.64
Depreciation	130.91	183.96
Power and Fuel	58.28	18.24
Repairs and Maintenance	57.36	42.65
Consumable Tools	13.36	71.43
Travelling	44.49	63.89
Other Expenses	686.71	781.52
Prototype held in WIP	3002.32	-
Cost of Sales of Prototype sold	2956.05	-
Total R&D Revenue Expenditure	9196.04	3077.31

Sale value of prototype sold - included in net Sales 2980.66

** The aggregate amount of Research and Development expenditure recognised as Capital expenditure till 31/03/2010 is as below:

(b) Research and Development Capital Expenditure

Details of Fixed Assets used for R & D purpose included in Schedule 5

Particulars	Gross Block						Depreciation				Net Block	
	Cost as at 31st March 2009	Additions during the year	Deductions / reclassifications and adjustments during the year	Cost as at 31.3.10	Provision upto 31st March 2009	For the year	Deductions / reclassifications and adjustments during the year	Provision upto 31.3.10	As at 31.3.2010	As at 31.3.2009		
Roads and Bridges	54.68	-	-	54.68	27.15	-	-	27.15	27.53	27.51		
Water Supply Installations	12.64	-	-	12.64	12.31	-	-	12.31	0.29	0.29		
Buildings	588.91	-	-	588.91	314.95	1.48	-	316.43	192.89	193.91		
Plant, Machinery & Equipment	3,691.47	523.87	(4.77)	3,922.32	3,334.61	95.81	(4.77)	3,289.85	633.47	168.81		
Electrical Installations	143.23	8.47	-	148.69	136.84	1.13	-	137.97	10.72	11.38		
Office Furniture & Equipment	143.49	-	(0.13)	144.96	105.41	6.40	-	111.91	33.15	39.65		
Transport Vehicles	38.75	-	-	38.75	29.44	4.68	-	21.08	9.67	10.35		
TOTAL	4,303.68	524.24	(4.90)	4,822.92	3,851.67	68.34	(4.77)	3,815.24	987.72	452.01		

Software acquired for internal use is not recognised as an asset since the recognition criteria prescribed in Paragraph 20 and 21 of AS26 are not met and hence treated as Revenue expenditure as in the earlier years.

12. Accounting standard 27 (Financial Reporting of Interests in Joint Ventures)

The Joint Venture Company BEML Midwest Ltd., has not prepared its Financial statements as on 31.03.2010. As such disclosure requirements under AS-27 could not be complied with.

13. Accounting Standard 28 (Impairment of assets)

No Provision was considered necessary for impairment of assets as the realizable value of assets assessed by chartered engineer is more than the carrying cost of these assets.

14. Accounting Standard 29 (Provisions, contingent liability and contingent assets)

(a) Obligations and Others

Sl. No.	Particulars	As on 01/04/09	Additions	Utilization	Reversal	As on 31/03/10
1.	Gratuity	532.99	9505.80	532.99	-	9505.80
2.	Leave Salary	10681.70	1993.96	2045.20	-	10630.46
3.	Wage revision	9845.72	3420.00	1251.45	-	12014.27
4.	Pending legal cases	439.86	4.11	-	-	349.07
5.	Warranty	3729.58	3431.25	3274.88	94.90	3851.47
6.	Unexpired Obligation	3924.41	793.26	297.24	34.48	2868.88
7.	Contractual obligation	12688.88	-	-	1551.55	10662.47
8.	Guaranteed Availability contract	633.25	-	-	2026.41	633.25
9.	Contingency provision	106.38	-	-	-	-
	Total	42582.77	19148.38	7401.76	3813.72	50515.67



BEMIL LIMITED

- (b) Counter guarantees given to banks for guarantees issued on behalf of the company is Rs. 53780.70 lakhs. (Pr. Year Rs. 27522.14 lakhs)
- (c) Claims against the Company not acknowledged as debts (net of provisions, to the extent ascertainable):
- i. Disputed statutory demands (Customs Duty, Central Excise, Service Tax) Rs. 7252.05 lakhs (Pr. Year Rs. 10115.89 Lakhs)
 - ii. Other claims is Rs. 2237.06 Lakhs (Pr. Year Rs. 2170.49 Lakhs)
- (d) Guarantee issued to bankers on behalf of BEMIL Midwest Ltd (Joint Venture company) Rs. 1915.00 Lakhs (Pr. Year Rs. 1915.00 Lakhs)
- (e) Guarantees issued to bankers on behalf of Vignyan Industries Limited (subsidiary company) Rs. 750 Lakhs (Pr. Yr Rs. 750 Lakhs)
- (f) A sum of Rs. 1034.95 lakhs representing VAT applicable on Rail Coaches etc. under Sch.3 of Karnataka Value Added Tax Act, 2005 with effect from 1.4.2005 is not recognised as a liability in terms of Accounting Standard 29, since it is expected not to result in an outflow of resources from the company being subject to reimbursement by Railway Board.

NOTES:

- (1) The company does not expect any re-imbursement in respect of above Contingent Liabilities except (f).
- (2) The cash flow in respect of matters referred to in (a) above is generally expected to occur within 2 years.
- (3) The cash flow in respect of matters referred to in (b), (d) and (e) above is generally expected to occur within 3 years.
- (4) It is not practicable to estimate the timing of cash flows, if any, in respect of matters referred to in (c) and (f) above pending resolutions of the arbitration / appellate proceedings/Claims reimbursement by Railway Board.

B. DISCLOSURE UNDER STATUTE

1. Information required in terms of Part II of Schedule VI to the Companies Act, 1956:

(Rs. Lakhs)			
Sl. No	Particulars	Current Year	Previous Year
1	Estimated amount of contracts remaining to be executed on capital account and not provided for	8494.97	2784.17
2	Letters of Credit issued by banks on behalf of the Company	12414.63	11835.95
3	Earnings in foreign exchange on account of export (FOB basis) / Other income	13391.08	28278.93
4	Expenditure in foreign currency royalty, know-how, professional consultancy, consultation fee and others	969.01	1575.91

2. The information under MSMED Act, has been disclosed to the extent such vendors have been identified based on the certificates produced by them.
3. Depreciation rate adopted by the company in respect of following assets is significantly higher than the statutory minimum rates prescribed under the Companies Act, 1956.

Assets	Rate adopted(%)	Rate as per Schedule XIV(%)
Water supply installations	7.42	1.63
Welfare equipments	7.42	4.75
Medical diagnostic equipment	7.42	7.07
Power generating equipment	15.00	4.75
Electrical installation	15.00	4.75
Communication equipment	15.00	4.75
Office equipment	15.00	4.75
Computers	33.33	16.21
Mobile phones	33.33	4.75

4. The Company has been exempted by the Company Law Board vide letter dt.09.02.2010 from disclosure requirement relating to Licensed capacity, Installed capacity, Actual production and Quantitative details as required by Part II of Schedule VI to the Companies Act, 1956.

C. GENERAL

1. ERP system:

(i) Change in costing methodology consequent to introduction of ERP

With the introduction of ERP system, stage level production orders are opened vis-à-vis batch work orders under the Legacy system.

The valuation of such stage level production orders are done on standard cost basis. There is a provision to review the cost and revise the same to bring it as close as possible to actual cost. Thus the closing stock of work-in-progress and finished goods though valued at standard cost are adjusted (including cost redistribution) to nearly the actual cost and the difference, if any, is not material.

Variances arising on account of difference between Standard Cost and the actual cost, on account of change in the nature of inputs from bought-out to internally manufactured or vice versa, timing difference between standard cost and actual occurrence during the financial period and fluctuations in the material prices and the exchange rate, is adjusted in the Cost of Production in order not to carry forward the period variances to subsequent financial period.

- (ii) Provision towards Obsolescence is made as per provisioning norms consistently followed and is based on ageing of inventory as per ERP.
- (iii) Physically verified and reconciled inventory balances have been up-loaded in ERP at the time of migration to ERP. Physical verification has been done on a perpetual basis while reconciliation of the physical balance with ERP balance could not be on-line. No significant



BEML LIMITED

discrepancies have been noticed on subsequent reconciliation of physical balances as per stock verification with ERP balances, considering the delay in recording of transactions, to the extent identified.

- (iv) Balances with Government Departments are subject to reconciliation and consequential adjustments, if any.

2. Sales

- (i) Sales include revenue recognised in terms of Accounting Policy No.4(i) representing Sales covered by Goods Carrier Notes amounting to Rs.12260.92 lakhs (Pr. Yr. Rs. 11985.80 lakhs) and Custodian Certificate cases amounting to Rs. 17560.76 lakhs (Pr. Yr. Rs. 5427.46 lakhs) for which necessary excise duty has been provided, where the equipments were lying in the Company premises as at 31/03/2010.
- (ii) Sales include revenue recognized in terms of Accounting Policy No.4(i) amounting to Rs.8660.16 lakhs representing sales on FOR Destination basis in respect of which the goods have been handed over to transporter on or before 31/03/2010 and are in transit as on 31/03/2010.
- (iii) Sales include Rs. NIL lakhs (Pr. Yr. Rs. 3408.50 lakhs) revenue recognised in terms of Significant Accounting Policy 4(i) representing Sale of ACEMU Coaches stalled pending fitment of Wheel sets to be supplied free of cost by the customer.
- (iv) Sales include Rs. 58302.41 lakhs (Pr. Yr. 8256.90 lakhs) representing revenue recognized under Accounting Policy No 4(ix) in respect of Metro coaches supplied to customer in terms of Supplementary Consortium Agreement dated 6.6.2008 entered in to between the Members of the Consortium authorizing the Company to make sale of whole of the scope under the main contract awarded to the Consortium and on which the terminal taxes and duties are being discharged by the Company under the applicable laws.

3. Inventories

- (a) Negative work orders amounting to Rs. 3488.37 lakhs (Pr. Yr. Rs. 2015.36 Lakhs) are reduced to arrive at the closing value of Work in progress and the company does not expect to have any material impact on Cost of production for the F.Y.2009-10.
- (b) Includes materials lying with sub contractors Rs. 2469.95 lakhs (Pr. Yr. Rs. 2701.54 lakhs) and with customers for trials etc., Rs. NIL lakhs (Pr. Yr. Rs. Nil). Of these, confirmation from the parties is awaited for Rs. 1638.90 lakhs. (Pr. Yr. Rs. 768.66 Lakhs).
- (c) The identification of the value of Jigs (presently shown under Other Current Assets) to be disclosed under Fixed Assets as per the opinion of the Expert Advisory Committee of Institute of Chartered Accountants of India is pending/not feasible/not possible/ not practicable. However there will be no impact on the Profit and Loss Account as the company is amortizing the expenditure incurred (which would be equivalent to the depreciation to be charged) in terms of Accounting Policy No. 13(i).
- (d) Finished goods includes equipment worth Rs. 78.66 lakhs (Pr. Yr. Rs. 78.66 lakhs) developed for the development of Radio Control Dozer and Disaster Management Equipment under Project funded by Technology Information Forecasting and Assessment Council (TIFAC) (a Government body), and presently held for demonstration. The funds received from TIFAC:

shown under liabilities are to be refunded in five equal installments in the event of commercial production and in case of sale of technology, 50% of the sale value has to be refunded to TIFAC. None of the events have taken place as on the Balance Sheet date.

- (e) The company has received materials free of cost with no value indicated and is held in trust for utilisation in manufacture of their products only.

4. **Fixed Assets:**

- Includes expenditure on development of land at KGF (1849 acres and 5 guntas) received free of cost from Government of Karnataka
- Includes Cost of building valued at Rs. 26.82 lakhs (Pr. Yr. Rs. 26.82 lakhs) on lease with an option to buy for a nominal sum of Rs. 0.15 lakhs at the end of 99 years from the date of taking possession viz., February'83 / April'84.
- Includes cost of building pending registration / khatha transfer valued at Rs. 33.00 lakhs (Pr. Yr. Rs. 33.00 lakhs)

5. The total amount towards Lease / Sale of facilities, comprising mostly land, belonging to Bharat Gold Mines Limited (a company under orders of winding up by BIFR) is yet to be ascertained. The company has started utilizing the facilities from May 2005 and a sum of Rs.100 lakhs has been paid, which is included under capital work-in-progress (sch.6). As the nature of transaction is undecided no amount has been charged to the Profit and Loss Account till date. This amount is not likely to be material. The Company has incurred an expenditure of Rs.1133.65 lakhs (Pr.Yr. 786.87 lakhs) (Gross block) for civil works on the said land which is included in Schedule 6.

6. **Follow on Public Issue**

The company raised Rs.52675 lakhs through Follow on Public issue during 2007-08. The status of utilisation of issue proceeds as on 31st March 2010 is as follows:

Projects	Current Year Amount (Rs. Lakhs)	Previous Year Amount (Rs. Lakhs)
Capital Expenditure on Metro Coach facility, Wind Mill Project and Up-gradation of other facilities	28902.61	24493.42
Voluntary Retirement Scheme	1586.58	1359.27
R&D Centre of Excellence	900.00	900.00
Issue Expenses	1382.59	1382.59
General Corporate purpose	8278.45	8241.16
Green Field Project (*)	1982.68	-
Total	43032.91	36376.44

The unspent amount of Rs. 9642.09 Lakhs (PY Rs.16298.56 Lakhs) is deposited in short term fixed deposits with Scheduled Banks and is included in Schedule No: 10 Cash and Bank Balances.

- (*) Reappropriated out of Funds earmarked for VRS in FPO, as approved by 45th Annual General Meeting held on 25.09.2009.

7. (i) Sundry Debtors (including a sum of Rs.31539 lakhs outstanding for more than one year which in the opinion of management is realisable), advances, sundry creditors and deposits are subject to confirmation. There are certain old balances pending review/ adjustment. The Management does not expect any significant impact upon such reconciliation.



BEML LIMITED

- (ii) Consequent upon receipt of Bulk Production clearance from the customer, no further provision has been made during the current year. Provision amounting to Rs.2026.41 lakhs has been withdrawn as no longer required out of the amount of contractual obligations provided in the Accounts amounting to Rs. 12688.88 lakhs on the basis of supplies made under the project since no further liability is anticipated on those supplies.

8. Inter Corporate Loans:

As on 31st March 2010, the company has received Rs.14166.00 lakhs from M/S. Coal India Ltd, against Company's Corporate guarantee, as a partial funding for a back to back financing of the term loan of Rs 7500.00 lakhs given by the company to M/S. JK Industries Ltd, and Rs. 7500.00 Lakhs to M/S Apollo Tyres Ltd, (which is secured against first charge on the assets to be created by way of hypothecation in favour of the company). These back to back loans are for setting up of additional manufacturing facility for OTR tyres in order to ensure uninterrupted supply of such tyres for equipment to be supplied by the company to Coal India Ltd.. The loans received are disclosed under Unsecured Loans - Schedule 3A and loans are included under Loans and Advances Schedule 12.

9. Profit and Loss Account

◆ Break up of Remuneration to Auditors (Schedule 21):

(Rs. Lakhs)		
Statutory Auditors	Current Year	Previous Year
(a) Towards Audit Fee	7.00	5.00
(b) Half yearly Audit fee	3.00	3.00
(c) Tax Audit Fee	2.10	2.10
(d) Limited review	3.00	3.00
(e) Other Services	3.19	2.16
Total	18.29	15.26

◆ Tax Deducted at Source on Income (Schedule 17):

(Rs. Lakhs)		
Nature	Current Year	Previous Year
a) Interest on Call and Term Deposit from Banks	213.48	659.64
b) Inter Corporate Loans	125.68	-

10. Pending completion of legal formalities as per foreign laws, in respect of foreign offices/ companies, the expenditure incurred thereof has been recorded in the company's books of accounts.

11. Figures of previous year have been regrouped/ reclassified/ recast wherever necessary to conform to current year's presentation.

Refer our report of even date

For and on behalf of the Board of Directors

For RAO ASSOCIATES

Chartered Accountants

G. SUDHINDRA

Partner

Membership No. 26171

FRN No. 003080S

Place : Bangalore

Date : 28.05.2010

M. PITCHIAH

Director (Finance)

VRS. NATARAJAN

Chairman & Managing Director

M E V SELVAMM

Company Secretary

Part IV of Schedule VI to Companies Act, 1956, in terms of Government of India Notification dated May 15, 1995

Balance Sheet Abstract and Company's General Business Profile.

I. Registration Details			
Registration No. (CIN)	1.35202KA1964GOI001530	State Code	08
Balance Sheet Date	31 03 2010		
	D M Y		
II. Capital Raised during the year (Amount in Rs. Thousands)			
Public Issue	NIL	Rights Issue	NIL
Bond Issue	NIL	Private Placement	NIL
III. Position of Mobilisation and Deployment of Funds : (Amount in Rs. Thousands)			
Total Liabilities	29463927	Total Assets	29463927
Sources of Funds			
Paid up Capital	417722	Reserves & Surplus	19960670
Secured Loans	7530549	Unsecured Loans	1554986
Deferred Tax Liability	-		
Application of Funds			
Net Fixed Assets	3060808	Investments	81989
Net Current Assets	25964612	Misc. Expenditure	14543
Accumulated Losses	NIL	Deferred Tax Assets	341975
IV. Performance of the Company (Rs. in Thousands)			
Turnover	28382395	Total Expenditure	28070926
Profit / Loss Before Tax	3195479	Profit / Loss After Tax	2228482
<input checked="" type="checkbox"/> Profit <input type="checkbox"/> Loss (Please tick appropriate box)			
Earnings per share	53.51	Dividend Rate (%)	100
V. Generic Names of Three Principal Products / Services of the Company (as per monetary terms)			
Item Code No. (ITC Code)	842900		
Product Description	BULL DOZERS, SHOVELS, EXCAVATORS		
Item Code No. (ITC Code)	870410		
Product Description	DUMPERS		
Item Code No. (ITC Code)	860500		
Product Description	RAILWAY / TRANSWAY PASSENGER COACHES		

For and on behalf of the Board of Directors

M. PITCHIAH
Director (Finance)

V. RS. NATARAJAN
Chairman & Managing Director

Place : Bangalore
Date : 28.05.2010

M E V SELVAMM
Company Secretary

For BEML LIMITED


COMPANY SECRETARY



BEML LIMITED

Addendum to the Directors' Report

Auditors' Report

Company's Reply

To the Members of BEML Limited,

1. We have audited the attached Balance Sheet of BEML Limited as at 31st March 2010, the Profit and Loss Account and the Cash Flow statement for the year ended on that date. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are prepared, in all material respects, in accordance with an identified financial reporting framework and are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditors' Report) Order, 2003 as amended by Companies (Auditor's Report) (Amendment) Order, 2004 (together 'the Order'), issued by the Central Government of India in terms of subsection (4A) of Section 227 of 'The Companies Act, 1956' of India (the 'Act') and on the basis of such checks of the books and records of the Company as we considered appropriate and according to the information and explanations given to us, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.

Addendum to the Directors' Report

Auditors' Report

4. Reference is invited to Note No. C-1 and C-7, Schedule 25 in respect of matters stated therein. The impact on accounts, if any, is at present not ascertainable.

Company's Reply

Note No. C1: Consequent to ERP implementation across the Company covering all operations including Marketing the variations in Costing methodology etc., as detailed in the Note, corrections, if any, will be carried out to the extent found material during FY 2010-11.

Note No. C7: While the company has sought for confirmation and the same has been furnished only in a few cases. The realization and payment of dues subsequent to Balance sheet date are in support of financial statements in majority of cases subject to timing difference in accounting of customers and vendors.

In respect of contractual obligations there is no additional liability since further supplies have been cleared by the customer in terms of bulk production clearance. Part of the provision has been withdrawn based on the supplies already made, since no further liability is anticipated on those supplies.

5. Further to our comments in the Annexure referred to in Paragraph 3 above and subject to our comments in Paragraph 4 above, we report as follows:
- (a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit.
 - (b) Proper books of accounts as required by law have been kept by the Company so far as it appears from our examination of these books and proper returns adequate for the purpose of audit have been received from offices not visited by us.
 - (c) The Balance Sheet, Profit and Loss Account and the Cash Flow statement dealt with by this report are in agreement with the Books of Accounts maintained by the Company.
 - (d) In our opinion, the Balance Sheet, Profit



Addendum to the Directors' Report

Auditors' Report

Company's Reply

and Loss Account and the Cash Flow Statement comply with the Accounting Standards referred to in Sub-section (3C) of Section 211 of the Companies Act 1956 except Accounting Standard 9 relating to Revenue Recognition in respect of Sales relating to:

- a. Items covered under Note No: C (2)(i), Schedule 25 where, in our opinion, significant risks and rewards have not been passed on to the customers on or before 31st March 2010 on the lines expressed by the Expert Advisory Committee of The Institute of Chartered Accountants of India resulting in overstatement of Sales to the extent of Rs. 29821.68 Lakhs and Net profit before tax to the extent of Rs. 3943.78 Lakhs with consequential effect on Sundry Debtors & Inventories and

Reference is invited to the disclosure in Note No.C(2)(i), Schedule 25 forming part of Accounts. Further, it is stated that in respect of sales valued at Rs.29821.68 lakhs, the revenue recognition is consistent with past practice and is in line with the opinion of the Expert Advisory Committee of the Institute of Chartered Accountants of India, Legal Opinions and the relevant judgment of the Hon'ble Supreme Court of India.

The Company has taken initiatives with the Customers to specify "Ex-works" delivery conditions in their Purchase Orders in order to remove the ambiguity in interpretation as to the timing of transfer of risks and rewards of Ownership especially considering the fact that the transport and insurance arrangements are being made by the Company for and on behalf of Customers with the attendant costs and consequences. The Company under its open policy specifies the Customer/Consignee as the beneficiary under the Insurance Policy. In all these cases, the Customer reimburses the cost of transport and Insurance under express provisions in the contract. This practice of Revenue Recognition is not only in line with the Accounting Policy of the Company and the provisions of Indian Sale of Goods Act, 1930, but also accepted by Customers supported by the Custodian Certificates. In case of GC Notes Sales, efforts are being made with Customers to change the Payment term from "Payment on receipt of equipments" to "Payment against dispatch documents".

As against Rs.29821.68 lakhs recognized as sale for FY 2009-10 covered by GC and CC a sum of Rs.12560.39 lakhs have already been collected as on 24/06/2010.

Addendum to the Directors' Report

Auditors' Report

- b. Certain cases where the significant risks and rewards of ownership in terms of the contract have not passed on to the buyer on or before 31/03/2010 resulting in overstatement of Sales by Rs. 8660.16 Lakhs and overstatement of Profit by Rs. 2754.70 Lakhs with consequential effect on Sundry Debtors and Inventories.

- (c) We further report that without considering the impact of items mentioned in Paragraph 4 above the effect of which is not presently ascertainable, had the observations made by us in Paragraphs 5(d) above been considered:

- (i) Sales for the year would have been Rs. 317285.85 Lakhs instead of Rs. 355767.69 Lakhs reported by the company;
- (ii) Sundry Debtors would have been Rs. 97591.91 Lakhs instead of Rs. 136073.75 Lakhs reported by the company;
- (iii) Inventories would have been Rs. 193851.80 Lakhs instead of Rs. 165300.30 Lakhs reported by the company
- (iv) Net Profit before tax for the year would have been Rs. 25256.31 Lakhs instead of Rs. 31954.79

Company's Reply

In respect of sales valued at Rs.8660.16 lakhs disclosed vide Note No.C(2)(ii), Schedule 25 forming part of Accounts the revenue recognition is based on unconditional appropriation in line with the Accounting Policy as at 4(i). In terms of Section 23(1) of Indian Sale of Goods Act, 1930, the property in the Goods has been transferred to the Customers by unconditional appropriation of equipments in a deliverable state. In terms of Section 23(2) of the Act the unconditional appropriation is complete by delivering the goods to the Carrier without reserving the right of disposal. All the equipments have been dispatched to and received by Customers as on 24/6/2010. Further, a sum of Rs. 5968.23 lakhs have also been collected from Customers.

Accordingly, the Revenue Recognition amounting totally to Rs.8660.16 lakhs is in order.

In view of the above Sales, Sundry Debtors, Inventories, Net Profit before tax and Reserves and Surplus are as stated in the Financial Statements.



Addendum to the Directors' Report

Auditors' Report

Company's Reply

Lakhs reported by the company

- (v) Reserves and Surplus would have been Rs. 192908.22 Lakhs instead of Rs. 199606.70 Lakhs reported by the company.
- (f) Being a government company, the provisions of Sec 274(1)(g) of the Act relating to disqualification of Directors are not applicable to the company in terms of notification no: GSR 829(E) dated 21/10/2003.
- (g) In our opinion and to the best of our information and according to the explanations furnished to us the said Accounts read with the Significant Accounting Policies and the Notes appearing in Schedule 25 give the information as required by the Act in the manner so required, and give a true and fair view:
- (A) In the case of Balance Sheet, the State of Affairs of the Company as at 31st March 2010;
- (B) In the case of Profit and Loss Account of the profit for the year ended on that date;
- (C) In the case of Cash Flow Statement, of the cash flows for the year ended on that date.

For **RAO ASSOCIATES**
CHARTERED ACCOUNTANTS

For and on behalf of the Board of Directors

(G. SUDHINDRA)
PARTNER
Membership No.: 26171
FRN No. 003080S
Place: Bangalore
Date: 28.05.2010

V. RS. NATARAJAN
Chairman & Managing Director

**ANNEXURE REFERRED TO IN
PARAGRAPH 3 OF AUDITORS' REPORT
ON THE ACCOUNTS OF BEML LIMITED
FOR THE YEAR ENDED 31ST MARCH 2010**

Addendum to the Directors' Report

Auditors' Report

Company's Reply

1. In respect of its fixed assets:
 - (a) The company is maintaining proper records showing full particulars including quantitative details and situation of fixed assets.
 - (b) According to the information provided by the management the fixed assets have been physically verified during the year, which in our opinion is reasonable having regard to the size of the company and nature of its assets and no material discrepancies have been noticed between book records and the physical inventory.
 - (c) As verified from the records the disposal of assets during the year were not substantial so as to affect its going concern.
2. In respect of its inventories:
 - (a) The company has conducted physical verification of inventories (excluding materials lying with third parties) during the year in accordance with the program designed to cover all items over a phased manner. In respect of materials with third parties these are confirmed by them in a few cases (Refer Note: C 3(b) Schedule 25). In our opinion the frequency of verification is reasonable.
 - (b) The procedure for conducting physical verification of inventories appear to be reasonable and adequate in relation to the size of the company and the nature of its business except in respect of non moving inventory and work in progress, which has not been verified during the year.
 - (c) The company has maintained proper records for inventories. As indicated in



Addendum to the Directors' Report

Auditors' Report

Note No. C 1, Schedule 25, in view of introduction of ERP and the consequential delay in recording of transactions, there has been a delay in reconciliation between physical stocks (which have been verified perpetually) and book records. No material discrepancies have been noticed upon such reconciliation to the extent identified and these have been adequately dealt with in the books of accounts.

3. The company is a Government Company and is exempt from complying with the provisions of Section 297 of the Act in terms of Notification No: GSR 233 dated 31/01/1978 in relation to transaction with other Government entities and consequently the requirement for maintenance of records under section 301 of the Act relating to granting/borrowing of loans from such parties does not apply. We are also informed that there are no other transactions attracting the provisions section 297/299 of the Act. Hence clauses 4(ii)(b) to 4(ii)(d), 4(ii)(f) and 4(ii)(g) of the order are not applicable to this company.
4. In our opinion and according to the information and explanations furnished to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business for the purchase of Inventory and Fixed Assets, **subject to delay in recording of transactions consequent upon introduction of ERP.** On the basis of our examinations of the books and records carried out in accordance with the auditing standards generally accepted in India and according to the information and explanations given to us we are of the opinion **that the internal control systems in respect of recognition of sale of goods requires to be strengthened which is an instance of continuing failure to correct major weaknesses in Internal Control.**

Addendum to the Directors' Report

Auditors' Report

Company's Reply

5. For reasons and facts indicated in paragraph 3 above there are no contracts or arrangements required to be entered in the register maintained under section 301 of the Act. Hence clauses 4(v)(a) and 4(v)(b) of the order are not applicable to this company.
6. The Company has not accepted any deposits during the year attracting the provisions of Sec 58A, 58AA or any other relevant provisions of the Companies Act 1956. Therefore, the provisions of Clause 4(vi) of the Order are not applicable to the company.
7. In our opinion, the Company has an Internal Audit System commensurate with the size of the company and the nature of its business. In view of implementation of ERP and also considering the internal control weakness reported in Para 4 above, we are of the opinion that Internal Audit system requires to be strengthened.
8. The Central Government has proscribed maintenance of Cost Records under Section 209(1)(d) of the Companies Act, 1956 in respect of Internal Combustion Engines and Heavy Earthmoving Equipments manufactured by the company. We have broadly reviewed the books of account maintained by the company pursuant to the rules made by the Central Government for the maintenance of cost records and are of the opinion that prima facie the required records have been made and maintained. We are not required to and, accordingly have not made a detailed examination of the records.
9. In respect of Statutory Dues:
 - (a) The company is generally regular in depositing the undisputed statutory dues including Sales Tax, Provident Fund, Investor Education Fund, Employees State Insurance, Income Tax, Wealth Tax, Service Tax, Customs Duty, Excise Duty, Cess or other statutory dues and no undisputed amounts in respect of these



BEML LIMITED

Addendum to the Directors' Report

Auditors' Report

Company's Reply

cases were outstanding for a period of more than six months from the date they became due as at the end of the year.

- (b) The details of disputed Income Tax/ Sales Tax/ Customs Duty/ Wealth Tax/ Service Tax/ Excise Duty/ Cess as at the end of the year is detailed hereunder:

Sl. No.	Nature of Disputed Tax	Forum where the dispute is pending	Amount (Rs. Lakhs)
1	Central Excise	Original Authority	111.75
2	Central Excise	High Court of Karnataka	30.00
3	Central Excise	CES IAT	197.90
4	Customs Duty	Original Authority	2203.25
5	Sales Tax	Appellate Tribunal	10.62
6	Sales Tax	Appellate Commissioner	347.11
7	Sales Tax	Appellate Authority	75.81
8	Sales Tax	DCC	91.15
9	Service Tax	Original Authority	721.34
10	National Customs Contingency Duty	Original Authority	583.10

10. The company does not have accumulated losses at the end of the financial year and has not incurred cash losses in the financial year under review and in the immediately preceding financial year. Hence clause 4(x) of the Order is not applicable.
11. Based on our audit procedures and according to the information and explanation given to us the Company has not defaulted in repayment of dues to bank. There are no dues to any financial institution or on account of debentures.
12. In our opinion and according to the explanations given to us and based on the information available, the company has not granted any loans or advances on the basis of security by way of pledge of shares/ debentures and other securities.
13. The Company is not a chit fund or a nidhi/ mutual benefit fund/ society. Therefore, clause 4(xiii) of the Order is not applicable to the Company.
14. In our opinion the company is not dealing in

Addendum to the Directors' Report

Auditors' Report

shares, securities, debentures and other investments. Hence clause 4(xiv) of the Order is not applicable to the company.

15. The company has given guarantee to a loan taken by another Company from a bank. The terms and conditions, prima facie, in our opinion, are not prejudicial to the interest of the company.
16. According to the information and explanations furnished to us and as shown by the records, no term loans were raised by the company from Banks or Financial Institutions during the year.
17. According to the information and explanation furnished to us and on an overall examination of the Balance Sheet of the company as at 31st March 2010, no funds raised on short-term basis have been used for long-term purposes.
18. During the year the Company has not made any preferential allotment of shares.
19. The company has not issued any debentures and hence clause 4(xix) relating to creating of charge is not applicable.
20. The company has raised monies through Follow On Public Offering in the earlier year and the status of utilization of funds is indicated in Note No. C 6, Schedule 25 and has been verified by us.
21. In our opinion and according to the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the year.

For RAO ASSOCIATES
CHARTERED ACCOUNTANTS

(G. SUDHINDRA)
PARTNER
Membership No.: 26171
FRN No. 003080S

Place: Bangalore
Date: 28.05.2010

Company's Reply

For and on behalf of the Board of Directors

V. RS. NATARAJAN
Chairman & Managing Director



BEML LIMITED

COMMENT OF THE COMPTROLLER AND
AUDITOR GENERAL OF INDIA UNDER SECTION
619(4) OF THE COMPANIES ACT 1956 ON THE
ACCOUNTS OF BEML LIMITED; BANGALORE
FOR THE YEAR ENDED 31 MARCH 2010

COMPANY'S REPLY

The preparation of financial statements of BEML LIMITED for the year ended 31st March 2010 in accordance with the financial reporting framework prescribed under the Companies Act, 1956 is the responsibility of the management of the Company. The statutory auditors appointed by the Comptroller and Auditor General of India under Section 619(2) of the Companies Act, 1956 are responsible for expressing opinion on these financial statements under section 227 of the Companies Act, 1956 based on independent audit in accordance with the auditing and assurance standards prescribed by their professional body the Institute of Chartered Accountants of India. This is stated to have been done by them vide their Audit Report dated 28 May 2010.

I on behalf of the Comptroller and Auditor General of India have conducted a supplementary audit under section 619(3)(b) of the Companies Act, 1956 of the financial statements of BEML LIMITED for the year ended 31st March 2010. This supplementary audit has been carried out independently without access to the working papers of the statutory auditors and is limited primarily to inquiries of the statutory auditors and Company personnel and a selective examination of some of the accounting records. Based on my supplementary audit, I would like to highlight the following significant matter under section 619(4) of the Companies Act, 1956 which has come to my attention and which in my view are necessary for enabling a better understanding of the financial statements and the related Audit Report:

A. COMMENT ON PROFITABILITY

Profit and Loss Account

Sales (Schedule -16)-Rs.2838.24 crore

The above includes an amount of Rs.184.92 crore being the sales recognised in respect of 303 Tata vehicles based on 'offer of vehicles for inspection' as on 31 March 2010. The terms of the customer

Revenue has been recognized based on unconditional appropriation as per Accounting Policy No.4(i) of the company consistently followed.

COMMENTS CONTD...

COMPANY'S REPLY

order stipulate that the date of offering vehicles for inspection to the Inspecting Officer will be treated as date of delivery subject to successful acceptance. However, these vehicles were not inspected/accepted till 31 March 2010. Hence, recognition of sales was in contravention of Accounting Standard-9 prescribed under section 211(3C) of the Companies Act, 1956. This has resulted in overstatement of sales by Rs.184.92 crore and understatement of profit by Rs.6.77 crore.

As indicated in the Comment the terms of Contract stipulate that date of offering vehicles for inspection to the Inspecting officer will be treated as delivery subject to successful acceptance. All the Vehicles have been offered for inspection on or before 31st March, 2010. The delivery to be reckoned as per the Supply order is not based on successful acceptance but is only subject to successful acceptance. There is no time-limit specified in the Supply Orders with respect to inspection from the date of offer for inspection.

Normally, there is a time-lag between the date of offering the vehicles for inspection and the actual date of inspection since the inspecting officer carries out inspection as per the procedures and schedules of the specified Inspection Authority.

The practice consistently followed by the Company is to carry out inspection in three stages viz., Stage inspection during manufacturing, Final Inspection during rolling-out and Pre despatch Inspection. With this practice in vogue it is ensured that the Vehicles do not get rejected at any stage including the Inspection by the Customer or the specified Inspection Authority.

Accordingly, significant risks and rewards of ownership are transferred to the Customer upon offer for inspection as has been consistently followed in the past.

Hence, there is no contravention of Accounting Standard-9 since there is transfer of significant risks and rewards of ownership as envisaged therein.

In view of the above, the Revenue recognition is in order.

For and on the behalf of the
Comptroller & Auditor General of India

(C.H. Kharshiing, IA & AS)
Pr. Director of Commercial Audit
& ex-officio Member, Audit Board, Bangalore

Place: Bangalore

Date : 19th July 2010.

For and on behalf of the
Board of Directors

(V. RS. Natarajan)
Chairman & Managing Director

**Statement pursuant to Section 212 of the Companies Act, 1956,
relating to Subsidiary Company**

Name of the Subsidiary Company	: Vignyan Industries Limited
The 'Financial Year' of the Subsidiary ended on	: 31 st March, 2010
Number of shares in the subsidiary held by BEML Limited and its nominees at the above date	: 2,69,376 equity shares of the face value of Rs.100/- each

The net aggregate of profit / loss of the subsidiary
company so far as it concerns the members of BEML

1) Dealt within the accounts of BEML amounted to

- a) For the subsidiary's financial year ended 31st March, 2010 : Nil
- b) Up to previous financial year of the subsidiary since it
became subsidiary of BEML : Nil

2) Not dealt within the accounts of BEML amounted to

- a) For the subsidiary's financial year ended
31st March, 2010 : Rs.291.89 lakhs (Profit)
- b) Up to previous financial year of the subsidiary
since it became subsidiary of BEML : Rs.1170.24 lakhs (Profit)

Place : Bangalore	M E V Selvamm	M. Pitchiah	V. RS. Natarajan
Dated : 28.05.2010	Company Secretary	Director (Finance)	Chairman & Managing Director

**INFORMATION FOR THE INVESTORS AS REQUIRED BY THE MINISTRY OF
CORPORATE AFFAIRS**

Information related to M/s Vignyan Industries Limited, Subsidiary Company of BEML Limited for the
Financial Year ended 31.03.2010;

(Rs. lakhs)			
(a) Capital	278.97	(f) Turnover (Gross)	3591.34
(b) Reserves & Surplus	625.15	(g) Profit Before Tax	291.89
(c) Total Assets (Gross Block)	1626.69	(h) Provision for Tax	120.83
(d) Total Liabilities	550.20	(i) Profit After Tax	171.06
(e) Details of Investment	NIL	(j) Proposed Dividend (%)	7.50